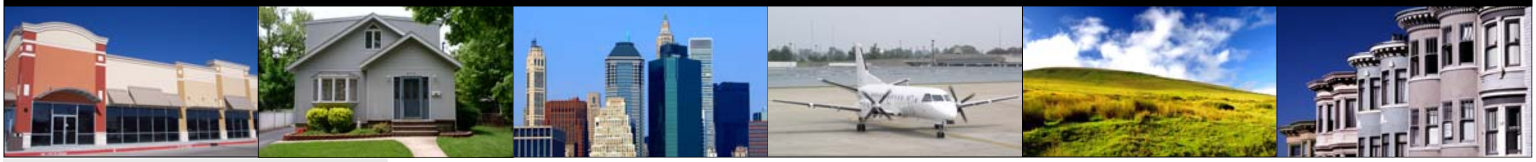
§1031 Tax Deferred Exchanges

"Overview of the Benefits for Financial Advisors"



WHY SHOULD FINANCIAL ADVISORS TAKE ADVANTAGE OF §1031?

Many financial advisors have clients with significant assets invested in real estate. A tax deferred exchange is a powerful tax strategy financial advisors can share with clients to help them build wealth through tax deferral and accumulate a diversified portfolio. Section 1031 of the Internal Revenue Code allows a client to exchange any property held for investment purposes and defer paying federal and state capital gain taxes (up to 15% Federal, 25% depreciation recapture and applicable state taxes) if they purchase a like-kind property following the rules and regulations of the Code. This allows a client to use all of the sale proceeds to leverage into more valuable real estate, move to another property type to increase cash flow, diversify geographically into other properties, reduce management or consolidate real estate asset holdings.

DIVERSIFY CLIENT PORTFOLIOS WITH REAL ESTATE ASSETS

There is a wide range of property that qualifies for a §1031 tax deferred exchange. The Internal Revenue Code Section 1031 states that "*no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind which is to be held either for productive use in a trade or business or for investment.*" For example, raw land can be exchanged for a single family rental, apartments for a commercial building, an office for industrial property or even a vacation home held for investment purposes. Like-kind property can include, but is not limited to, any of the following, provided it is held for investment: single family rental, duplex, apartment, office complex, commercial property, warehouse or industrial property.

A NEW OPPORTUNITY - FRACTIONAL (TIC) OWNERSHIP

Another type of property that qualifies as like-kind is to acquire a fractional ownership interest as a tenant-in-common (TIC) in a large commercial property with multiple owners. A TIC interest represents co-ownership between two or more investors. In essence, rather than owning 100% of a smaller property, your client receives a separate deed to an undivided interest, thus owning a fractional interest in a much larger property. A properly structured TIC is not a joint venture or a partnership. Instead, each co-owner has the same rights as would a single owner. Generally, a tenancy-in-common agreement links the co-owners together. Many TIC properties have institutional grade tenants that provide consistent monthly income. Some investors have chosen TIC property ownership because they can enjoy the benefits of appreciation, cash flow, annual depreciation and flexibility without management problems. In many cases, a TIC program enables the client to specify the exact amount of property that will meet their specific equity/debt requirements in an exchange.

WHAT IS THE NEXT STEP FOR FINANCIAL ADVISORS?

If you have a client with business or investment property listed for sale or that will be listed for sale, contact Asset Preservation, Inc. to arrange a complimentary consultation.

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