

# Learn How the **1031 Exchange** Can Help You Build Your Wealth

We have answers.

*Go ahead, ask.*



William L. Exeter  
President and Chief Executive Officer  
Exeter 1031 Exchange Services, LLC  
Exeter Fiduciary Services, LLC

## The Exeter Edge™ Webinar Etiquette

- Everyone will be in listen only mode
- We want to encourage questions
- Please **ask questions** as they come up
- Use the Q&A function on console

## Exeter 1031 Exchange Services

- Qualified Intermediary (Accommodator)
- Exchange Accommodation Titleholder
- All types of 1031 exchanges, including:
  - Forward
  - Reverse
  - Improvement
  - Zero Equity 1031 Exchanges™
  - Deferred Sales Trusts™
- All 50 states and foreign property
- Real and Personal Property Exchanges
- Call Exeter 24/7 via web site

## Office Locations

- Nationwide Offices located in:
  - California Offices:
    - San Diego (Corporate headquarters)
    - Irvine
    - Ontario
    - Bakersfield
    - Fresno
    - San Francisco
  - Kona, Hawaii
  - East Northport, New York
  - Springfield, New Jersey

## Analyze Your Real Estate Portfolio

- What return (cash flow) are you receiving based on *today's* market value (equity)?
- What future growth can you expect?
- Can you adjust your portfolio for improved results or risk management?
  - **Diversify** your real estate portfolio by number of properties, type, or location
  - **Consolidate** your real estate portfolio with fewer properties, less management, no management
  - **Reposition** your real estate portfolio by selling less profitable; lower yielding property and buy more productive; better cash flow/yield

## Tax Deferral/Exclusion Strategies

- Sections of the Tax Code:
- 1031 exchange (investment property)
- 1033 exchange (condemnation)
- 1034 exchange (repealed in 1997)
- 121 exclusions (primary residence)
- 721 exchange (upREIT or 1031/721)
- 453 installment sales
- Charitable Remainder Trusts (CRRs)
- Other options available, so seek legal, tax and financial counsel

## 1031 Exchange Strategy

- Tax deferred vs. tax free
  - Tax deferred - sections 1031, 1033, 721, 453 including Deferred Sales Trusts
  - Tax free - 121, CRTs
- Exchange throughout your life
  - Keep your wealth in your family
  - Step up in basis at date of death
    - Capital gains go away at death
    - Depreciation recapture goes away
  - Integration with Estate Plan
    - Value still included in estate

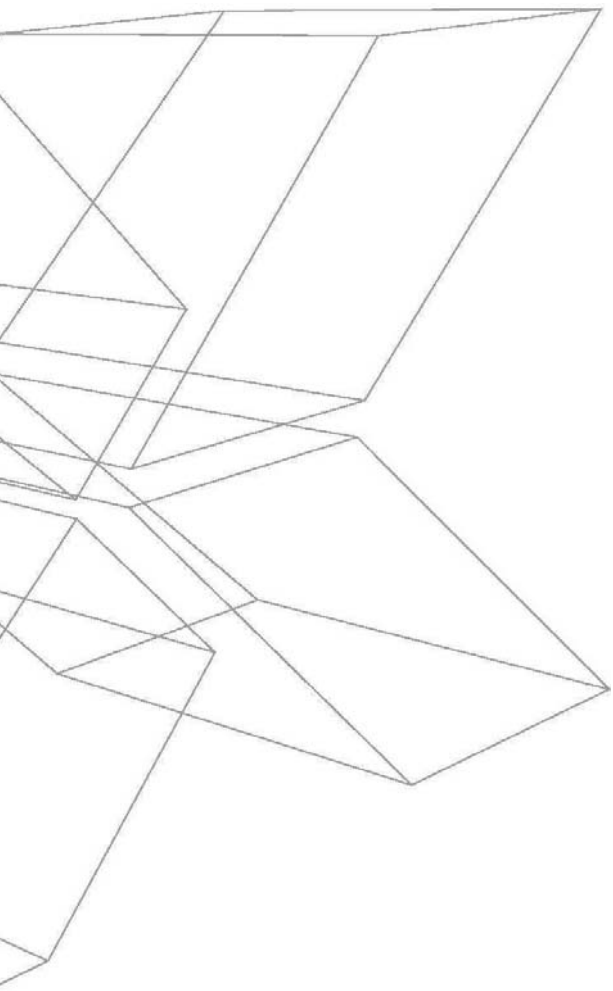
## Income Tax Rates

- Capital Gain Tax Rates
  - Maximum Federal rate is 15%
  - State rate
- Depreciation Recapture Tax Rates
  - Flat Federal rate is 25%
  - State rate



## 1031 Exchanges – Getting Started

- Qualified Intermediary (QI or Accommodator) *must* be assigned into your sale and purchase transactions *before closing*
- Qualified Intermediary
  - Drafts 1031 exchange legal documents
  - Holds net proceeds during 1031 exchange
  - Advises and helps structure 1031 exchange

A series of overlapping, semi-transparent geometric shapes, primarily triangles and quadrilaterals, in shades of gray, creating a complex, layered effect on the left side of the slide.

## Protecting Your 1031 Exchange Funds

- Extensive Experience and Expertise
  - Should be able to review all documents to catch problems before they create a loss for you.
- Errors & omissions insurance (E&O)
- Fidelity bond protection
- Obtain copy of insurance binders and call insurance agent to verify coverage
- Qualified Trust Account

## Qualified Use Requirement

- You must have the *intent* to *hold* both the relinquished and replacement properties for:
  - Rental/Income production; or
  - Investment/appreciation; or
  - Use in a business
- Property held for sale will typically not qualify for 1031 exchange
  - Property acquired to fix-up
  - Condo conversions
  - Property acquired to develop



## Like Kind Requirement

- *Any* type of real estate is like-kind to *any* other type of real estate if the qualified use test is met
- So, as long as the properties are **held** for rental, investment or use in a business the property is like-kind

A series of overlapping, semi-transparent geometric shapes, primarily triangles and quadrilaterals, in shades of gray, creating a complex, layered effect on the left side of the slide.

## Like Kind Properties

- Single family
- Multi-family
- Commercial office
- Retail
- Industrial
- Vacant land
- Oil & gas interest
- Mineral interests
- Water rights
- TIC property interest

A complex, overlapping geometric graphic consisting of various lines and polygons, creating a sense of depth and structure, located on the left side of the slide.

## Non Like Kind Property

- Primary residence
- Property held for sale
- Cash
- Stocks & Bonds
- Mutual funds & REITs
- Partnership Interests
- LLC Interests
- Shares in Corporation

## Vacation Property, Second Home

- Revenue Procedure 2008-16
- Vacation property
- Second home
- Must be held for 24 months
- Must be rented for at least 14 days
- Personal use must be limited to 14 days or 10% of days rented

## Reinvestment Requirement

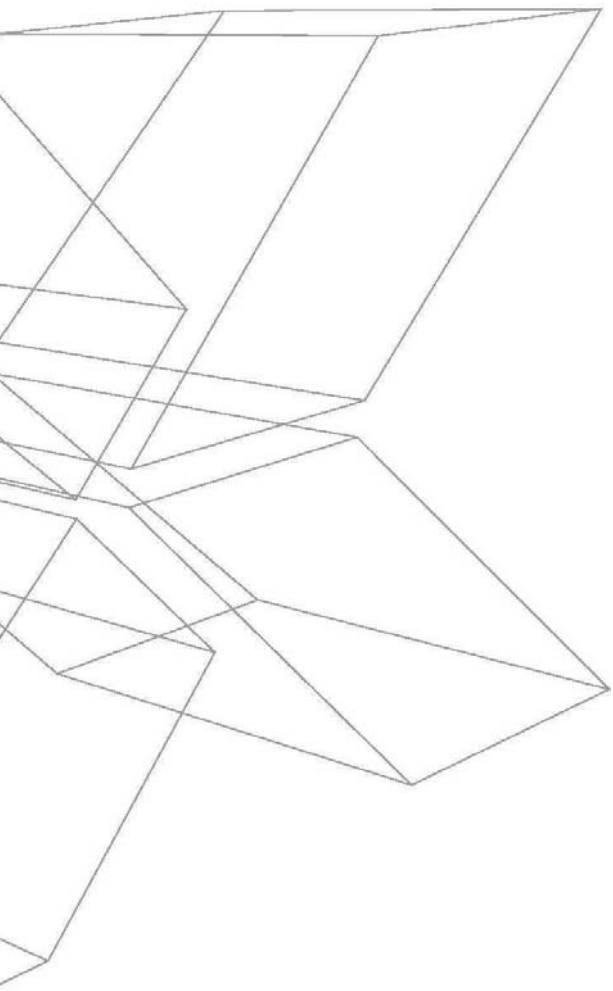
- You must have the **intent** to reinvest in a like-kind replacement property
- Trade equal or up in fair market value based on net sales price
- Reinvest 100% of equity/net cash proceeds into replacement property
- You can always add cash but cannot withdraw cash without paying tax



## 1031 Exchange Structures

- Forward 1031 Exchanges
- Reverse 1031 Exchanges
- Build-To-Suit (Improvement or Construction) 1031 Exchanges
- Zero Equity 1031 Exchanges<sup>TM</sup>
- Deferred Sales Trusts<sup>TM</sup>

## 45 Day Identification Period

- 
- Calendar days
  - Begins at close of transaction (escrow)
  - Must comply with only ONE ID rule:
    - Three (3) property rule; OR
    - 200% of fair market value rule; OR
    - 95% exception
  - Strategies:
    - Delay closing date
    - Start looking for property early
    - Consider using TIC properties

## 180 Day Exchange Period

- Complete your 1031 exchange by:
  - the earlier of 180 calendar days or the due date of your income tax return, including extensions (only an issue when sale closes between October 17 and December 31 or any given year)
- *Not* 45 days plus 180 days, but a **total** of 180 calendar days
- Calendar days
- Begins at close of sale transaction
- No extensions

## Reverse 1031 Exchange

- Purchase replacement property first
- Sell relinquished property later
- Much more complicated
- Much more expensive
- Attempt to structure forward 1031 exchange first and use reverse 1031 exchange as a last resort.

## Improvement 1031 Exchange

- Combined with Forward or Reverse
- Qualified Intermediary Holds Property
- Construction, Improvements, Build-out must be paid for and completed (constructed) before the end of the 180 calendar days
- Much more complicated
- Much more expensive

## Zero Equity 1031 Exchange™

- Disposition of property
  - Sale
  - Short Sale
  - Foreclosure
- Capital gains may still exist
  - Sale price above cost basis
- Zero Equity 1031 Exchange™

A series of overlapping, semi-transparent geometric shapes, primarily triangles and quadrilaterals, arranged in a complex, layered pattern on the left side of the slide.

## Deferred Sales Trust™

- Failed 1031 Exchanges
- 1031 Exchange not suitable, but they do want to defer the payment of taxes
- Visit **[www.exeterdst.com](http://www.exeterdst.com)**

## Strategic Tax Planning

- Combining 1031 exchanges with 121 exclusions
  - Housing and Economic Recovery Act of 2008:
    - Rental property converted to primary Residence
  - Revenue Procedure 2005-14
    - Primary residence converted to rental property
- Combine Section 453 (installment sale) with a 1031 exchange when the 1031 exchange fails



## The Exeter Edge™ Webinars

- Visit our webpage at:

**[www.exeter1031.com/seminars.aspx](http://www.exeter1031.com/seminars.aspx)**

for a complete listing of upcoming  
webinars and seminars.

## Are You Ready to Preserve Your Wealth?

- Set-up a complimentary consultation with one of our Advisory Officers
- Follow-up email with links
  - Copy of Power Point
  - The Exeter Exchange Newsletter
- Follow-up survey
- Thank you for attending – we look forward to working on your next 1031 Exchange transaction.

## Exeter 1031 Exchange Services, LLC

National Corporate Headquarters  
402 West Broadway, Suite 400  
San Diego, CA 92101

Office: (619) 615-4210

Toll Free: (866) 393-8370

Facsimile: (619) 615-4205

Email: [wexeter@exeterco.com](mailto:wexeter@exeterco.com)

Website: [www.exeter1031.com](http://www.exeter1031.com)