

# 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

Hosted by:

 **Sperry Van Ness.**  
Ramshaw Real Estate

**Ruggieri**  
Team



## The Exeter Edge™ Webinar Etiquette

- Those connecting through the Internet will be in listen only mode
- We want to encourage questions
  - Please **ask questions** as they come up
  - Alex Ruggieri will moderate the questions from his office
  - Those connecting through the Internet will 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

## 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- 1034 exchange (repealed in 1997)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

## 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



## 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 complex, overlapping geometric graphic consisting of various polygons and lines, creating a sense of depth and structure, located 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 series of overlapping, semi-transparent geometric shapes, primarily triangles and quadrilaterals, arranged in a complex, layered pattern 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

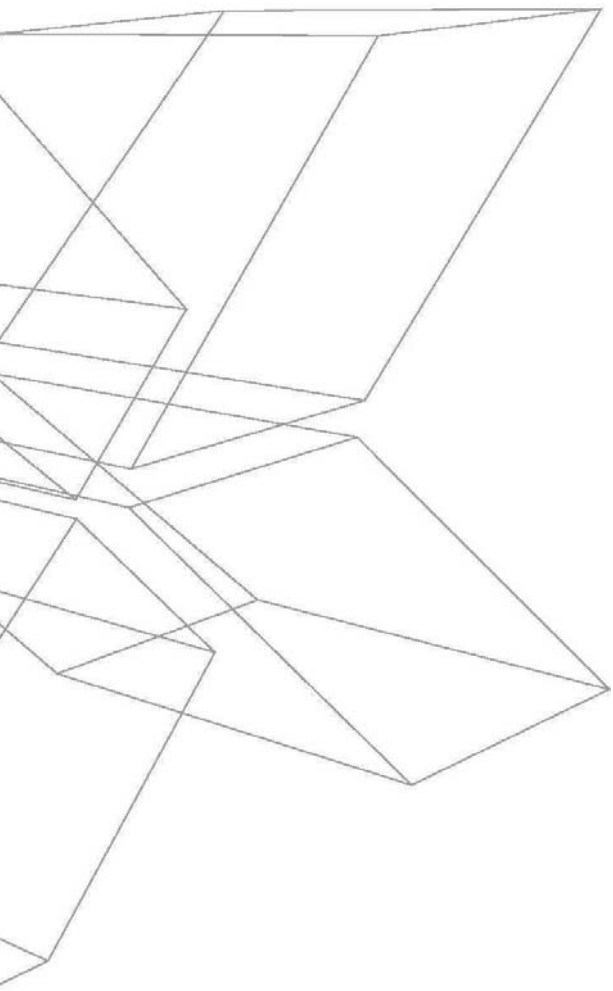
## Reinvestment Requirement

- 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

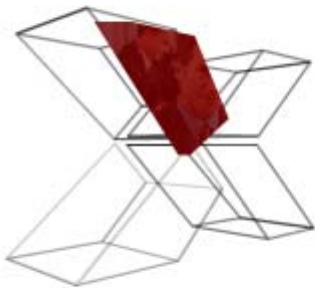
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- Calendar days
  - Begins at close of transaction (escrow)
  - Must comply with only ONE ID rule:
    - Three (3) property rule; OR
    - 200% of fair market value rule; OR
    - 95% exception
  - Strategies:
    - Delay closing date
    - Start looking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



# Challenging Times Require Creative **Advanced 1031** Exchange Solutions



*We have  
the experience.*

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## 1031 Exchange Structures

- Regular 1031 Exchanges
  - Forward
  - Delayed
  - Starker
- Reverse 1031 Exchanges
- Improvement 1031 Exchanges
  - Build-to-Suit
  - Construction
- Zero Equity 1031 Exchanges
- Combined Strategies

## Advanced 1031 Exchange Strategies

- There is an increased demand for creative and advanced 1031 Exchange strategies and structures because of the current real estate market
- Requires out-of-the-box thinking
- May require multiple 1031 Exchanges combined and integrated to accomplish the investor's goals
- Following discussion provides general outline of strategies and structures

## Advanced 1031 Exchange Strategies

- Reverse into Forward 1031 Exchange
- Forward into Reverse 1031 Exchange
- Reverse and Improvement Exchange
- Non-Safe Harbor Reverse Exchange
- Building on Property “already owned”
- Buying promissory notes as replacement property in 1031 Exchange
- Saving Reverse 1031 with related parties
- Zero Equity 1031 Exchange™

## Deferred Sales Trust™

- Failed 1031 Exchanges
- 1031 Exchange not suitable, but they do want to defer the payment of taxes

## Strategic Tax Planning

- Combining a 1031 exchange with the 121 exclusion
  - Housing and Economic Recovery Act of 2008:
    - Rental property converted to primary Residence
  - Revenue Procedure 2005-14
    - Primary residence converted to rental property

## The Exeter Edge™ Webinars

- Exeter/Ruggieri Webinars
- Advanced 1031 Exchange Strategies and Structures
  - Tuesday, December 1, 2009

## Are You Ready to Preserve Your Wealth?

- Set-up a complimentary consultation with one of our 1031 Exchange 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 helping you protect your properties.



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