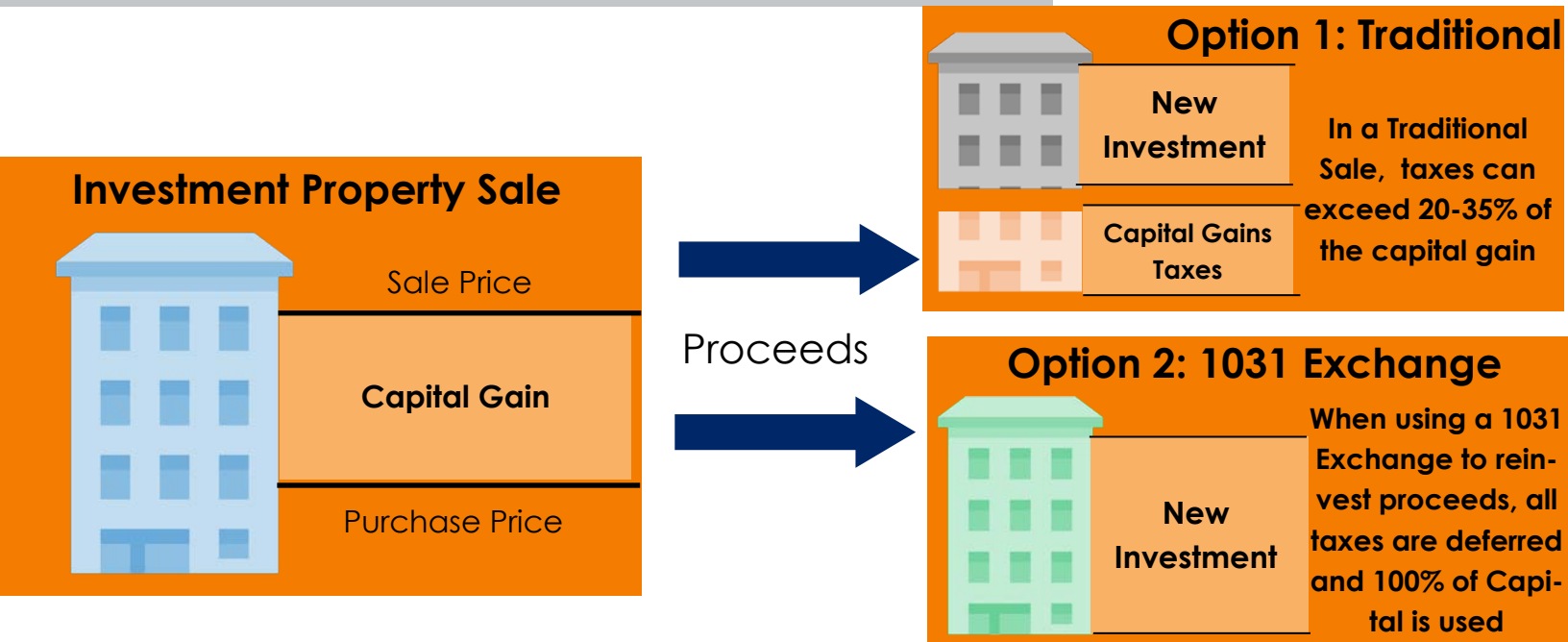


TRADITIONAL SALE VS 1031 EXCHANGE



1031 EXCHANGE OVERVIEW

STEP 1: Decide to Exchange

You need to sell your investment property, but you don't want to pay capital gains taxes, so you decide to complete a 1031 Exchange.

STEP 2: Sell Property

When the property is sold, a Qualified Intermediary (QI) must hold all proceeds, at no time should you take receipt of any proceeds from the sale.

STEP 3: Identify Property

Once the QI holds the proceeds, then we work together to identify up to 3 suitable replacement properties.

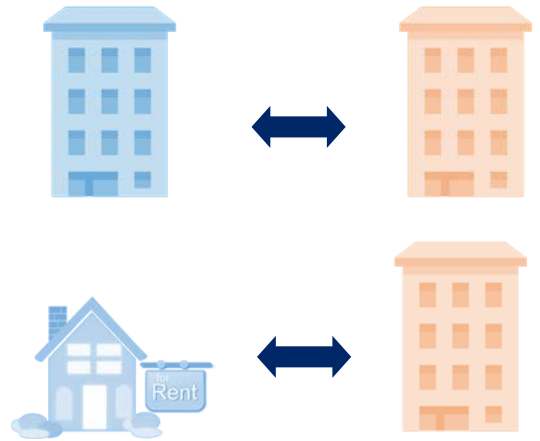
STEP 4: Buy Property

Once you decide which of the identified properties to acquire, the QI will forward the funds for closing

GENERAL 1031 EXCHANGE RULES

1 Properties Must Be “Like Kind”

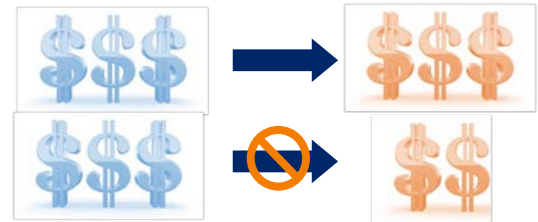
The replacement property must be “like kind” to the relinquished property. The difference in type, quality, and grade does not matter. Generally, any real estate held for business or investment purposes in the US or US Virgin Islands is considered “like kind.” An investor can exchange a commercial property for another, or residential rental property



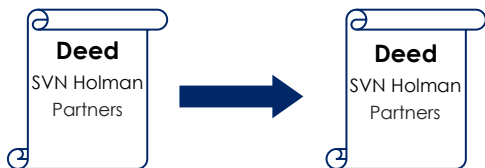
Your own personal residence and vacation home are not considered to be “like kind” to any real estate held for investment or business purposes. They can't be used in a 1031 Exchange. Other tax shelters apply to the sale of one's personal residences.

2 All Proceeds Must Be Reinvested

The value of the replacement property must be equal to or greater than the value of the sold property to receive the full deferral. Any proceeds not reinvested would be subject to capital gains taxes.



3 Titles Must Be Identical



The Ownership title for the replacement property must be identical to the title for the relinquished property.

1031 EXCHANGE TIMELINE



Once Escrow has closed on the sale of your investment or business property, the countdown starts. You have 45 calendar days to identify possible replacement properties and 180 total calendar days to close escrow on the replacement property. The countdown includes weekends and holidays. The IRS is very strict about these deadlines.

PROPERTY IDENTIFICATION RULES

3-Property Rule

You may **identify up to three** potential replacement properties and **purchase any (or all)** of them, regardless of their total value, to complete any exchange.



200% Rule

You may **identify more than three** potential replacement properties if their **total value does not exceed 200%** of the value of your relinquished property. You may **purchase as many of the identified properties as you want**.



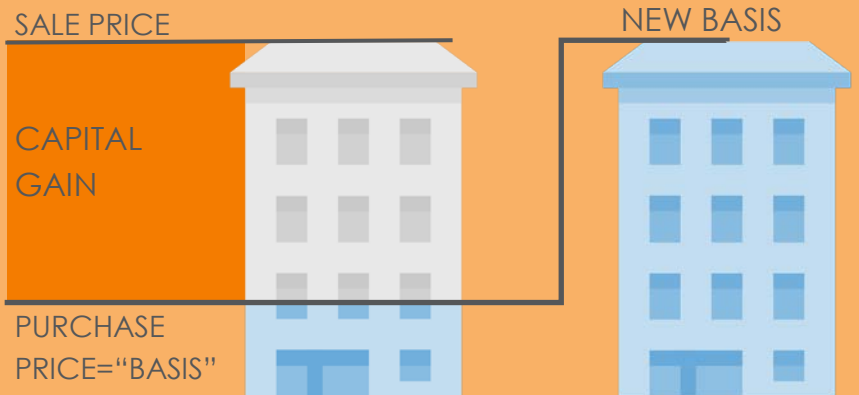
95% Rule

If neither of the other rules suits your needs, you may **identify any number** of potential replacement properties **regardless of their total value** so long as you **purchase 95% of the total value** of all the identified properties.



BENEFITING YOUR HEIRS

You can continue to defer your capital gains taxes using the 1031 exchange process until it becomes time to pass your assets on to your heirs. When that happens, the basis by which the capital gains are determined steps up to the current market value. When your heirs inherit the investment, they can sell it for its current value and no capital gains would be recognized.



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