Episode 3

Are You Leaving Money On The Table?

Could a 1031 exchange allow you to keep more equity working toward your next investment? Use this worksheet to start the conversation with your tax advisor.

Step 1: Run the Numbers

- Estimated Sale Price: ____________________________
- Less Estimated Adjusted Basis: ________________________
  (purchase price + improvements – depreciation)
- Equals Estimated Capital Gain: __________________________
  x your capital gains rate
- Equals Estimated Taxes if You Sell Without a 1031 Exchange: ______________________

Step 2: Compare Your Equity

	Without a 1031 Exchange	With a Properly Structured 1031 Exchange
Sale Proceeds	$_______________	$_______________
Estimated Taxes / Remaining Equity Available	Taxes: $_______________ Equity: $_______________	*Taxes Deferred* Equity: $_______________

Step 3: How Could More Equity Change Your Next Investment?

- ☐ Increase my down payment.
- ☐ Reduce financing needs.
- ☐ Purchase a higher-value replacement property.
- ☐ Diversify into multiple investment properties.
- ☐ Keep more capital working toward my long-term investment goals.

Before You List or Close...

- ☐ Have I discussed my estimated gain and tax exposure with my tax advisor?
- ☐ Do I want to remain invested in qualifying real estate?
- ☐ Have I contacted a Qualified Intermediary before closing?
- ☐ Have I started searching for replacement property?
- ☐ Do I have realistic backup property options?
- ☐ Are there any unusual facts (mixed-use property, partnership interests, seller financing, construction needs, etc.) my advisors should know about?
- ☐ Does everyone on my transaction team understand my goals and timing?

Key Takeaway

The goal isn't that every investor completes a 1031 exchange; rather, it's that every investor evaluates the option before the opportunity disappears. Consult your own tax and legal advisors regarding your specific circumstances.

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