

## HELPING THE CLIENT PLAN FOR THE EXCHANGE

A successful IRC §1031 exchange transaction requires additional preparation, expertise and support. Investment Property Exchange Services, Inc. (IPX1031), as your Qualified Intermediary, will handle the exchange details and documentation, and safeguard the exchange equity. Laying the proper groundwork before you or your clients enter into a tax deferred exchange for an investment property is essential to making the sale/s run smoothly. Although the following will provide some of the fundamental exchange questions to review, a more comprehensive checklist is available on request or through our website.

By gathering the following key information you will avoid unnecessary obstacles once you or your clients have accepted an offer and have started their search for replacement property:

### **I. Determine the following:**

- Confirm that the property being sold (Relinquished Property) was held as a rental or investment property and that you or your clients intend to do the same with the Replacement Property.
- Make sure the title to the Replacement Property will be held in the same manner as title is held on the Relinquished Property.
- Confirm that the lender for the Replacement Property has no specific requirements for holding title that would cause problems with the exchange.
- Will you or your clients need to use sale proceeds to make cosmetic or structural improvements on the Relinquished or Replacement Property.

### **II. Ask the following questions:**

- Will part of the proceeds be used to pay personal debt?
- Will additional parties be added to the title on the Replacement Property?
- Will all members on title to the Relinquished Property be participating in the exchange?
- Are you or your clients selling any of their property to or intending to buy property from a related party?
- Do you or your clients plan to offer seller financing on the sale of the Relinquished Property?
- Are you or your clients aware of the various types of exchanges that may meet their exchange objectives? (e.g. simultaneous, delayed, build-to-suit, and reverse exchanges)

Investment Property Exchange Services, Inc., as your Qualified Intermediary, can be very helpful in the early stages, advising on how the "answers" to these questions will determine the best means of planning the exchange. Our expert staff, including a full-time managing attorney, can explain the various exchange types and assist all parties in selecting the most appropriate structure for the exchange. Of course, exchangers should always seek tax and/or legal advice prior to starting the exchange.