CASE STUDY

Obtaining Liquidity After Exchange

How One Investor Accessed Liquidity Without Abandoning Her Long-Term Strategy

The client had successfully built substantial wealth through real estate ownership. However, much of that wealth was tied up in illiquid assets, limiting flexibility at a time when liquidity had become increasingly important.

As interest rates rose and financing conditions tightened, a heavily leveraged development project created significant capital demands. The client needed access to cash, but selling assets and triggering taxes would have undermined years of careful planning.

The challenge was finding a solution that could provide liquidity while preserving tax deferral, maintaining real estate exposure, and keeping future investment options open.

CLIENT BACKGROUND

- Long-time real estate investor
- Significant appreciation accumulated over time
- Majority of net worth tied to illiquid real estate
- Development project requiring additional capital

THE CHALLENGE

- Rising interest rates increased project costs
- Limited liquidity available outside real estate holdings
- Selling assets would trigger substantial taxes
- Needed access to capital without disrupting long-term plans

THE STRATEGY

A Tax-Efficient Path to Liquidity

After reviewing her broader portfolio, we identified an opportunity to exchange two separate properties into a Zero DST. This approach allowed her to complete a tax-free cash-out refinance, creating liquidity without triggering a taxable event.

THE OUTCOME

The proceeds from the refinance were used to pay down the development's ballooning debt, stabilizing the project and allowing construction to continue.

Eighteen months later, the property was completed and sold. Not only was the loss avoided, but the client ultimately realized a modest gain—without incurring any tax liability.

THE RESULT

By strategically accessing liquidity through a Zero DST, the client preserved capital, avoided a forced sale, and successfully navigated a challenging interest rate environment.

KEY TAKEAWAY

A Zero DST can provide tax-efficient liquidity, allowing investors to solve near-term cash challenges without sacrificing long-term portfolio strategy or triggering taxes.

DEFER TAXES
Maintain tax deferral while accessing needed cash.

BUY TIME
Create flexibility to address pressing financial demands.

EVALUATE OPPORTUNITIES
Position capital to evaluate future investment options.

ACQUIRE WITH CONFIDENCE
Move forward with strength and long-term strategy intact.

GENERAL DISCLOSURE:

All investing involves risk of loss of some or all principal invested. Past performance is not indicative of future performance. There can be no guarantee that any investment or strategy will achieve its stated objectives. Speak to your tax and/or financial professional prior to investing. Securities and advisory services through Emerson Equity LLC, member FINRA and SIPC and a registered investment adviser. Emerson is not affiliated with any other entity identified herein.

REAL ESTATE / 1031 RISK DISCLOSURE:

- **There is no guarantee** — that any strategy will be successful or achieve investment objectives.
- **Potential for property value loss** — All real estate investments have the potential to lose value during the life of the investments.
- **Change of tax status** — The income stream and depreciation schedule for any investment property may affect the property owner's income bracket and/or tax status. An unfavorable tax ruling may cancel deferral of capital gains and result in immediate tax liabilities.
- **Potential for foreclosure** — All financed real estate investments have potential for foreclosure.
- **Illiquidity** — These assets are commonly offered through private placement offerings and are illiquid securities. There is no secondary market for these investments.
- **Reduction or Elimination of Monthly Cash Flow Distributions** — Like any investment in real estate, if a property unexpectedly loses tenants or sustains substantial damage, there is potential for suspension of cash flow distributions.
- **Impact of fees/expenses** — Costs associated with the transaction may impact investors' returns and may outweigh the tax benefits.
- **Stated tax benefits** — Any stated tax benefits are not guaranteed and are subject to changes in the tax code. Speak to your tax professional prior to investing.