1031 LIKE-KIND EXCHANGE

WINTRUST WEALTH MANAGEMENT

A 1031 Like-Kind Exchange can help you exchange similar properties while deferring capital gains on the sale of a business or investment property.

If you have ever considered exchanging rental property in the North for a rental property in Florida or relocating commercial property to another location, a 1031 Exchange may be right for you.

For these and many other types of "like-kind" property swaps, a 1031 Exchange can be a valuable tax-deferring strategy. As a Qualified Intermediary, our Trust organization—The Chicago Trust Company, N.A.—can help you execute these exchanges.

OVERVIEW OF 1031 EXCHANGES

Generally, when selling real estate, you have to pay tax on the gain or profit from the sale of the property. A 1031 Exchange allows an owner of certain kinds of business assets to defer capital gains taxes on any exchange of "like-kind" property. Named for the Internal Revenue Code section 1031, and also sometimes referred to as a Starker Exchange, a 1031 Exchange ensures that no gain or loss is recognized on the exchange of property held for productive use in a trade or business or for investment if such property is exchanged solely for property of like-kind.

BENEFITS OF A 1031 EXCHANGE

Often when property is sold, tax will be owed on the gain realized as a result of depreciation deductions or appreciation in value. If an individual plans to use the proceeds from the sale of business or investment property to buy a similar type of property, a 1031 Exchange offers tax savings for the next real estate investment. Other advantages of exchanging may include:

- Increased cash flow
- Consolidation of investments
- Simplification of relocating or changing a business

1031 REQUIREMENTS

In order to successfully execute a 1031 Exchange, an individual must use a "Qualified Intermediary" (sometimes referred to as an "Accommodator" or a "Facilitator"). The proceeds cannot be left in escrow until the second property is acquired and cannot be held by a friend, relative, or even a CPA or attorney.

The net proceeds from the sale must be deposited into an interest-bearing account by the Intermediary after closing the Exchanger's written direction. The Exchanger has 45 days to identify suitable replacement property(ies).

Prior to the sale of the replacement property(ies), the Intermediary must advance necessary funds and complete the 1031 Exchange transaction. Title to the replacement property must be taken within 180 days after transfer or before the tax due date for the year in which the relinquished property transferred.

GETTING STARTED

A section 1031 Exchange is a complex transaction and the success of your 1031 Exchange depends on the skill, expertise, and thoroughness of your Qualified Intermediary. To learn more, talk to a Trust Administrator with Wintrust Wealth Management today.

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