

# PIG OUT YOUR 1031 EXCHANGE

PASSIVE INCOME GENERATOR



**PROVIDENT**  
REAL ESTATE - DST, 1031, QOZ

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## **PIG Out Your 1031 DST Exchange or Cash Investment with a PIG (Passive Income Generator)**

By Daniel Goodwin Provident1031 Chief Investment Strategist

Every fall we send a letter to our clients and invite them and their CPA into our office for proactive tax planning. Very few people actually sit down in a strategy meeting with their financial advisor and their CPA BEFORE the year is over. In this meeting they should run tax projections for the year and ask what can be done prior to the end of the year to manage and or mitigate taxes. Sometimes a PIG (passive income generator) could be exactly what's in order. I'll explain...

In many cases, managing your taxable income, tax rate, and effective amount of taxes being paid means being able to identify certain strategies which can lower your taxable income. One such strategy is to use a passive income generator (PIG) to effectively carry forward passive activity losses (PAL's) and offset qualifying income that qualifies as a passive income generator or PIG. You might be using income generating investments now that generate income that is taxed at the ordinary income or capital gains tax rates. Consider shifting those resources into investments like a Delaware Statutory Trust (DST) which CPA's understand qualify as a PIG.

A PIG could potentially go a long way in managing taxable income and carrying forward passive losses to offset current income needed for living and other expenses. With this strategy the income from the PIG is effectively tax free up to the amount of the PAL or passive activity losses. Wealthy investors have used legal strategies like this for years, so why not you?

This strategy goes back to the Reagan 1986 Tax Reform. Our passive activity laws that were passed in 1986 were enacted to prevent investors from using large losses as tax shelters in the early years of the investments. Before these laws were passed many creative CPA's and Tax Attorneys were able to cut their wealthy investors tax bills down to a very low tax liability and sometimes down to nothing. Under the new laws of the 1986 Tax Reform those losses were only available to full time real estate professionals.

Many real estate investors know the tax benefits of the “Real Estate Professional” status. This status is determined based upon the number of hours spent participating in the real estate trade and it provides a number of possible tax benefits for the real estate investor that are not available to passive investors who are not using a PIG to generate income. In order to qualify as a real estate professional, you must spend at least 750 hours in a real estate trade or business *and* more than half your total working hours must be in a real estate trade or business. Due to these requirements, many investors who work a full-time job or full-time in another business that is not real estate-related will not be allowed the same tax breaks and write off capabilities afforded to a full time real estate professional.

Anyone can use a PIG to bring forward PAL's as a strategy for Tax-Advantaged Income.

To take advantage of these losses, taxpayers with eligible passive activity losses PAL's may be able to pair those losses with passive income generating PIG investments. Referred to by some as PIG-PAL investing, this strategy allows an investor's passive income to be offset by passive losses, and on a dollar-for-dollar basis. The passive losses effectively shelter the passive income from tax to generate tax-advantaged income. There currently exists no limitation on the amount of passive income and passive losses that can be offset annually.

For comprehensive planning and tax advantaged real estate strategies such as DST's REITS, Private Equity, Qualified Opportunity Zone and/or PIG investments, reach out to our team at [www.Provident1031.com](http://www.Provident1031.com) or call our office at 281.466.4843

Provident1031 does not provide tax advice, but our network of CPA's are well versed in creative planning for tax efficient income using real estate, PIG's and other tax advantaged income strategies.

## PIG Out Your 1031 Exchange

There are material risks associated with investing in DST and QOZ ( Qualified Opportunity Zones) properties and alternative real estate securities including liquidity, tenant vacancies, general market conditions and competition, lack of operating history, interest rate risks, the risk of new supply coming to market and softening rental rates, general risks of owning/operating commercial and multifamily properties, short term leases associated with multi-family properties, financing risks, potential adverse tax consequences, general economic risks, development risks, long hold periods, and potential loss of the entire investment principal. Past performance is not a guarantee of future results. Potential cash flow, returns and appreciation are not guaranteed. IRC Section 1031 is a complex tax concept; consult your legal or tax professional regarding the specifics of your situation. This is not a solicitation or an offer to sell any securities. THIS IS NEITHER AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED HEREIN. AN OFFERING IS MADE ONLY THROUGH DELIVERY OF THE PPM and to accredited investors only. THIS MATERIAL MUST BE PRECEDED OR ACCOMPANIED BY A CURRENT PPM WHICH SHOULD BE READ IN ITS ENTIRETY IN ORDER TO UNDERSTAND FULLY ALL OF THE IMPLICATIONS AND RISKS OF THE OFFERING OF SECURITIES TO WHICH IT RELATES. Please consult the appropriate professional regarding your individual circumstance. Alternative investments are often sold by prospectus that discloses all risks, fees, and expenses. For additional information, please contact 281.466.4843 or [www.Provident1031.com](http://www.Provident1031.com) Fee based financial planning and investment advisory services are offered by Provident Wealth Advisors, a Registered Investment Advisor in the State of Texas. Insurance products and services are offered through Goodwin Financial Group . Provident Wealth Advisors, and Goodwin Financial Group are affiliated companies. The presence of this web site shall in no way be construed or interpreted as a solicitation to sell or offer to sell investment advisory services to any residents of any State other than the State of Texas or where otherwise legally permitted.