



Do You REALLY Want to Do a 1031 Exchange?

by Peter Rosenthal, V.I.P. Trust Deed Company

This is NOT tax advice; it is LIFESTYLE advice. It started with a phone call from an old neighbor, across the street from my old office building. He wanted to get the contact information for a commercial broker that I had given him some years back. He intended to sell his La Crescenta commercial property and his six unit Glendale property via a 1031 exchange.

Knowing he was no longer a spring chicken, I asked him WHY?

He wanted to exchange for units in San Diego so that his daughter, who was in San Diego, would eventually in-

herit them. I asked about the daughter's age and financial circumstances and then asked about the income and debt

was worth, in my opinion, about two million dollars.

Now Hear This

We all knew when we purchased our first piece of property that we had a "not-so-silent partner" named Uncle Sam. And, yes, we almost always sold via a 1031 exchange to avoid paying tax on those profits. Do we still want to manage those properties in our older years, to avoid our partner and perhaps saddle our heirs with real estate?

Not me. I sold my office building approximately five years ago, and purchased a smaller commercial property three blocks away, for less

This is a LIFESTYLE concept that most of you have not even considered, Seriously consider a well thought out installment sale and ENJOY the remaining years with a monthly check - in most cases, BIGGER than your existing gross rents with NONE of the ownership hassle.

on the buildings. Both were debt-free and each property

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than half the price of the larger property. I took 20% down and got top dollar by doing an **INSTALLMENT SALE**, with a very large prepayment penalty for the first five years.

California places certain reporting burdens on the buyer when paying principal to a seller via a seller carry back. I won't go into detail but that can be avoided by an "interest only" payment or greatly simplified by an annual principal reduction.

Now back to my neighbor -I showed him that **AFTER** getting a \$400,000 to \$500,000 down payment on a two million dollar sale, he would be getting a monthly

check **LARGER** than his **GROSS** rents. It worked for me and it worked for him. I hooked him up with a great commercial broker and acted as the "deal consultant" and the financing consultant. My neighbor got two for one price, as I merely received a referral fee from the broker's listing side of the commission.

A Lifestyle Choice

I again state, this is **NOT** tax advice and yes, long-term capital gains are paid on the down payment and eventually, the payoff. This is a **LIFESTYLE** concept that most of you have not

even considered. If you are old enough to remember the good old days, seriously consider a well thought out installment sale and **ENJOY** the remaining years with a monthly check, in most cases, **BIGGER** than your existing gross rents with **NONE** of the ownership hassle.

It was a major "load lightening" for me and Stan. My next lifestyle advice was for a long-time attorney friend (yes, attorneys have friends) who never even considered selling the property he had owned for thirty years. **BOOM BOOM**, same broker with me, and he is no longer

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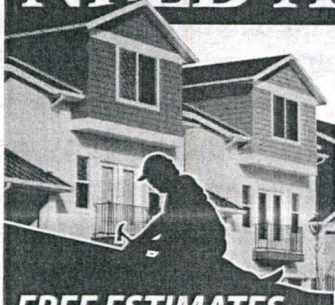
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down there every weekend working on the building. A fat check instead of manual labor and all the management "fun".

My advice is very expensive. If you decide to do an installment sale, with or without my help, my fee for your lifestyle change is "two bottles of Merlot". **AOA**

Peter Rosenthal of V.I.P. Trust Deed Company has originated and serviced hundreds of millions of dollars in real estate loans for over four decades. Please feel free to contact him with any questions at Peter@viploan.com.

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