DAKOTA
WEALTH MANAGEMENT

INTRODUCTION TO THE 351 EXCHANGE

A Section 351 exchange in the U.S. tax code enables the transfer of appreciated assets to a corporation, such as an ETF, ***without incurring capital gains taxes.*** *This strategy helps investors diversify their assets tax-efficiently while deferring tax liabilities. Important factors to consider include diversification requirements and eligible asset types.*

KEY BENEFITS

TAX EFFICIENCY

Deferral of capital gains taxes. When you contribute assets through a 351 exchange, the transaction is not a liquidation triggering realized gains on those assets deferring taxes until you sell your shares in the ETF.

DIVERSIFICATION

Offers diversification across a range of companies and sectors.

ACTIVE MANAGEMENT

Managed by experienced investment professionals who actively research and select securities.

TRANSPARENCY

Holdings are disclosed regularly, providing insights into the fund's investments.

ONGOING TAX EFFICIENCY

ETFs generally generate lower tax bills compared to similar investments like SMAs, private funds, or most mutual funds held in taxable accounts.

KEY CONSIDERATIONS

DIVERSIFICATION REQUIREMENTS

To qualify for tax deferral, portfolios being exchanged must be diversified, with ***no single holding exceeding 25%*** and ***positions over 5% not exceeding 50%*** collectively.

COST BASIS

Investors will carryover the original tax basis to the new ETF shares

WHAT CAN BE EXCHANGED

Transferred assets need to reflect the general guidelines of the prospectus itself. For example, a long-only US equity strategy would only accept US equites and US Exchange Traded Funds.

WHO IS ELIGIBLE

Generally most taxable investors are able to participate. This includes individuals, foundations, tax exempt entities, trusts, and some pass through corporations

Disclosures
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