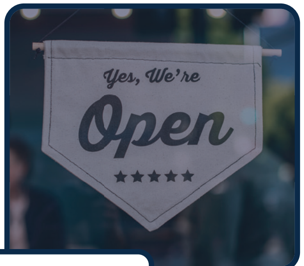
Deferred Sales Trust

A capital gains tax deferral strategy.

RAYMOND JAMES



ASSET
Tax deferred sale of asset to trust.

ATTORNEY
Creates Deferred Sales Trust documents for seller and approved trustee.

CORPORATE TRUSTEE

Trustee sells asset to buyer.

BUYER
Pays agreed upon sales price of asset to trustee and receives asset.

Deferred Sales Trust

Sales proceeds sent to

INVESTMENT ADVISOR
RAYMOND JAMES
Manages assets based on client instruction.

SELLER/MULTI-GENERATION BENEFICIARY

Income and/or principal sent to seller at their discretion
**Taxes paid on distribution*

What is a Deferred Sales Trust

A Deferred Sales Trust is a strategy for deferring the capital gains tax due upon the sale of a highly-appreciated asset such as a business or investment real estate. It allows business owners and real estate owners to sell their assets in exchange for a secured installment note that provides for the deferral of capital gains tax and an income stream based on the pretax proceeds inside of the trust.

A Common Strategy

A common strategy for capital gains tax deferral on the sale of a business is the IRC Section 453 installment sale, sometimes referred to as "seller financing". This strategy can provide an income stream to the seller of a business or real estate for a period of years but will only achieve tax deferral for the seller on the portion of the principal that is not yet paid by the purchaser. Eventually, the payment of principal (such as with an amortized payment structure or a balloon payment) will result in the capital gains taxes being paid by the seller. Another disadvantage to the traditional installment sale is that depreciation recapture cannot be deferred over the term of the note and is generally recognized and taxable in the year of sale.

A traditional installment sale can have substantial risks associated with it, primarily because the installment sale note payments are secured by the same asset that you just sold, but which you no longer want or control. For example, when markets correct, the buyer of your asset could default on the payments leaving you to foreclose on the business or the property. But what if the purchaser has mismanaged the asset or adverse market conditions have resulted in the value being substantially lower than when it was sold? Another concern with a traditional installment sale is that the buyer of your business or property can sell it to a new buyer. In this situation, you could find yourself getting paid off too early, thereby triggering your capital gains tax liability and causing you to suffer a big equity drain.

When considering a Deferred Sales Trust, you must take into account the cost associated with getting it set up and paying a third party to manage the assets.

Potential Benefits

- Flexible Payment Options
- Liquidity and Diversification
- Enhanced Retirement Income
- Maintains Family Wealth
- Estate Tax Benefits
- A 1031 Exchange Alternative or Rescue
- Can Sever Partnership Interests
- Asset Protection
- Probate Avoidance

Investment Options

You have a variety of potential investment options with a Deferred Sales Trust. Further, the resulting installment note from a Deferred Sales Trust is not secured by the asset that you just sold, but is secured by other assets inside of the trust and managed by experienced investment advisors. A Deferred Sales Trust offers the business owner an exit strategy with flexibility and an income stream based upon the pretax proceeds inside of the trust.

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