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CASH; THE “FATAL ATRRACTION”

Real estate is a solid, practical and easy to understand investment vehicle. It is readily available in a variety of forms all across the United States. It can be acquired with cash, debt or exchanged for existing property holdings. Section 1031 Exchanges of real estate are the best way to maximize your cash flow and equity for long-term wealth building.

The sellers of real property are often too preoccupied with the Asale@ to realize that if they were more strategic in their investment decisions they could reap long term financial benefits. The concept is simple, don=t touch the cash! The object in an exchange is to defer the capital gains tax, recapture of previously taken depreciation and any state gain tax. If you go to the closing without employing a Qualified Intermediary (QI) to handle the sale as an exchange, the tax will be triggered as soon as the cash is touched. The time to defer the tax is before the buyer shows you the cash. If you focus on the cash, the fatal attraction, it will cloud the strategy to successfully do a Section 1031 Exchange. Employing a QI is paramount to setting up the sale as an exchange with all of its tax benefits.

If you came across a sign that said Athe IRS is offering interest free loans@, you would stop in your tracks to find out the details. That is precisely what the IRS is saying by legitimizing Section 1031 Exchanges. Follow the rules, reinvest in real estate of equal or greater value and never pay any capital gains tax.

Don’t wait until the sale is complete and you have the cash; it must be structured BEFORE the closing by engaging a Qualified Intermediary. The attraction to the cash will be result in just another tax fatality!