

# → 1031 Exchange FOCUS

## Realtors—Increasing business with IRC 1031

*Internal Revenue Code Section 1031 allows investors to defer the payment of capital gains taxes when selling an investment property and exchanging into another like-kind investment property.*

Section 1031 of the Internal Revenue Code can be a tremendous wealth building tool for investors. At the same time, Section 1031 of the Internal Revenue Code can be a tremendous tool for the real estate agent as well. Real estate agents who understand the 1031 Exchange process can potentially create a lucrative niche market for themselves, while earning repeat business and larger commissions.

### **How It Works:**

Real estate investors who exchange are typically building long-term wealth through real estate. Most 1031 exchange investors take a longer perspective to owning real estate and will look to real estate ownership as a means of achieving financial freedom. What this means for the real estate agent with 1031 Exchange clients is:

### **Multiple Commissions From One Client:**

When dealing with a 1031 Exchange client, the real estate agent's job is not done once the property sells. The requirements

of a 1031 Exchange are that the investor both sell and buy real estate. Real estate agents who are fortunate enough to have a 1031 Exchange client will typically want to make sure the client has a successful exchange, which also means acquiring replacement property. Sometimes it means acquiring multiple replacement properties! The savvy real estate agent who helps facilitate the acquisition of the replacement property stands to earn multiple commissions.

### **Larger Properties, Larger Commissions:**

In order to defer the entire tax liability on the property sold, the exchange client is required to 'trade up' in value.

Often this requirement aligns well with the client's long term goal of owning bigger and better properties with larger and more stable income streams. The real estate agent who assists in finding these bigger and better properties is properly compensated with bigger and better commissions.

SECTION 1031 OF THE INTERNAL REVENUE CODE IS ONE OF THE GREATEST WEALTH BUILDING TOOLS AVAILABLE TO THE INVESTOR



**Lifetime Clients:** Most 1031 Exchange clients are building wealth and attempting to obtain financial freedom through real estate; such freedom typically does not happen with one or two transactions, but rather a series of well thought out transactions over a number of years. For the real estate agent, exchange clients will most likely be clients for many years to come.

Real estate agents looking to develop their business by marketing to 1031 Exchange clients have a resource available at Asset Exchange Company. Asset Exchange Company has tools available for real estate agents, such as sample investor prospecting letters and free customized newsletters.

Asset Exchange Company, with its partner title companies, can also help develop farm lists and mailers so that realtors can create effective marketing campaigns geared specifically at exchange prospects.

*The subject matter in this newsletter is intended as general information only and not intended as tax or legal advice.*

*Please always consult your tax or legal advisor for any specific tax or legal matters.*

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