The Next Generation of 1031 Exchanges

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I am a big fan of old western movies. Regardless of the movie, either a cowboy or the 7th Cavalry always came to the rescue at the last moment to save the day. Predictably, one of my favorite actors is John Wayne. Whether he was chasing the bad guys in the old west, defending the Alamo, winning the Civil War, fighting the Japanese at the Battle of Midway or fighting our enemies at D Day, he always seemed to come to the rescue. That's what I loved about him and I always wished that in some way, I could do the same.

Well, now I can. I may not be saving Shinbone from Liberty Valance or Europe during WW2 but I can come to the rescue when a property owner is going to sell a property that will create a large tax liability. That works for me. And for you.

When selling a great property, you can either pay taxes on the gains or transact a 1031 exchange to defer taxes. The first isn't a good option and the second is not always appropriate or has limitations to be completed.

But here is where I come to the rescue. There are numerous ways to defer taxes using the next generation of 1031s. Our Section 453 tax deferral strategies have a 20-year track record of successfully deferring taxes between 2000-2500 times with the largest transaction being $120 million with a tax deferral of $50 million.

If someone wants to transact a 1031 exchange and can complete it that's great. To be on the safe side, we can guarantee that if a 1031 fails, the sales proceeds will NOT be sent to the seller which now creates a large tax liability but rather that taxes will be deferred, and the client now has unlimited time to find a replacement property.

Consider the following examples.

One of the main limitations in an exchange are the 45 and 180-day time periods. Supply of real estate properties can be elastic.   Sometimes there is a great supply of replacement properties and sometimes there isn't. What if there were no time constraints to have to deal with.

What if you could sell a property today, defer taxes today and have unlimited time to find a great replacement property. Would that work? Absolutely.

But let's take that thought to the next level. When transacting a 1031, you buy low and sell high but because of the 45-day period, you may have to buy high when market conditions may be less than favorable to your buyers. What if after you sold high, you had unlimited time to buy again so you could wait until market conditions became more favorable to buyers. Would that work? Absolutely. And even better, while your buyer is waiting for market conditions to become more favorable, we will pay him a cash flow of 5-6% while he waits. So, using the next generation of 1031 s, you can buy low, sell high and buy better.

Say you have 4 owners of a property and all the owners want you to list their property BUT 2 of the owners want to take their proceeds and run to Vegas…not necessarily a bad strategy and the other 2 want to defer their taxes. Until you get everyone on the same page, you can't list the property. Get your paperwork ready. The 2 that want to take the money and run can do so and the 2 that want to defer taxes can use our proprietary trust to do so. You get the listing and you owe me lunch. Preferably in Vegas.

Say that there is a property owner that has had a property in the family for 50,60,70 years and longer. He would like to sell but almost the entire sale will be capital gains and depending on where he is domiciled, taxes can range from roughly 25-40% so instead of selling, he decides to keep the property until he passes on and then his kids get the property with the stepped basis.

That's not a bad strategy for everyone but you because you now can't sell the property. Instead, what if you could explain to the prospect that you can sell today, defer taxes today, move closer to the grandkids today and receive a higher retirement income than if he sells and pays taxes first. And he can do all of this while alive.

You have a client that has transacted 1031 exchanges for decades and now that he has accumulated wealth, he would like to sell and retire. Unfortunately, he now has to sell and use the basis of the first property to determine taxes and the tax bill will be a whopper.

What if you have a 1031 Exit Strategy. That's right. By using our trust, he can sell his property and defer taxes for the rest of his life and into the next generation if he chooses to do so. By deferring taxes, he can enjoy the fruits of his labor by receiving a larger retirement income than if he would have sold and paid taxes first. You are his new best friend.

One last idea. Say that you come across someone that has a high end primary residential property and they want to sell. However, the sale will create a large tax liability to the sellers. You can sell their residence, defer taxes using our trust and help them buy another property any time in the future. That's a great deal for them and you made a new friend.

These are just a few of our tax deferral strategies so call me so I can come to your rescue. John Wayne would be proud. It shows True Grit. I can't believe that I typed that. Until the next time, Happy Selling.

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