

Five Reasons To Exchange

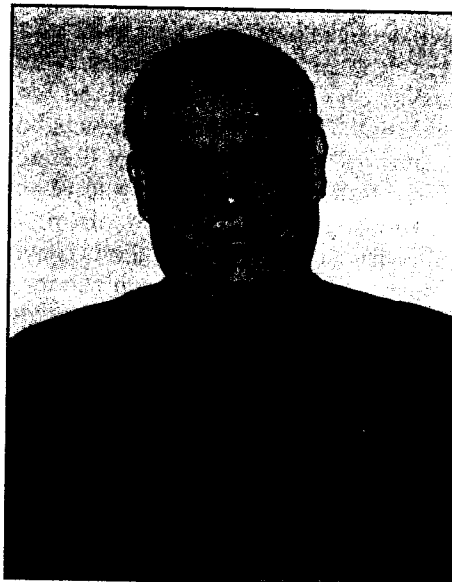
Section 1031 tax deferred exchanges continue to increase in popularity as more investors nationwide discover the wide range of investment objectives that can be easily met through exchanging.

1) Preservation of Equity

A properly structured exchange provides real estate investors with the opportunity to defer 100% of both Federal and State capital gain taxes. This essentially equals an interest-free, no-term loan on taxes due until the property is sold for cash. Most often, the capital gain taxes are deferred indefinitely because many investors continue to exchange from one property to the next, dramatically increasing the value of their real estate investments with each exchange along with an increase in income.

2) Leverage

Many investors exchange from a



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property where they have a high equity position or one that is "free and clear" into a much more valuable property. A larger property produces more cash flow and provides greater depreciation benefits, which

therefore increase an investor's return on their investment.

3) Diversification

Exchangers have a number of opportunities for diversification through exchanges. One option is to diversify into another geographic region such as investing in an office building in Texas and another in California. Another diversification alternative is acquiring a different property type such as exchanging from an apartment building into an office building or retail center.

4) Management Relief

Many investors accumulate several single family rentals over the years. The on-going maintenance and management of what can be a far-reaching group of properties can be lessened by exchanging these properties for one property better suited to on-site maintenance and management. Exchanging into a property managed by a professional

management company alleviates the "Three T's" (trash, tenants, toilets) for the investor.

5) Estate Planning

Often a number of family members inherit one large property and disagree about what they want to do with it. Some want to continue holding the investment and some desire to sell it immediately for cash. By exchanging from one large property into several smaller properties, an investor can designate that, after their death, each heir will receive a different property which they can either hold or sell.

By: Peter J. Ludwig, CFP, is the President of Ludwig Financial Group, a financial planning firm that has been caring for the financial well-being of their clients for over 43 years. Ludwig Financial Group specializes in estate planning and real estate/1031 Exchanges.