



1031 EXCHANGES

NOT JUST A TAX DEFERRAL TOOL FOR PROPERTIES THAT HAVE APPRECIATED IN VALUE

It's true that the primary reason investors consider structuring their sale of properties held for investment or in connection with a business is appreciation in value. However, there are other reasons that a 1031 tax deferred exchange may be the right choice:

- **Consolidation** – In order to minimize management responsibilities, an investor may wish to transfer several properties to acquire one property.
- **Diversification** – In the alternative, an investor may wish to transfer one property to acquire several properties and/or to acquire property of a different nature.
- **Relocation** – Absentee ownership and management is difficult, so an investor may transfer assets to a different geographic location.
- **To increase cash flow** – By changing from raw land to improved property or by changing the nature of the improved property, an investor may generate or increase cash flow.
- **Defer potential taxes created by depreciation recapture** – If property has been depreciated during the investor's ownership of the property and the transaction is structured as a sale rather than as an exchange, taxes will be due as a result of depreciation recapture. This is a concern in the sale of improved property and can be a bigger problem in connection with the sale of personal property such as aircraft, equipment, vessels, art and other collectibles, etc.

By deferring taxes, investors can accumulate more assets and more wealth! Let Metropolitan Title Company help you and your clients with a 1031 exchange to add more value to their investment portfolio.