# 1031 Exchanges: A Powerful Real Estate Strategy

Section 1031of the federal tax enables sellers to defer gain on the sale of real property used for business or investment provided another is acquired. It is much like a sale followed by a purchase with a few rules attached. A 1031 exchange allows investors to accomplish many investment goals, such as greater income potential, less management responsibilities, relocation, consolidation, diversification and acquiring a future retirement home.

- A qualified intermediary is required to facilitate the exchange.
- You cannot have actual or constructive receipt of the sale proceed.
- Beginning at the closing of the old property, you have 45 days to identify replacement and a total of 180 days to acquire it.
- To maximize the tax deferral, you must acquire replacement property of equal or greater value and equity.
- Both properties must have the same owner.
- The exchange must be set up before conveying title of the old property to the buyer.

A 1031 exchange allows you to build wealth and preserve equity.