

GOLD NUGGETS OF PASSIVE WEALTH PRESERVATION

Interviewee: Jamie Furlong

Interview: BTS 15

The Strategic Pivot: Transitioning from Active Landlording to Passive Wealth Preservation via 1031 Exchanges and DSTs

Profile of the Interviewee

Jamie Furlong is a Managing Partner at Legacy Investments & Real Estate, operating at the elite, dual-regulated intersection of commercial real estate and securitized investments. Holding a Bachelor of Science in Mathematics and Economics from USC, alongside advanced industry credentials including a CCIM designation and Series 22 and 63 financial licenses, she specializes in sophisticated tax-deferral strategies. Over a distinguished career, Furlong has built a reputation as a top-producing broker-dealer nationally, facilitating more than 315 complex Delaware Statutory Trust (DST) transactions. Her core professional thesis focuses on helping aging, fatigued real estate owners preserve their hard-earned equity by smoothly transitioning from the operational headaches of active property management into institutional-grade, passive wealth-generating portfolios.

Strategic Wealth Preservation & Advanced Tax Mechanics

- **The Compounding Velocity of 1031 Exchanges:** Executing a Section 1031 Exchange functions as an institutional cheat code for wealth generation, allowing investors to defer capital gains taxes, net investment income taxes, and depreciation recapture. By rolling 100% of their equity into a replacement property rather than losing 30% to 40% to tax liabilities, investors keep their full capital base compounding.
- **The Delaware Statutory Trust (DST) Paradigm:** A DST is a legally recognized entity holding institutional-grade commercial, medical, or multi-family real estate. Crucially, the IRS recognizes a fractional interest in a DST as "like-kind" real estate, making it an ideal passive destination for 1031 Exchange funds without requiring individual property maintenance.

- **Eliminating the "Three Ts" of Landlording:** Real estate accumulation often leads to investor burnout due to the continuous operational drag of Tenants, Toilets, and Trash. Upgrading capital into a professionally managed DST frees up personal time while retaining real estate exposure.
 - **The Ultimate Estate Planning Tool:** Holding real estate or DST fractional shares until passing unlocks a "step-up in basis" for heirs. This completely erases all prior deferred capital gains obligations built up over decades, delivering an unencumbered financial legacy to the next generation.
 - **Avoiding Real Estate Co-Management Friction:** Bequeathing physical real estate to multiple children frequently triggers familial conflict regarding property operations or sale timing. Transitioning to fractionalized DST structures allows an estate to be divided mathematically and cleanly, ensuring passive income for heirs without giving them a shared operational headache.
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Risk Mitigation & Operational Due Diligence

- **Mastering the Strict IRS Timelines:** The 1031 Exchange structure introduces severe execution risk via a strict 45-day identification period and a 180-day closing window. Missing these deadlines by even a few minutes triggers immediate tax liabilities. Mitigate this risk by working with platforms that offer a permanent, diversified inventory of pre-vetted, closing-ready DST properties.
- **The Illusion of Local Property Control:** Many individual real estate investors mistake single-property ownership for financial security. In reality, concentration in individual residential houses carries asymmetric risks, including non-paying tenants, local market downturns, and catastrophic capital expenditures.
- **Institutional Due Diligence Workflows:** High-end wealth preservation mandates rigorous auditing using specialized tools. Before deploying capital, advisors must analyze historical tenant financials, market demographics, sponsor track records, and property-level debt structures to shield client capital from market volatility.
- **Vetting the Institutional Sponsor:** In a passive investment structure, the investor's primary risk lies in the execution capability of the real estate sponsor. A premium must be placed on selecting institutional sponsors with deep capital reserves and documented histories of navigating multiple economic recessions.

High-Performance Business Strategy & Advisory Mastery

- **Operating at Dual-Regulated Intersections:** The highest-earning advisory positions exist at the intersection of complex industries. Because DST interests are legally structured as securities, elite real estate operators must hold specialized financial licenses alongside real estate designations to seamlessly blend real estate acquisition with securitized wealth management.
- **Leading with Educational Ecosystems Over Selling:** Elite consultants avoid high-pressure sales pitches. Building systematic educational frameworks, such as dedicated workshops and online training programs, positions an advisor as an authority figure, automatically attracting high-net-worth clients and strategic referral partners like CPAs and estate attorneys.
- **Cultivating Centers of Influence (COIs):** Scalable client acquisition relies on building deep professional networks with trust attorneys, tax professionals, and commercial brokers. When these professionals encounter a client facing an overwhelming tax bill or estate planning bottleneck, a specialized DST advisor acts as their ultimate outsourced solution.

Growth Mindset, Leadership & Personal Psychology

- **Replacing Blame with Solution Velocity:** Exceptional leadership relies on a core psychological rule: *"Fix the problem, not the blame."* When timeline pressures mount, macroeconomic variables pivot, or transactions encounter operational friction, zero energy should be wasted on assigning fault; 100% of executive focus must be immediately directed toward establishing structural solutions.
- **Prioritizing Deep Human Relationships Over Transaction Volume:** Sustainable commercial success is an infinite game. Building real, empathetic human connections and treating a client's wealth with long-term care consistently creates stronger professional networks and referral velocity than treating clients like short-term transactional targets.
- **The Power of Operational Grit and Humility:** Navigating complex financial landscapes requires a deliberate balance of relentless work ethic and professional

- humility. Embracing continuous learning and remaining unswayed by short-term market ego is the baseline requirement for maintaining industry longevity.
- **Exchanging Sweat Equity for Sovereignty:** True success for a growth-minded individual is defined by buying back personal autonomy. Shifting from active management to institutional passive income allows high earners to stop trading personal hours for dollars, allowing them to reinvest their finite time back into family, personal health, and new entrepreneurial ventures.

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There are material risks associated with investing in real estate securities and 1031 replacement properties such as Delaware Statutory Trusts (“DSTs”), 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.

Risks associated with 1031 exchange- A 1031 exchange has an identification period of 45 days from the sale of the relinquished property to identify a potential replacement property or properties depending on the value of the previous property. To defer all capital gains tax, you must reinvest the entire net proceeds from the sale of the relinquished property into the replacement property and acquire debt on the new property that is equal to or greater than the debt on the property that was just sold and relinquished.

An UPREIT (umbrella partnership real estate investment trust) is a REIT structure that allows property owners to exchange their property and defer taxes on the sale of property in exchange for UPREIT units though capital gains taxes on UPREIT units are subject to standard REIT taxation. UPREITs are generally subject to Internal Revenue Code (IRC) Section 721 exchanges.

Estimates are inherently limited and should not be relied upon as an indicator of future results. The content of this presentation is neither an offer to sell nor a solicitation of an offer to buy any security which can only be made by prospectus. Investors should also understand all fees associated with a particular investment and how those fees could affect the overall performance of the investment. Potential cash flows/returns/appreciation are not guaranteed and could be lower than anticipated. Diversification does not guarantee profits or guarantee protection against losses.

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