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A 1031 trade-in program for the 21st Century investor: R. J. Gullo's 1031 Trade-In Program - by Russell Gullo

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Are you an owner of an income-producing or investment-held property? Are you tired of the day-to-day management headaches that are associated with your property? Do you like the financial benefits and have built a sizable amount of equity in your property through equity-build-up and appreciation over the years? But you can't afford to sell because of your large gain (profit) and the tax consequences that you would pay? Would you like to use your equity in your current property and acquire part of an investment grade property, and not have the day-to-day management headaches?

Today, this is possible through a tool designed by the R. J. Gullo Companies, called the "R. J. Gullo's 1031 Trade-In Program." This program is structured using both Section 1031 of the Internal Revenue Code, which allows owners of income-producing or investment-held property the opportunity to pay no tax when disposing of property. Along with Revenue Procedure 2002-22 individuals can take their equity (net proceeds) when performing a 1031 exchange and use the funds from the relinquished property being disposed of to acquire a part of a professional management-free investment grade property, without being involved in the day-to-day activities of ownership.

This program allows owners who own either one—or many—scattered income-producing or investment-held properties to consolidate their equity, dispose of these assets and use the proceeds to acquire a part of a passive property which is management-free such as an investment grade multifamily investment property. This concept is known as a (co-ownership) investment. Today the most common source of a co-ownership investment is known as a Delaware Statutory Trust (DST). The DST sponsor is responsible for finding, acquiring and operating the property that will be owned by a handful of other co-owners that want to benefit from the financial rewards without being involved in the day-to-day management. As a co-owner you receive all the same benefits of ownership as if you owned any other property.

One of the biggest advantage of the 1031 Trade-In Program is that we are able to guarantee ownership in the new DST (replacement property) without having your relinquished property either sold or on the market. That's right, we are able to place you into ownership of the new DST property before disposing of your relinquished property and can arrange for the interim financing of the new DST property without having the equity from the relinquished properties. In addition, we can also arrange for the sale of the relinquished property or properties after the fact, through the 1031 Trade-In Program.

This concept eliminates the issues of timing, trying to bring together the structuring of the 1031 exchange period, the 1031 exchange I.D. period, of replacement property, eliminates the problem of not having the equity from the relinquished property if not sold yet, and eliminates the problem of not having a buyer for the relinquished property yet. A conventional 1031 deferred exchange, meaning a sale of the relinquished property and then the purchase of the replacement property, also works with the R. J. Gullo 1031 Trade-In Program.

So, if you would like to participate in being able to acquire part of an investment grade property that you would not be able to own on your own because of the size of the asset, and leave the day-to-day management activities to a professional management company, and don't have to worry about having a buyer for your relinquished property or the funds to acquire part of a DST property, then the R. J. Gullo 1031 Trade-In Program could be exactly what the doctor ordered.

Russell Gullo, CCIM, CEA, is founder and CEO of the R. J. Gullo Companies: Qualified Intermediaries For 1031 Exchanges and Real Estate Investment Specialists, Buffalo, N.Y.; and founder and director of operations of the American Institute of Real Estate Exchangors (AIREE). He can be contacted via www.rjgullo.com for a free consultation on the following services: Qualified Intermediaries for 1031 exchanges, real estate investment brokerage, real estate co-ownership investments, and real estate transaction advisory.

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