INTRODUCTION TO

Bonus Depreciation

IMMEDIATE TAX BENEFITS. MORE CAPITAL WORKING FOR YOU.

Bonus depreciation allows investors to accelerate eligible tax deductions into the current year rather than spreading them over decades. For investors with taxable income, this can create significant tax savings while preserving capital for future investment opportunities.

By reducing current tax liability, bonus depreciation can improve after-tax cash flow and increase the amount of capital available to deploy elsewhere in your portfolio.

HOW IT WORKS

1. Invest

Acquire an eligible investment.

2. Accelerate Deductions

Eligible property costs may qualify for bonus depreciation.

3. Reduce Taxable Income

Deductions may offset taxable income.

4. Improve Cash Flow

Keep more capital working toward your goals.

The Cost of Paying Taxes

TAXES DON'T JUST REDUCE CAPITAL— THEY REDUCE WHAT THAT CAPITAL CAN BECOME.

When a property is sold, taxes can reduce the amount of capital available for future investment. While many investors focus on the tax bill, the larger impact is often the opportunity cost of the capital that is no longer available to generate income, appreciation, or future wealth.

The challenge is not simply what is paid in taxes today—it's what that capital could have become if it had remained invested and compounding over time.

EXAMPLE

1

$500,000

CAPITAL GAIN

Gain generated from the sale of investment real estate.

→

2

$175,000

ESTIMATED TAXES

Federal and state taxes may substantially reduce available reinvestment capital.

→

3

$325,000

CAPITAL REMAINING

The amount left available for future investment opportunities.

→

4

$175,000

CAPITAL REMOVED FROM FUTURE GROWTH

Capital paid in taxes is no longer available to generate income, appreciation, or future **wealth creation**.

TAX ADVANTAGES

How Bonus Depreciation Can Create Meaningful First-Year Tax Benefits

Bonus depreciation strategies are designed to accelerate depreciation deductions into the early years of ownership. Rather than spreading deductions over decades, certain property components may qualify for shorter depreciation schedules, creating substantial upfront tax benefits.

When combined with professional cost segregation studies and leveraged real estate ownership, investors may generate deductions that exceed their original cash investment while maintaining exposure to income-producing real estate.

EXAMPLE ILLUSTRATION

$250,000
INVESTMENT

Investor commits capital to the fund.

→

~$650,000
REAL ESTATE EXPOSURE

Through leveraged ownership, the investment controls a larger, institutional-quality asset base.

→

COST SEGREGATION ANALYSIS

Engineering studies identify building components that qualify for accelerated depreciation schedules.

→

$500,000
FIRST-YEAR DEDUCTION

Accelerated deductions may create substantial upfront tax benefits.

→

APPLY TO PASSIVE INCOME OR GAINS

Deductions may be used to offset passive income or capital gains, helping reduce current tax liability.

RETAIL MOTOR FUND

Essential Real Estate. Everyday Demand. Powerful Benefits.

Our Retail Motor Fund focuses on essential-use real estate supported by everyday consumer demand. These properties are designed to deliver stable income, meaningful first-year tax benefits through bonus depreciation, and long-term portfolio flexibility.

A proven strategy designed to reduce taxes, generate income, and preserve flexibility.

ESSENTIAL-USE REAL ESTATE

Retail motor properties are driven by daily consumer needs and recession-resistant demand.

STRONG INCOME POTENTIAL

Long-term leases with creditworthy tenants support stable, predictable cash flow.

TAX ADVANTAGES TODAY

100% bonus depreciation in year one can significantly reduce your current taxable income.

FLEXIBLE EXIT OPTIONS

Multiple strategies available to align with your financial goals and time horizon.

Investments involve risk, including the potential loss of principal. Income is targeted and not guaranteed. Actual results may vary.

WHY THIS FUND

Why This Fund

A STRATEGY DESIGNED TO REDUCE TAXES, GENERATE INCOME, AND PRESERVE FLEXIBILITY.

The Retail Motor Fund combines institutional-quality real estate with powerful tax advantages to help investors keep more of what they earn.

Through 100% bonus depreciation in the first year, this strategy is designed to reduce current tax liability, produce consistent income, and create options for the future.

FLEXIBLE EXIT STRATEGIES

Multiple paths available to exit to fit your capital stack and financial goals.

TARGETED IRR OF 10–14%

Designed to deliver a targeted internal rate of return of 10–14%.

5–7% INCOME TARGET

Designed to provide consistent cash distributions during the hold period.

2.0x – 2.5x WRITE-OFF

Potential first-year deductions may exceed invested capital.

Who Typically Benefits From This Strategy?

DESIGNED FOR INVESTORS SEEKING TAX EFFICIENCY, INCOME, AND LONG-TERM WEALTH CREATION.

Bonus depreciation strategies are not intended for every investor. They are most commonly used by individuals who have significant taxable income, capital gains, or real estate–related tax exposure and are looking for ways to improve after-tax outcomes while maintaining exposure to high-quality real estate investments.

For the right investor, bonus depreciation can help reduce current tax liability, improve cash flow, and create additional flexibility when managing long-term wealth.

THIS STRATEGY MAY BE APPROPRIATE FOR:

INVESTORS WITH SIGNIFICANT PASSIVE INCOME

Looking to offset taxable income while continuing to build long-term wealth through real estate.

INVESTORS EXPERIENCING LARGE CAPITAL GAINS

Seeking opportunities to improve tax efficiency and keep more investment capital working.

DESIGNATED REAL ESTATE PROFESSIONALS (DREPS)

Individuals who may benefit from accelerated depreciation strategies that can offset active real estate income.

INVESTORS WHO MISSED A 1031 EXCHANGE DEADLINE

Looking for alternative real estate strategies that may provide tax advantages while maintaining investment exposure.

CASE STUDY

Mitigating Taxable Income

How one investor improved after-tax cash flow while remaining invested in real estate.

While generating strong cash flow is often a sign of a successful portfolio, it can also create an unintended challenge: increasing taxable income.

This investor had built a substantial real estate portfolio that produced reliable annual cash flow and long-term appreciation. However, a growing portion of that income was being redirected toward taxes each year, reducing the amount of capital available for reinvestment and future growth.

The objective was not simply to lower taxes. It was to improve overall portfolio efficiency while preserving income, maintaining real estate exposure, and supporting long-term wealth accumulation.

CLIENT BACKGROUND

- **Long-time real estate investor** with a diversified portfolio of income-producing properties
- Approximately **$500,000** in annual passive income
- Properties delivering **strong cash flow** and long-term appreciation
- Seeking ways to **improve after-tax cash flow** without disrupting the existing portfolio

THE CHALLENGE

Each year, a meaningful portion of the portfolio's income was being directed toward taxes.

The client wanted to identify opportunities to offset taxable income while remaining invested in real estate and preserving long-term growth potential.

The objective was not simply to reduce taxes—
it was to improve overall portfolio efficiency.

THE STRATEGY

After reviewing the client's income profile and tax exposure, we identified bonus depreciation investments designed to generate significant first-year deductions.

Approximately **$235,000** was allocated across two bonus depreciation funds structured to create accelerated depreciation while maintaining exposure to professionally managed real estate.

THE OUTCOME

The depreciation generated by the investments totaled approximately **$500,000** during the first year, creating deductions that substantially offset the client's passive income.

Rather than directing a large portion of annual cash flow toward taxes, the client retained more capital for future investment opportunities.

THE RESULT

- Approximately **$500,000** of deductions generated
- Significant reduction in taxable passive income
- Improved after-tax cash flow
- More capital available for reinvestment
- Maintained real estate exposure
- Preserved long-term growth potential

KEY TAKEAWAY

Tax Savings Can Become Investment Capital

For investors with substantial passive income, bonus depreciation strategies may provide an opportunity to reduce taxes, improve after-tax cash flow, and keep more capital working toward long-term financial goals.

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.