

5 TIPS FOR BEGINNERS



1031 Exchange Guide

Created by Sunwest 1031, LLC

Start Planning Early

01

- **Tip:** The 1031 exchange process has strict timelines, with only 45 days to identify replacement properties and 180 days to close. Start planning as soon as you decide to sell your property.
- **Why it's important:** Time management is crucial to avoid missing deadlines, which could invalidate your exchange.



Choose a Reliable QI

02

- **Tip:** Select a QI or Qualified Intermediary, with a proven track record and a solid reputation. The QI will hold your funds and facilitate the exchange, so trust and experience matter.
- **Why it's important:** A knowledgeable QI ensures smooth execution of the transaction and helps you comply with IRS rules.



Identify Replacement property Carefully

03

- **Tip:** Be strategic when identifying replacement properties within the 45-day window. You can identify up to three properties, or more if their combined value is less than twice the sale price.
- **Why it's important:** The properties you select must meet the IRS "like-kind" requirement and should be financially viable options for reinvestment.



Reinvest ALL Proceeds

04

- **Tip:** To fully defer taxes, reinvest the entire sale amount into your replacement property. Any cash or non-like-kind property you receive, known as "boot," may be taxable.
- **Why it's important:** Reinvesting all proceeds helps you avoid tax liabilities and fully maximize the tax-deferral benefits of the exchange.



Consult a Tax Advisor

05

- **Tip:** Consult with a tax professional who is familiar with 1031 exchanges to ensure you understand the tax implications and other financial considerations.
- **Why it's important:** Tax laws can be complex, and a professional can guide you through the specifics of your exchange, helping you avoid costly mistakes.

