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Comparing a tenant-in-common (TIC) to other investment methods

July 25, 2008 - Spotlights

Most people know that in order to ensure financial stability, it is essential to invest your money wisely. However, choosing the best financial strategy isn't simple and takes careful thought and planning. There are many avenues for investment, from stocks and bonds to mutual funds or real estate. Even once you decide which investment method works best for your situation, the next step is to choose specifically which stocks to buy or what kind of property would garner the most return.

One financial strategy that continues to be the choice for a growing number of investors is a 1031 exchange. A 1031 exchange provides for the capital gains taxes from appreciated real estate to be deferred if the funds are put back into another real estate investment. TICs, which include office, multifamily residential, retail and medical, offer a group of up to 35 investors the ability to purchase a share of institutional quality real estate. Each investor owns an undivided fractional interest in the property and shares in the net income and potential growth. Because TIC properties offer management-free ownership and flexibility in the amount invested, they're a popular choice for those looking to utilize section 1031 of the federal tax law.

The prime reason why people use the 1031 exchange is because it allows the investor to defer property taxes. By deferring the tax, the investor has more money to put into another property, allowing them to maximize on the return. As a result, the investor can utilize all realized cash and re-invest in another property. Since the bulk sum is greater than that which would result after a tax deduction, the investor enjoys a return on the entire profit from the previous sale. Additionally, a TIC property is a worry-free mechanism that affords the investor using a 1031 exchange the ability to see his portfolio grow without putting in high levels of time and effort. Since a TIC is managed by the sponsor, the sponsor is responsible for insuring the property is properly maintained and the budgets are met. The investor can enjoy monthly distributions without having to worry about the day-to-day realities of managing and overseeing a property.

TICs offer additional benefits compared to stocks, mutual funds or a standard real estate investment purchase. For one, investing in a TIC allows the purchaser to choose the dollar amount they wish to invest. Because most TIC properties allow investors to choose to buy into the property in a flexible denomination, it allows the investor to match their available funds dollar for dollar, maximizing on their resources without compromising on the quality of the property.

However, all investments, whether stocks or real estate, carry risks. There are no guarantees that the investment will perform to your expectations. Whether you are purchasing new stocks or buying an investment property, it is important to be comfortable with what you're putting your money towards. However, TIC investors can feel confident that a team of professionals work diligently to see the property achieves or exceeds expectations. At DeSanto Realty Group (DRG), our dynamic team uses experience to explore properties in markets with stable economies. Upon locating potential offerings, a thorough due diligence process is completed to ensure the offering will have stable yields and lower downside risks, while offering the investor the opportunity to enhance a portfolio. In-house management, finance and marketing professionals give DRG an edge in the industry. As a sponsor, we carefully select each offering based on key characteristics, including location, economy and population trends. These factors are closely contemplated so that, as a sponsor, we are confident in the products we're offering.

Once investors have a stake in the property, we continue to uphold an excellent level of management to ensure the offering performs at or above expectations. This allows the investors to take a passive role and be free of the day-to-day worries that often come along with sole ownership of real estate.

Gary DeSanto is CEO of DeSanto Realty Group, Radnor, Penn.