

Increase Your Income Using the 1031

Are you looking for ways to generate more income this year? Let me share with you one of the best kept secrets in real estate--the 1031 tax deferred exchange. If you aren't aware of the potential in this area, you are missing out on some great opportunities to increase your bottom line. First, let's review the basics...

The Basics

A 1031 tax deferred exchange enables a seller of investment real estate to exchange his existing property for a "like" replacement property, the investor is actually generating income off the money he would have otherwise paid to the IRS! This is a great concept and one that sells itself to most candidates.

With a few useful techniques you can use the concept to generate more income.

1: Review Your Current Listing Inventory

For every listing you have that is a non-owner occupied property, you should contact your seller to discuss the option of a 1031 exchange. Ask them what they plan to do with the proceeds and if they've talked to their accountant about what their tax liability will be upon the sale.

Don't panic if they haven't heard of the concept--you are not in this alone. Just tell your sellers you will get them information for their review. Remember, you don't have to be the expert. You just have to get them to the expert. You are starting the process of familiarizing them with the basic concepts, as well as forcing them to think about their future plans.

When you get an offer on the property, you will talk to them again about their future plans and tax liability. The key to success is to remember that even if they are looking for cash, it may be to their advantage to exchange into a replacement property that generates income or can be refinanced for cash.



2: Market To Investors For Listing Inventory, Using The 1031 Tax Deferred Exchange As A "Hook"

Ask them if they want to sell their property and defer the taxes. Tell them you can show them how to make income on someone else's money. Again you are the property and marketing expert. You will guide them to the exchange expert.

3: Advertise For Buyers Who Are Using 1031 Money to Acquire Replacement Property

What is most important to these buyers is an agent who knows the market, is responsive, and can negotiate their best deal. Remember, they have a limited time to complete their transaction and they need you to get them the best deal in the shortest amount of time.

Steps 1 and 2 will bring you more business since you will be the seller's agent when he goes into the market to purchase his replacement property. If they are acquiring property in another area, you have an opportunity to refer the deal and create both referral income and a new referral relationship. Step 3 brings you into contact with friends. Combine all three steps into a yearlong marketing program and watch your income grow!

The key to success is working with an exchange professional that will support your marketing efforts and provide the information necessary for the seller's successful transaction. Since the 1031 regulations are federal, the Qualified Intermediaries are there to be your partner in the successful exchange, and can work with your sellers and buyers in any state. They are able to provide guidance and insight in structuring the exchange to meet the client's ultimate goals.

Now that you know the 3 steps to increasing your income this year put together your marketing plan and go to work!

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