

Preserve Your Wealth with a 1031 Exchange

Without a 1031 Exchange

With a 1031 Exchange

Sale Price of Property		\$1,000,000
Original Purchase Price	\$200,000	
Depreciation Taken	(\$100,000)	
Cost Basis	\$100,000	(\$100,000)
Total Capital Gains		\$900,000
Taxes Due		
Recapture	(\$100,000@25%)	(\$25,000)
Federal	(\$900,000@20%)	(\$180,000)
State	(\$900,000@5%)	(\$45,000)
Total Taxes Paid		(\$250,000)
Total Proceeds (Sales Price – Taxes Paid)		\$750,000
Assumed Rate of Return	6.50%	
Total Proceeds Available to Invest	\$750,000	
Annual Cash Flow (6.50% x \$750,000)		\$48,750

Sale Price of Property		\$1,000,000
Original Purchase Price	\$200,000	
Depreciation Taken	(\$100,000)	
Cost Basis	\$100,000	(\$100,000)
Total Capital Gains		\$900,000
Taxes Due		
Recapture	N/A	\$ ---
Federal	N/A	\$ ---
State	N/A	\$ ---
Total Taxes Paid		\$ ---
Total Proceeds (Sales Price – Taxes Paid)		\$1,000,000
Assumed Rate of Return	6.50%	
Total Proceeds Available to Invest	\$1,000,000	
Annual Cash Flow (6.50% x \$1,000,000)		\$65,000

With a 1031 Exchange	\$65,000
Without a 1031 Exchange	\$48,750
Increased Annual Cash Flow	\$16,250
% Annual Increase	33.3%

In this example, by utilizing the IRC Section 1031 Exchange, you could increase your annual income by \$16,250!

Assuming the \$250,000 tax savings was invested and the real estate investment grew at an annual rate of at 8.50% per year (6.50% annual income plus 2% annual appreciation), the additional wealth generated over 25 years would equal \$1,921,691.00!

For illustrative purposes only. Consult with your tax advisor regarding your personal situation