

# FIVE REASONS TO EXCHANGE

**"INVESTORS CAN MEET MANY OBJECTIVES UNDER IRC §1031"**



## Compliments of

Section 1031 tax deferred exchanges continue to increase in popularity as more investors nationwide discover the wide range of investment objectives that can be easily met through exchanging.

### I. PRESERVATION OF EQUITY

A properly structured exchange provides real estate investors with the opportunity to defer 100% of both Federal and State capital gain taxes. This essentially equals an interest-free, no-term loan on taxes due until the property is sold for cash! Often the capital gain taxes are deferred indefinitely because many investors continue to exchange from one property to the next, dramatically increasing the value of their real estate investments with each exchange!

### II. LEVERAGE

Many investors exchange from a property where they have a high equity position, or one that is "free and clear", into a much more valuable property. A larger property produces more cash flow and provides greater depreciation benefits, which therefore increase the investors' return on their investment.

### III. DIVERSIFICATION

Exchangers have a number of opportunities for diversification through exchanges. One option is to diversify into another geographic region, such as exchanging out of one apartment building in Denver, Colorado, for two additional apartments – one in Los Angeles, California, and the other in Dallas, Texas. Another diversification alternative is acquiring a different property type, such as exchanging from several residential units to a small retail strip center.

### IV. MANAGEMENT RELIEF

Some investors accumulate several single family rentals over the years. The ongoing maintenance and management of what can be a far-reaching group of properties can be lessened by exchanging these properties for one property better suited to on-site maintenance and management. Exchanging into a single apartment complex with a resident manager is a good example of this strategy.

### V. ESTATE PLANNING

Sometimes a number of family members inherit one large property and disagree about what they want to do with it. Some want to continue holding the investment and some desire to sell it immediately for cash. By exchanging from one large property into several smaller properties, an investor can designate that, after their death, each heir will receive a different property, which they can either hold or sell.

Call the knowledgeable exchange professionals at **Asset Preservation** for a complimentary consultation regarding your specific investment objectives.



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