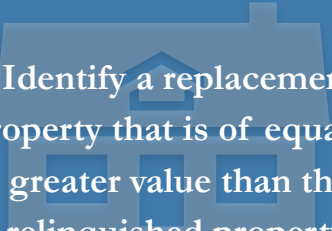
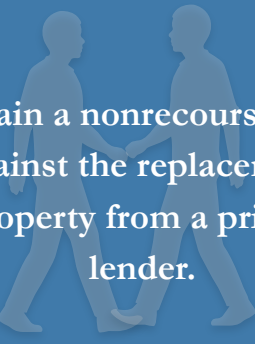


Cash-Out 1031



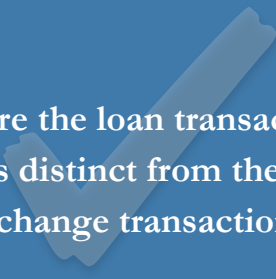
Identify a replacement property that is of equal or greater value than the relinquished property.

Step 1



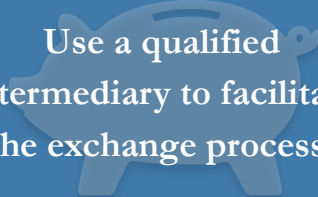
Obtain a nonrecourse loan against the replacement property from a private lender.

Step 3



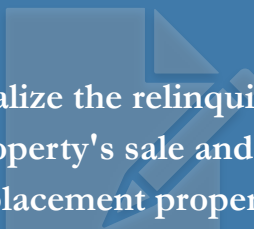
Ensure the loan transaction is distinct from the exchange transaction.

Step 5



Use a qualified intermediary to facilitate the exchange process.

Step 2



Finalize the relinquished property's sale and the replacement property's purchase through the intermediary.

Step 4

Benefits



Simple Underwriting



Tax Deferral



Immediate Cash Liquidity



Flexible Financing

Income Types

The cash-out 1031 exchange strategy applies to various types of income associated with real estate investments:



Rental Income
Income generated from leasing the replacement property.



Capital Gains
Deferred gains from the sale of the relinquished property.



Loan Proceeds
Cash obtained from the nonrecourse loan against the replacement property.

Questions

? How can I ensure compliance with IRS rules?

To ensure compliance, separate the loan transaction from the exchange, maintain thorough documentation, and clearly define a business purpose for the loan. Adhering to best practices and referencing legal precedents also help mitigate risks.

? Are there any risks involved?

Potential risks include IRS scrutiny if transactions are not properly separated, the risk of taxable boot if the exchange is not correctly structured, and market fluctuations affecting property values and loan terms.

Property Breakdown

Handling different property types and their associated considerations is essential for the success of the strategy:



Real Estate Types: The strategy applies to various real estate types, including residential, commercial, and raw land properties.



Valuation: Accurate appraisal of the replacement property is critical to determine the loan eligibility and ensure the property's value meets or exceeds the relinquished property's value.



Depreciation: Consideration of depreciation rules is necessary for tax purposes, affecting the property's taxable income and overall financial planning.