Three Estate Planning Benefits of the DST You Need to Know About

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Estate Planning Benefits of the DST

SAN JOSE , CALIFORNIA, UNITED STATES, September 16, 2020 /EINPresswire.com/ -- Many of FGG1031's clients who have used the Delaware Statutory Trust (DST) for their 1031 exchange transactions certainly recognize the tax-deferral benefits this structure affords them. But many of these investors may not be aware that the DST also provides several important estate planning benefits recognized by a growing number of estate planning professionals. Here is an overview of the three key benefits:

Can Help Avoid Conflicts Among Heirs
One of the more common challenges families encounter upon the settlement of an estate is the different opinions on how real estate investment property should be handled. Some siblings may want to keep the investment property for income purposes, while others would prefer to sell and use the proceeds for other purposes. Because DSTs are structured so that investors each own a fractional interest, that interest can be split among heirs, enabling them to do with their shares as they please.

Potential to Eliminate Capital Gains Tax
DSTs are obviously popular among real estate investors for the ability to defer capital gains tax. There is an added benefit, however, from an estate planning standpoint. Upon the death of the DST owner, heirs inherit the investment at current market value on a stepped-up basis, potentially eliminating any capital gains tax obligations. A stepped-up in basis is defined as: “the readjustment of the value of an appreciated asset for tax purposes upon inheritance, determined to be the higher market value of the asset at the time of inheritance.” - (https://www.investopedia.com/terms/s/stepupinbasis.asp)

Ability to Avoid Headaches of Property Management
DST properties are structured with in-place professional management. The advantage for heirs, obviously, is that they need not contend with all the work and anxieties that go along with managing investment property. This can be particularly important when estates are being settled since heirs need time to grieve and would much prefer to do so without having to deal with all the hassles of property management.

While a DST is not appropriate for every investor, it continues to be a popular structure for 1031 Exchange investors seeking to enjoy the potential benefits of tax-deferral in professionally managed institutional quality properties. And as this post highlights, the DST can also provide other advantages that help investors in several important aspects of the estate planning process.

If you are considering a DST investment and would like to learn more about how it can be used as an estate planning tool, we encourage you to discuss this in greater detail with your attorney and CPA. You can also reach us directly at at info@firstguardiangroup.com.

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