

How Families Can Invest in Real Estate with Significant Tax Savings



Interview with: Gene King of Sequence Financial Specialists LLC

"US investors may potentially reduce their income tax through the use of an alternative investment strategy," says Gene King of **Sequence Financial Specialists LLC**. "Private wealth managers can consider a relatively new strategy for their client to invest into a real estate transaction that offers multiple alternative investment strategies. If a conservation easement is selected, a charitable contribution is available, thus reducing the individual's income taxes. This type of real estate transaction makes financial sense for those in the high income tax bracket," King adds.

Sequence Financial Specialists LLC is a financial services company participating in the **marcus evans Private Wealth Management Summit Spring 2017**, taking place in Florida, June 4-6, 2017.

How does this type of transaction work? Why would a high income producing individual participate?

An LLC funded by investors through a Private Placement Memorandum ("PPM") purchases another LLC that holds real estate. After the purchase, the investor must make an economic decision regarding the investment strategy. For example, the group may choose to buy and hold, develop for commercial, industrial or residential use, or place the land into a conservation easement. Anyone investing in an alternative investment strategy is advised to thoroughly read the documents to understand the product they are purchasing.

If the invest and hold strategy is selected, the property is held for future appreciation. This is the most conservative option; since there is less risk, there is lower potential for economic benefit. A small income stream is usually available (for example, hunting leases & timber sales); but the investment is otherwise illiquid until the property is sold.

The option to develop offers the highest risk and highest economic benefit, usually received in 5-10 years. To implement this approach, additional funding is required through additional investment by the investors or solicitation of debt and/or new equity.

If a conservation easement is selected, an investor would have a contribution deduction in the year of the investment; the higher the individual tax bracket, the higher the savings. An easement is a legally binding contract between a landowner and a qualifying land trust that restricts the type and amount of development on the real estate and continues with the land even if the real estate is sold. The reduction in value of the real estate as a result of the easement allows an investor to receive tax benefits.

Is this type of transaction new? What is the best way of getting access to it?

While this type of transaction is relatively new, the concept is expanding throughout the country. Because of the complexity of the transaction, I believe it is better to invest with a licensed broker dealer who is experienced in these types of transactions.

What risks should investors be aware of? What can they avoid and how?

It is important that each transaction is structured properly in accordance with Securities regulations, US laws and IRS guidelines.

If the conservation easement option is selected, it must be placed with a qualifying land trust organization. The IRS may disallow a deduction if specific

guidelines are not met. Sponsors can provide a certain level of protection for the investor by having a third party due diligence review and a tax opinion issued indicating whether it meets IRS guidelines. Further, the IRS may attempt to disallow a portion of the contribution deduction if they believe the valuation is too high. Therefore, it is important to have a qualified and experienced appraiser sign off on the valuation. Some sponsors receive a second appraiser to perform a "review" appraisal to provide further support for the valuation.

Do you have any final words of advice?

For those who are new to this product, it is recommended that all investors spend the time to educate themselves and have their tax advisors review the PPM and related documents. Prior to investing, each investor is advised to weigh the risks against the economic benefit. When properly vetted, this product can provide substantial economic benefit for the high net worth individual.

This is a way for owners to financially monetize on what they are willing to give up

About the Private Wealth Management Summit Spring 2017

The **Investment Network** – **marcus evans Summits** group delivers peer-to-peer information on strategic matters, professional trends and breakthrough innovations.



Please note that the Summit is a closed business event and the number of participants strictly limited.

The 20th Private Wealth Management Summit is the premium forum bringing leaders from America's leading single and multi-family offices and service providers together. The Summit offers service providers and executives from single and multi-family offices an intimate environment for a focused discussion of key new drivers shaping the future of the industry. Taking place at The Ritz-Carlton Orlando, Grand Lakes, Florida, June 4-6, 2017, the Summit includes presentations on the changing impact of market forces, active vs passive investing, multigenerational family issues and socially responsible investing.

www.privatewealthsummit.com

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About Sequence Financial Specialists LLC

Sequence Financial Specialists LLC ("Sequence") is a boutique investment banking firm and Managing Broker Dealer for alternative investments headquartered in Charleston, SC.

As a Managing Broker Dealer we work with wealth managers, RIAs and other broker dealers to raise capital for sponsors through private placement memorandums. As Financial Transaction Specialists, we work with small to middle market companies throughout the Southeast to help with debt restructuring, growth capital, mergers, acquisitions and exit strategies. We have assembled a team with a collective 100 + years of business experience to provide our services.

www.sequencefinancialspecialists.com

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To view the web version of this interview, please click here: <http://events.marcusevans-events.com/pwm2017-gene-king>