
White Paper

Realizing the Advantages of a Real Estate Exchange

A white paper for owners and operators

- *How to defer taxes and generate more retirement income*

A tax-deferred real estate exchange can also generate steady retirement income.

Some types of real estate demand a lot of management time. If you own and operate an assisted living facility, you know that it's more than a full-time commitment.

At some point, you will likely decide that it's time to do something else. But, what are your options? Selling is one course of action. Another potentially more beneficial option is a real estate exchange.

• What is a real estate exchange?

Section 1031 of the Internal Revenue Service (IRS) code provides an opportunity for owners of real estate, at the time of sale of the facility, to make a real estate exchange. This is sometimes referred to as a "1031 Tax-Deferred Exchange." Such an exchange defers taxes on your capital gains and generates steady retirement income. A real estate exchange provides a huge advantage for property owners — and particularly those who have realized significant appreciation of the property over time — who now want to retire or move to another type of real estate investment.

If your objective is to save taxes and generate retirement income, a tax-deferred real estate exchange is an excellent strategy.

A common scenario may entail an assisted living owner/operator ready to retire from the rigorous demands of the business. This party sells and rolls the proceeds from that sale into another type of real estate that requires no management time whatsoever. With a properly structured real estate exchange, the owner could retire and draw a larger paycheck each month.

A 1031 tax-deferred real estate exchange can be an excellent way to generate more retirement income. Pay particular attention to the "monthly net income" and "owner involvement" categories below.

Former Property

20-bed assisted living facility

Sale price: \$1,000,000

Equity from sale: \$500,000

Monthly net income: \$10,000

Owner involvement: 40+ hrs./wk.

New Property

Drug store leased to national chain

Purchase price: \$2,000,000

Equity invested: \$500,000

Monthly net income: \$11,667

Owner involvement: 0 hrs./wk.



- **What types of real estate have been exchanged?**

Good examples might find an assisted living facility owner exchanging for a Walgreens drug store or a Blockbuster video building. Other owners have exchanged for partial ownership of a shopping mall or vacation property. Completing the entire transaction is part of the overall services offered by Senior Care Realty. Our goal is to find a buyer for your property, and we find a seller who is willing to sell a property that you would like to acquire.

- **What is my next step?**

A real estate exchange may enable you to retire earlier than you anticipated, with a steady income stream upon retirement.

Senior Care Realty can help you with a financial analysis of any potential real estate exchange. Our analysis will help you determine the monthly cash flow you can expect through the exchange. In addition, talk to your own tax advisor to ensure that you meet all of the requirements. The IRS has stringent guidelines that must be met, or your transaction will not qualify and you will be required to pay taxes on the transaction.

For more information.

If you are considering selling your assisted living facility, contact Senior Care Realty by visiting www.seniorcarerealty.com, or call toll free (877) 834-4175.

