UNDERSTANDING 1031 EXCHANGES AND REPLACEMENT PROPERTIES

Did You Know? Over 90% of 1031 exchanges are delayed exchanges[1], giving investors up to 180 days to acquire a replacement property while deferring capital gains taxes.

The IRS recognizes several variations of a 1031 exchange, each offering unique benefits and timelines:

- **Simultaneous Exchange:** Old and new properties close on the same day.
- **Delayed Exchange:** The most common format - sell first, buy later within 180 days.
- **Reverse Exchange:** Acquire the new property before selling the old one.
- **Improvement Exchange:** Use exchange funds to improve the replacement property within 180 days.

What Are Replacement Properties?

When you sell an investment property through a 1031 exchange, IRS rules require you to reinvest in "like-kind" real estate. This means any property held for investment or business use qualifies- whether it's residential, commercial, raw land, or fractional ownership structures. You can sell one type of property and exchange for something different, making a 1031 exchange a valuable tool for diversifying your portfolio.

Common Replacement Property Options:

- Triple-Net Leased Properties
- Delaware Statutory Trusts (DSTs)
- Commercial Assets
- Multifamily Apartments

Why It Matters: Choosing the right replacement property can increase cash flow, diversify your portfolio, and position you for long-term growth, all while deferring taxes under Section 1031. Understanding the type of 1031 exchange you're executing is crucial to maintaining compliance with IRS regulations.

[1] Realwealth.com/learn/types-of-1031-exchanges

Ready to Explore Your Options? Let's discuss the right replacement property for your investment goals.

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