1031 Exchange VS Paying Capital Gains Tax

1031 Exchange	Paying Capital Gains Tax
Tax Deferral: No immediate tax payment; taxes are deferred, allowing you to reinvest the full amount into a new property.	**Immediate Taxation:** Capital gains taxes must be paid immediately, reducing the funds available for reinvestment.
Increased Leverage: Reinvest the full amount, enabling the purchase of more valuable or diversified properties, accelerating portfolio growth.	**Limited Growth:** Taxes reduce your reinvestment capacity, slowing portfolio expansion and compounding.
Like-Kind Exchange: Flexibility to diversify into various property types (residential, commercial, etc.) while maintaining tax deferral.	**No Flexibility:** While you can sell and use proceeds however you wish, paying taxes limits the ability to reinvest and grow your portfolio.
Maximize Tax Savings: Tax-deferred status maximizes your investment's return over time, allowing your assets to appreciate without losing capital to taxes.	**Significant Tax Payment:** Pay capital gains tax on the profit immediately, which can be a substantial amount and slow long-term growth.
Stepped-Up Basis for Heirs: Upon passing, heirs inherit the property at its fair market value, effectively avoiding capital gains taxes.	**No Estate Benefit:** Your heirs will have to pay capital gains tax on the profit when they sell the property.
Preserve Wealth for Long-Term Growth: 1031 exchanges allow for continuous tax deferral, maximizing long-term wealth accumulation and compounding.	**Short-Term Tax Burden:** Capital gains taxes reduce the value of your investment, creating a short-term tax burden instead of long-term wealth-building.

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1031 Exchanges