CASE STUDY

Maintaining Investment Control While Going Passive

A real-world example of how strategic structuring provided passive income, diversification, and future flexibility—without giving up control.

CLIENT BACKGROUND

The client owned a fully paid-off rental property that had appreciated significantly. After years of managing the property himself, he wanted to reduce day-to-day responsibilities and complete a 1031 exchange while staying invested in real estate.

THE CHALLENGE

He wanted to preserve income, maintain future flexibility, and continue benefiting from real estate ownership—without giving up control over future decisions or access to capital if needed.

THE STRATEGY

We identified institutional-quality Direct Title opportunities across two landlord-friendly states and structured the exchange into properties that aligned with the client's income needs and long-term objectives.

The properties provided passive ownership through professional management while allowing the client to retain title ownership and future flexibility through his own LLC.

THE OUTCOME

The exchange closed successfully, allowing the client to transition from a single actively managed property into a diversified portfolio of professionally managed real estate with long-term leases and high-quality tenants.

The structure reduced day-to-day responsibilities while maintaining monthly income and ownership continuity.

THE RESULT

- Reduced management responsibilities
- Continued monthly income
- Greater diversification
- Long-term flexibility
- Retained direct ownership

KEY TAKEAWAY

Passive ownership does not necessarily mean giving up control.

For some investors, Direct Title structures can provide professional management, recurring income, and long-term flexibility while preserving ownership and future decision-making authority.

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.