

# Crowdfunding expert David Wieland talks 1031 exchanges – "...30-40 percent return on their net equity in less than 180 days"

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*David Wieland is the founder and CEO of Realized, an online crowdfunding platform that simplifies the 1031 exchange process; a process he discussed with us in regards to how it affects real estate agents.*

**Chicago Agent (CA):** First and foremost, what should real estate agents know about 1031 exchanges, and why should they know them?

**David Wieland (DW):** A 1031 exchange is an exceptionally valuable transaction for clients, but also highly complex planning and starting to look at reinvestment options are the keys to success. Specifically for agents, instead of waiting until a client is in the midst of a 1031 exchange to educate yourself, take the time to develop a strong understanding of the 1031 exchange rules. Many investors are victims of misinformation reported to them by real estate professionals, accountants, and attorneys who only understand 1031 exchanges at a surface level. The real opportunity for agents to differentiate their services is to surround themselves with a team



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of experts that they can learn from and call in when their clients are considering a 1031 exchange. The nuances of the 1031 laws and tax accounting create enormous opportunities for agents to “discover” innovative strategies that maximize the benefits for clients and make them the hero.

**CA:** What complications with the 1031 exchange process does your platform simplify? Why did it take so long for these processes to be streamlined?

**DW:** The IRS mandates investors to identify potential properties for reinvestment within 45-days of selling a property. This is a monumental task for highly experienced real estate investors who are in the market buying and selling real estate every day. For average investors who buy and sell a few properties each decade, a lack of planning and the 45-day deadline often lead to poor investment decisions.

The [Realized platform](#) allows investors to plan their exchange, reinvest in properties offering passive income without any landlord obligations, and monitor their investments. Our team of experts works one-on-one with investors and their advisors (including real estate brokers/agents) to explore opportunities that a 1031 exchange represents – with a singular objective of helping each investor have the information necessary to make better, more informed investment decisions. Factors that investors should consider are estate planning, recapitalization or exits from partnerships, and tax efficient distributions of wealth to heirs.

The real challenge is finding properties in the short 45-day identification period that meet their long-term objectives. At Realized, we start by asking a simple question: “In a perfect world, how would your real estate holdings contribute to your goals over the next decade?” Many people are pleasantly surprised to learn they can use their 1031 exchange to both diversify their real estate holdings and generate recurring monthly income, without having to be the landlord.

Realized offers accredited investors the option to co-invest some portion of their 1031 equity in a portfolio of Class-A properties that they select. Our platform allows investors to pool their 1031 equity with other exchange investors and purchase properties that would otherwise be out of reach.

**CA:** Why did it take so long for these processes to be streamlined?

**DW:** The 1031 exchange market is a massive niche that is “hiding in plain sight.” To maximize the value of a 1031 transaction, a real estate investor needs to consult with a team of advisors that includes their real estate professionals to source properties and a real estate transactional attorney, as well as their CPA and estate/financial planning advisor.

Because most investors fail to recognize how short 45 days is until it’s too late, they often end up reinvesting in marginal properties that don’t meet their needs because they can’t stomach a 30-40 percent tax on their profits. Over the past twenty years, the partners at Realized have witnessed this more times than we can count. It’s unfortunate, but not the investors’ fault; the problem is they lacked complete and objective information about their options. The Realized platform brings together the resources to provide investors with simpler exchanges, smarter investments and a long-term piece of mind.

**CA:** How is a 1031 exchange beneficial to more traditional forms of investment?

**DW:** A like-kind exchange is arguably the most profitable transaction a real estate investor can make. By deferring their capital gains and recapturing taxes on the sale of an investment property, they effectively “make” a 30-40 percent return on their net equity in less than 180 days. But this is only the start – with 30-40 percent more equity to invest, the investor, in theory, can generate year one cash flow that is 30-40 percent higher. By deferring their taxes, 100 percent of an investors’ equity is “working” and these benefits compound with each year that passes and each subsequent 1031 exchange

they complete.

**CA:** Your platform gives investors access to a wider array of pre-vetted properties. Who is vetting these properties, and in how many metro areas can investors expected to find pre-vetted properties?

**DW:** Collectively, the Realized team has completed approximately \$5 billion of institutional real estate transactions. We draw on this experience and vet each offering based on the quality of the real estate, the track record of the sponsors, and the degree of economic alignment between the investors and the sponsor. Investors have opportunities to invest across the US. Realized democratizes 1031 investments, making it possible for individual investors to own their share of a \$25 million property or a \$100 million dollar portfolio with a minimum investment of \$25,000.