



The RIA's Guide to Using DST Private Real Estate in Client Portfolios

How to Capture New Assets,
Deliver Tax-Efficient Solutions,
and Add Value for Aging Real
Estate Investors



EXECUTIVE SUMMARY

As real estate investors age out of active property management, many face a critical question: “What’s next for my investment properties?” This guide was created to help Registered Investment Advisors (RIAs) like you answer that question and use it as an opportunity to grow their practice.

Delaware Statutory Trusts (DSTs) provide a distinctive approach to aligning client needs with modern portfolio construction. They allow investors to 1031-exchange out of direct property ownership into passive, professionally managed real estate, all while potentially deferring taxes, generating income, and reducing active responsibilities. For RIAs, this isn’t just a planning solution; it’s a door to new assets, deeper client engagement, and tax-aware portfolio design.

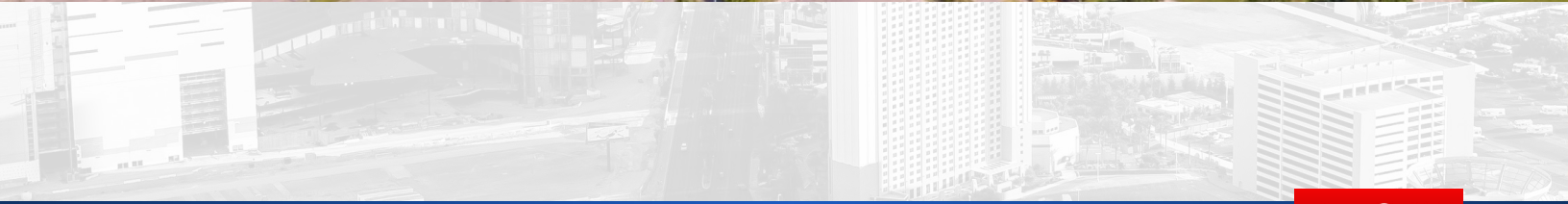
UNLOCKING THE OPPORTUNITY - WHY DSTS MATTER NOW

WHEN CLIENTS TRANSITION OUT OF REAL ESTATE, YOU SHOULD BE AT THE TABLE

For years, client-owned real estate has been outside the core planning models of most RIAs. Many advisors focus exclusively on securities - stocks, bonds, and ETFs leaving investment property in a silo. But that's beginning to change.

Every year, thousands of tired landlords look to offload properties they've held for decades. These clients often face large capital gains and limited options for reinvestment. DSTs open the door for RIAs to step in, helping solve a client's pain point while potentially bringing real estate equity into the advisory relationship.

This is new money equity that was previously untouchable, now aligned with your advice model. For RIAs seeking to expand their value proposition and deepen planning conversations, the DST represents both a solution and a strategic entry point.



WHAT DSTS OFFER TO REAL ESTATE OWNERS

THE CORE VALUE PROPOSITION OF DSTS FOR YOUR CLIENTS

DSTs are fractional ownership structures that allow 1031 exchangers to access institutional-grade real estate without the burdens of active management.

Here's what makes them attractive:



Passive Income: Investors typically receive monthly distributions, similar to rent, without managing tenants or repairs.



1031 Exchange Eligibility: DSTs are considered “like-kind” property under 1031 exchange IRS rules, enabling capital gains deferral.



Diversification: Many DSTs provide exposure to multiple properties, sectors, or geographies, unlike a single apartment or duplex.



Professional Management: Sponsors handle leasing, maintenance, financing, and eventual disposition.



Estate Planning Advantages: DSTs are often used to equalize inheritance, reduce estate tax exposure, or simplify asset transfer for heirs.

For clients approaching retirement, DSTs can help convert active equity into a hands-off income stream while preserving tax advantages.

UNDERSTANDING COMPENSATION OPTIONS FOR RIAs

HOW ADVISORS ARE PAID WHEN USING DSTs

You don't have to abandon your business model to work with DSTs. Several compensation structures exist to align with your fiduciary standards:

Fee-Based Advisory

Model: Many DSTs are available on advisory platforms, allowing you to bill AUM fees just as you would for other portfolio assets.

Flat-Fee Planning:

If you charge hourly or project-based fees, DSTs can fit into the same framework, particularly when advising on 1031 exchange strategies.

Referral Partnerships:

In some cases, platforms permit referral arrangements in compliance with SEC and FINRA rules.

The key is transparency. Ensure your compensation method is clear, aligned with your client's best interests, and compliant with platform and regulatory requirements.

WHO'S THE IDEAL CLIENT FOR DSTs?

AGING, ASSET-RICH, AND READY TO STEP AWAY FROM ACTIVE OWNERSHIP

The best DST client candidates tend to share several characteristics:

They've owned real estate for years, often with low basis and high embedded gains.

They value tax efficiency, particularly when contemplating a sale.

They're tired of management, tenant calls, and repairs, but still want consistent income.

They still believe in real estate but now prefer a more passive approach.

This often describes your retired or near-retirement clients who own rental homes, duplexes, small multifamily buildings, or NNN commercial properties. When these clients approach a liquidity or transition event, it's the ideal time to discuss DSTs.

5 SIGNS YOUR CLIENT MAY BE READY FOR A DST CONVERSATION

1. They've complained about being "done with tenants."
2. They plan to sell their appreciated property soon.
3. They've asked about the tax consequences of a sale.
4. They're managing multiple out-of-state properties.
5. They've expressed interest in passive income or estate simplification.

DSTS AS INCOME AND GROWTH STRATEGIES

DSTS OFFER MORE THAN INCOME. THEY MAY DELIVER LONG-TERM VALUE AS WELL

Most investors view DSTs as income plays, and for good reason. Sponsors typically distribute monthly income based on rental cash flows. But DSTs can also support long-term value creation:



Appreciation Potential: When the underlying property is sold (typically after 5-10 years), investors may receive proceeds beyond their initial capital.



Total Return Opportunity: Combining income with potential growth can deliver attractive total return profiles.



Reduced Volatility: DSTs are illiquid by design, which may help investors stay insulated from public market fluctuations.



The Illiquidity Premium: By locking up capital, investors may benefit from the long-term performance real estate has historically delivered.

Frame DSTs as a hybrid strategy: income now, value creation later. This positions them well alongside traditional income-generating assets like bonds or dividend-paying stocks.

DUE DILIGENCE AND COMPLIANCE. WHAT RIAS NEED TO KNOW

HOW TO EVALUATE SPONSORS AND STAY ALIGNED WITH REGULATIONS

Recommending DSTs requires thoughtful due diligence and a thorough understanding of regulatory requirements. Here's how to stay aligned:



Understand the Structure: A DST is a trust that owns real estate. Investors purchase beneficial interests and share pro rata in income and appreciation.



Review Regulatory Disclosures: Update your Form ADV to reflect alternative investment advisory services. Ensure all fees, compensation, and conflicts are transparently disclosed.



Evaluate the Sponsor: Key areas to assess include asset quality, debt levels, exit plans, track record, and risk disclosures.



Know the Limitations: DSTs are illiquid, typically held for 5-10 years, and may not be suitable for clients who require flexibility.

DSTs can be powerful tools, but only when paired with due diligence, compliance, and clear communication.

FINDING THE RIGHT SPONSOR PARTNER

THE VALUE OF EXPERIENCE AND EDUCATION IN DST PARTNER SELECTION

Not all sponsors are created equal. When choosing a DST provider, look for:

Performance History: A proven track record across economic cycles.

Transparent Reporting: Clear updates on property operations, occupancy, and distributions.

Education & Support: Resources tailored to RIAs, not just broker-dealers or wholesalers.

Risk Management: A thoughtful approach to tenant selection, leverage, and market dynamics.



WHY CAI INVESTMENTS?

CAI brings deep experience managing institutional-grade real estate, with a special focus on **Manufacturing Essential Assets (MEAs)**, a category of single-tenant properties backed by durable industry demand. Their education-forward model ensures RIAs are supported at every stage of the process, from learning to client onboarding to performance reporting.

TAKING THE FIRST STEP

**YOU DON'T HAVE TO BECOME A DST EXPERT OVERNIGHT.
JUST START THE CONVERSATION.**

If you're new to DSTs, you don't need to know everything to begin. You just need to know who to talk to and when to ask the right questions.

Here's how to take the first step:

Start with Client Identification: Review your book for clients nearing a property transition or seeking more passive income.

Leverage Trusted Sponsors: Partner with firms like CAI that offer tools, education, and onboarding support designed for advisors.

Integrate into Planning Conversations: Frame DSTs as part of a holistic plan—one that aligns real estate wealth with broader financial goals.

Access CAI's Advisor Education Portal

 **702.853.7902**

 **www.calcap.com**

 **9325 WEST SAHARA AVENUE, LAS VEGAS, NV 89117**

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 – Because 1031 exchanges 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.

For more information on Emerson Equity, please visit FINRA's BrokerCheck website. You can also download a copy of Emerson Equity's Customer Relationship Summary to learn more about their role and services.

Important Disclosure

The contents of this communication: (i) do not constitute an offer of securities or a solicitation of an offer to buy securities, (ii) offers can be made only by the confidential Private Placement

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