



Managing Your 1031

Properly managing your 1031 exchange can improve your chances of having a successful transaction. Many investors know the basics of 1031, but many make the mistake of not revoking what I call dead properties prior to the 45 day identification period deadline. What is a dead property? Any property that the investor has decided to not purchase or any property that the investor knows they are 100% sure they are not going to get. As long as the investor is still within the 45 day identification period they should revoke those properties and resubmit new properties that they might have a chance of purchasing.

For example, let's assume that ABC Inc. has sold a commercial property and is at day 40 of the 45 day identification period. They have identified 3 properties and over the previous 40 days have discovered that 2 of them will not work. If they do not revoke the 2 dead properties, they will only have 1 potential property to purchase during the remainder of the exchange and will not have any "back up" properties. If they revoke the 2 dead properties and resubmit new properties by midnight of day 45, they will have 3 potential properties to purchase and will have increased their probability of having a successful 1031 exchange.

By simply managing your 1031 exchange you can increase your odds of having a successful tax deferred transaction by following these 3 simple steps.

1. Set up the Exchange prior to close of escrow of the relinquished property.
2. Once you have closed escrow, identify to the Qualified Intermediary which properties you want to purchase.
3. Prior to your 45th day, review your identified properties and revoke and resubmit new properties if needed.

As in any successful transaction, management of the deal is always important. By managing your 1031 properly you can give your clients every chance possible to have a successful 1031 exchange.

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