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Preserving Legacy Beyond the Operating Business: Evolving from Operator to Investor

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For many families, the operating business is more than an enterprise, it's a reflection of shared values, hard work, and vision. It has created opportunity, shaped identity, and united generations around a common purpose. Yet as a business matures, families often begin to consider how best to extend that legacy beyond the company itself, how to turn decades of entrepreneurial success into durable, income-producing wealth that endures for generations.

This evolution does not require selling the business. In fact, many families prefer to keep the enterprise intact while using its profits to build a complementary investment portfolio, a vehicle that provides diversification, steady income, and long-term compounding outside the day-to-day demands of operations.

From Building a Business to Building Enduring Wealth

For families accustomed to reinvesting every dollar back into their company, setting aside capital for outside investments can feel unfamiliar. But doing so can transform the business from a single source of wealth into the foundation of a broader financial ecosystem for future generations.

By channeling a portion of profits into high-quality investment opportunities, families create a second engine of wealth creation, one that produces consistent cash flow, reduces concentration risk, and compounds value over time. This balanced approach ensures that the success of the family is not tied exclusively to one industry or a single operating business.

Why Diversify into Real Estate

For families evolving from operators to investors, real estate is often the most intuitive first step beyond the business when developing a multi-asset portfolio. It offers a familiar combination of control, cash flow, and tangible value. Unlike more abstract financial instruments, real estate allows families to apply the same operational instincts that drove their business success while introducing portfolio diversification, income stability, and long-term appreciation that compounds.

When thoughtfully selected and professionally managed, real estate investments can deliver:

Attribute	Description	Legacy Benefit
Predictable Income	Cash flow from stabilized assets can provide reliable tax-advantaged distributions.	Supplements and diversifies income, ensuring financial stability across cycles.
Capital Appreciation	Well-located properties appreciate as rents and replacement costs rise.	Builds equity and provides a hedge against inflation.
Tax Efficiency	Depreciation and 1031 exchanges can defer taxable income; refinancings provide liquidity without tax consequences; estate and trust planning enable stepped-up basis and smooth generational transfers.	Maximizes after-tax returns, minimizes tax drag, and sustains wealth across generations.

Over time, these holdings can evolve into a family's "legacy portfolio"—a collection of properties that generate passive income, provide capital appreciation, and can be stewarded for decades.

Illustrative Case Study

Two fictional families - The Martinez Family and the Carter Family - each built successful industrial supply businesses in the Southwest. Both companies had comparable market positions, valuations, and succession outlooks.

But their approach to net worth differed:

- The Carter Family reinvested 100% of their net worth into their operating business, viewing it as their single source of wealth and identity.
- The Martinez Family chose a more balanced strategy, maintaining 65% of their net worth in the business while allocating 35% of retained profits into income-producing real estate.

Over the next five years, both businesses experienced industry headwinds, rising labor costs, and margin compression. As a result, each company's value declined at roughly 5% per year, reducing enterprise value and profit distributions.

However, the Martinez Family's real estate portfolio generated approximately 12% annualized total returns, providing an alternate engine of compounding growth throughout the same period.

How They Fared After Five Years:

	Carter Family	Martinez Family
Starting Net Worth	$50,000,000	$50,000,000
Portfolio Allocation	100% Business	65% Business / 35% Real Estate
Business Equity (Year 0)	$50,000,000	$32,500,000
Real Estate Equity (Year 0)	N/A	$17,500,000
Business Performance (−5% Annualized)	$38,689,047	$25,147,880
Real Estate Performance (+12% Annualized)[1]	N/A	$30,840,979
Total Wealth (Year 5)	$38,689,047	$55,988,860
Net Change in Wealth	−$11,310,953 (−23%)	+$5,988,860 (+12%)

[1] 12% return is based on the average 5-year rolling return of the FTSE Nareit All Equity REITs Index from 1972-2024. The index includes leverage and dividend reinvestment. Public REIT performance will differ from private direct real estate and is used here for illustrative purposes only. Past performance is not indicative of future results and investments in real estate could instead result in substantial losses. Assumptions are simplified for example purposes.

After five years, the Carter Family's wealth declined by 23%, tracking the performance of their business. The Martinez Family, by contrast, increased their total net worth by 12%, despite facing the same operating environment. The real estate portfolio's steady appreciation and income distributions served as a ballast during the business downturn, offsetting declining profits and preserving wealth.

A Legacy that Endures

Transitioning from operator to investor is not about stepping back, it's about expanding the reach of what the family built. It represents a shift from wealth creation through enterprise to wealth preservation through stewardship.

Families who embrace this mindset discover that their entrepreneurial strengths like discipline, strategic thinking, and long-term vision translate seamlessly into real estate investing. Over time, their holdings evolve into a legacy portfolio: a durable collection of assets that generate passive income, maintain real value, and provide continuity across generations.

The true legacy, then, is not just the business itself, but the financial independence and opportunity it enables for future generations.

About Buchanan Street Partners

Buchanan Street Partners is a Newport Beach, CA based real estate investment management firm specializing in core-plus, value-add, and debt investments across multifamily, commercial, and self-storage properties in the Western and Southwestern United States. The company serves a broad range of clients including high-net-worth individuals, family offices and the advisors that serve them.

Buchanan's foundation of success is backed by a track record of results, having invested in over $8 billion of real estate assets since its founding in 1999. The company's experienced and cohesive team has navigated multiple real estate cycles together. Buchanan balances the pursuit of risk-adjusted returns with preservation of capital to deliver both performance and peace of mind to its investors.

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Annie Clare is a member of the Investor Relations team at Buchanan Street Partners, where she supports the firm's capital formation and investor servicing initiatives. In this capacity, she works closely with Buchanan's diverse investor base, including high-net-worth individuals, family offices, and registered investment advisors. Annie brings over five years of experience in private equity and real estate investment, with a focus on investor relations, client reporting, and operational excellence. She holds a Bachelor of Business Administration degree from Southern Methodist University.