LEGACY
INVESTMENTS
& REAL ESTATE

Integrating Passive Real Estate into Your Financial Portfolio

REAL ESTATE HAS LONG BEEN CONSIDERED A SOUND INVESTMENT DUE TO ITS MANY POTENTIAL BENEFITS AS WELL AS THE MARKET'S GENERALLY LOWER VOLATILITY IN COMPARISON TO THE STOCK MARKET.

Potential Advantages of Investing in Real Estate

- Creates an additional income stream from a tenant's monthly rent payment and/or the profits realized from the sale of the property
- Historically, real estate value tends to increase over time
- Carries a lower day-to-day volatility and is less affected by market corrections compared to other investment types
- Offers a hedge against inflation since home values and rent prices typically increase during times of inflation
- Provides multiple pass-through tax benefits such as depreciation, tax deferral opportunities, and several expense-related write-offs
- Offers tax advantages that are not available to other classes of investments

Potential Disadvantages of Investing in Real Estate

- Considered an illiquid asset because of the inspections, appraisals, and other various procedures required before the property's sale
- The responsibilities of property oversight and management can be burdensome and time consuming

Understanding Your Real Estate Investment Options

While the concept of investing in real estate is nothing new, many investors are still unaware that their options for real estate investments extend beyond the purchase and management of physical properties.

LANDLORDING

Purchase properties to rent out to tenants

FLIPPING

Purchase properties to either hold and quickly resell or repair/update and resell

PASSIVE INVESTING

Be a passive real estate investor with the help of Legacy

Active vs. Passive Investing

When choosing an investment strategy, it is important to distinguish between your active and passive investment options. Active investment strategies require a more hands-on management approach, while passive investment strategies require no ongoing involvement from the investor.

Landlording or flipping a home are both considered active investment strategies. You will have an active role in the management, rehab, and eventual sale of the property. Often associated with large profit margins, active strategies naturally require significant time and effort—something many investors want to avoid.

For many accredited investors, passive investing through securitized real estate can provide an investment option that offers the best of both worlds.

Passive investing through securitized real estate removes the responsibility of property management, making it a passive investment strategy. Structured and managed by sponsors with decades of experience in the industry, these larger, institutional-grade investments require no investor participation in the oversight of the property. Instead, investors simply receive the potential for monthly income and other benefits

When should an investor consider passive real estate investments?

Accredited investors may consider a passive real estate investment option if they want to:

- Diversify their portfolios
- Potentially increase their income and total return
- Manage their income tax liability
- Help hedge against inflation, recession, or both
- Capitalize on access to a broader range of assets than were previously available

Types of Securitized Real Estate for Passive Investing

Delaware Statutory Trust (DST)

- An investment vehicle that is often unknown to 1031 and 1033 Exchange investors that qualifies as replacement property in a 1031 and 1033 Exchange and helps defer capital gains tax (per IRS Rev Ruling 2004-86).
- Despite the name, neither the property nor the investors need to be located in Delaware.
- Formed by a third party sponsor, DSTs offer access to institutional properties and management that would typically only be available to large institutional investors.

Opportunity Zone Funds

- A real estate investment strategy to defer taxes on capital gains resulting from the sale of any asset (real estate, a business, stock, primary residence, etc). If you reinvest capital gains realized on any investments in these zones through a qualified opportunity fund (QOF) you can defer taxes on those gains until 2026.

Oil and Gas/Energy Programs

- Alternative energy programs that raise money to invest directly in exploring and drilling for oil or natural gas. If the venture is successful, the program provides income over the productive life of the well or wells. If it's not, for whatever reason, the program yields a loss.
- The program buys or leases land that its sponsor/management team believes can be extracted from for a profit, secures the necessary permits, installs the required equipment, and coordinates the transportation of the oil or gas to storage and refining facilities.
- Energy programs are generally structured as limited partnerships that have one or more general partners and a number of limited partners.
- This kind of investment is used by high net-worth individuals for tax management purposes.

Private Equity Real Estate Investments (LLCs, TICs, etc.)

- Pooled investment funds with a target real estate investment plan that are typically organized as limited partnerships, or LLCs, with the owners of the firm as general partners and the investors as limited partners.
- Underlying investment is real estate with some kind of preferred return to investors.
- Fund managers oversee the acquisition or development, financing, management, and disposition of the real estate on behalf of the investors.

Real Estate Investment Trust (REIT)

- A corporation that invests in real estate through properties or mortgages.
- Typically raise capital to purchase a portfolio of properties over a period of several years to produce a rental income.
- Can be offered as private placement investments to accredited investors or publicly traded.
- Provide an alternative to individual ownership of real estate via fractional ownership in institutional quality real estate.
- Do not qualify as "like kind" for the purposes of a 1031 exchange and therefore are not recognized as a 1031-exchange eligible investment option.

Interval Fund

- A type of closed-end fund that is registered with the SEC under the Investment Company Act of 1940
- Interval funds sell shares continuously at a price based on the fund's net asset value and are generally open to anyone who can afford the minimum investment amount.
- Before purchasing shares, it is important to note that interval funds are illiquid and have no daily repurchase provision as with open-end funds and no secondary market as with exchange-traded funds. Instead, liquidity is provided by periodic repurchase offers that each fund must make to buy back between 5% and 25% of investors' outstanding shares. The offers are made at set intervals which are part of the fund's objectives and policies. Because the repurchase price is based on the fund's NAV as of a particular date, the dollar amounts vary from offer to offer.

Regulation and Transparency

Securitized real estate offerings may be regulated by SEC or FINRA because they are structured and sold as securities. This means that investors must be supplied with a private placement memorandum (PPM) before purchase that provides the offerings, disclosures and due diligence elements of a security.

Investment Considerations

As all investments carry some degree of risk, performing due diligence is an important step in determining if an investment option is right for you. Here are some key points accredited investors may want to consider when reviewing alternative investments:

INCOME AND TOTAL RETURNS

Deals can be structured in several ways and seek to deliver targeted returns over time. Does the investment offer the potential for income and appreciation, or just one or the other? If distributions are expected, when and at what rate?

LIQUIDITY

Can you liquidate your position? When? How? Is there a penalty?

HOLD PERIOD

When is the investment expected to end? Is there a liquidity option in the meantime?

TAX TREATMENT

Are there tax benefits in the investment? How will income/distributions be taxed?

IRA

If investing through a self-directed IRA, is the investment compatible with and appropriate for your self directed IRA?

GEOGRAPHY

Where will the properties be located? Is the fund targeting a specific market or submarket? Are international assets considered?

FINANCING

In addition to investors' capital, what are the other sources of funding? It's important to know the targeted debt-to-equity ratio and sources of bank or other financing.

INVESTMENT MINIMUMS

Some funds require a minimum investment, such as $25,000, $50,000 or $100,000. The investor's initial investment in is illiquid, and it could take years for that money to be returned.

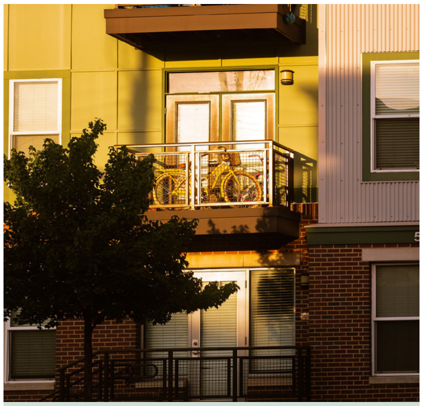
INVESTMENT STRATEGY

What is the investment strategy:

- **Core Real Estate** is the most conservative investment strategy in real estate and focuses on owning high quality, stabilized properties in the most liquid and economically diverse markets. Core real estate usually focuses on income over appreciation.
- **Opportunistic Real Estate** is usually focused on enhancing and creating significant value appreciation through development, change of property use, distressed asset/ownership/market conditions, emerging sectors, and secondaries. Opportunistic strategies may have a limited focus on current income. This style of investing is most successful when there is an imbalance or disruption in the economy.
- **Core Real Estate Debt** is a method of real estate investing accomplished through the issuance of mortgages that are collateralized by real estate.

Investment Real Estate Asset Classes

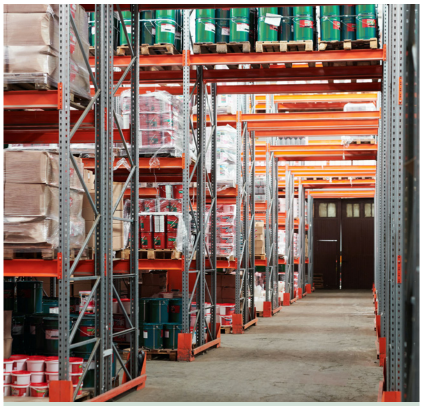
With passive real estate investing, there is no need for management expertise, negotiating or deal-making experience, or large sums of money. While investment real estate may be difficult for you to own yourself, passive investing broadens your investment options, potentially making the following investment real estate asset classes available to you:



Residential

The most common type of real estate investing, residential real estate includes single family homes and multi-unit properties that can be rented out to tenants or sold to homeowners.

- Single family rentals
- Duplex
- Multifamily/Apartments
- Senior Living
- Student Housing



Commercial

Investors who opt for commercial properties may find they represent higher income potential, longer leases, and lower vacancy rates than other forms of real estate.

- Self Storage
- Industrial
- Warehouses
- Essential retail (like grocery stores)
- Medical and Life Science
- Office Buildings
- Hotels

Land

Includes unoccupied or un-or-under-developed areas. While many investors may be unfamiliar with raw land and new construction investing, these investment types can represent attractive profits for investors.

- Vacant Land
- Working Farms
- Ranches

As with any investment, it is important to keep your expectations realistic and research your options before making any decisions. Legacy can help you determine which investment approach and real estate asset classes are right for you based on your unique goals, schedule, skill level, and finances.

Contact us today for professional, tailored guidance on your passive real estate investment needs:

legacyire.com (916) 908-1031

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Because investor situations and objectives vary this information is not intended to indicate suitability or a recommendation for any individual investor.

This is for informational purposes only, does not constitute individual investment advice, and should not be relied upon as tax or legal advice. Please consult the appropriate professional regarding your individual circumstance.

Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated.

Diversification does not guarantee a profit or protect against a loss in a declining market. It is a method used to help manage investment risk.

There are material risks associated with investing in private placements, Delaware Statutory Trusts ("DSTs"), and real estate securities including liquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks, long hold periods, and potential loss of the entire investment principal.

DST 1031 properties are only available to accredited investors (typically defined as having a $1 million net worth excluding primary residence or $200,000 income individually/$300,000 jointly of the last two years; or have an active Series 7, Series 82, or Series 65). Individuals holding a Series 66 do not fall under this definition) and accredited entities only. If you are unsure if you are an accredited investor and/or an accredited entity, please verify with your CPA and Attorney.

The rules and regulations of the Qualified Opportunity Zone (QOZ) Program are complex, and compliance with the QOZ Program comes with significant challenges such as appreciation unpredictability, certain neighborhoods may be less accommodating to development, illiquidity for up to ten or more years, availability and cost of construction and development financing uncertainty, development and redevelopment real estate risks, as well as a number of Jobs Act interpretation uncertainty which may impact future risks, if any.

Oil and gas mineral royalty interests are illiquid investments, are speculative and involve a high degree of risk; investors should be able to bear the complete loss of their investment. In addition, the oil and gas market is affected by many factors, such as general economic conditions, oil and natural gas pricing, financing markets, supply and demand, and other factors that are beyond an Offeror's control. All these factors could restrict an investor's ability to sell their mineral/royalty interests.

There are risks associated with **Real Estate Investment Trusts (REITs)** and include but are not limited to the following: Typically, no secondary market exists for the security listed above. Potential difficulty discerning between routine interest payments and principal repayment. Redemption price of a REIT may be worth more or less than the original price paid. Value of the shares in the trust will fluctuate with the portfolio of underlying real estate. Involves risks such as refinancing in the real estate industry, interest rates, availability of mortgage funds, operating expenses, cost of insurance, lease terminations, potential economic and regulatory changes. This is neither an offer to sell nor a solicitation or an offer to buy the securities described herein. The offering is made only by the Prospectus.

An **interval fund** is a type of closed-end fund with shares that do not trade on the secondary market. Instead, the fund periodically (typically, every 3, 6, or 12 months) offers to buy back a percentage of outstanding shares at net asset value (NAV). Interval funds may invest in alternative assets, carry higher fees, incur default risk, have concentration risk due to a lack of diversification within the fund's holdings, and may be subject to interest rate risk. Interval funds are highly illiquid compared to other funds and should be considered long-term investments.

Securities offered through Concorde Investment Services, LLC (CIS), member FINRA/SIPC. Legacy Investments & Real Estate is independent of CIS.

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