

**MUTUAL-EXCHANGE, LLC
IS A QUALIFIED SAFE HARBOR
INTERMEDIARY AND SUGGESTS
THE FOLLOWING STEPS
BE TAKEN IN CONJUNCTION
WITH THEIR SERVICES:**

1. Contact Mutual-exchange, LLC to discuss your plans and to ensure that your plans will be clearly utilizing an exchange of "like-kind" property.
2. The investor signs a contract to sell a relinquished property to the buyer. The contract for sale should contain the "cooperation clause" that would identify this transaction as the first step in the exchange process.
3. At the closing of the relinquished property, agreements for a Safe Harbor Trust are executed with Mutual-exchange, LLC and the exchange funds are placed into escrow in a FDIC insured institution. The deed will be transferred from the investor to the buyer.
4. Beginning with, and including, the closing date of the first transaction in this process the investor has 180 days in the exchange period to acquire all replacement properties. Furthermore, within the first 45 days of the 180 day period the investor must outline the identified replacement property in writing to Mutual-exchange, LLC. *(See Identification Rules in this brochure)*
5. The contract for the replacement property must include the "cooperation clause".
6. At the closing of the transaction where the investor gains the replacement property, Mutual-exchange, provides the escrow agent with the exchange funds and the deed is transferred directly to the investor.
7. Follow up after the exchange is important. The taxpayer should obtain professional help in filling out the IRS Form 8824 for reporting the exchange, and the transfer of basis for the replacement property depreciation schedule if applicable.

**WHAT PROPERTIES QUALIFY
FOR A 1031 EXCHANGE?**

Like-Kind Property Definition

This property is considered to be property held for investment, or used in trade or business. Several identification rules can be utilized to ensure that you are working with like-kind properties. If you have any questions ask your Mutual-exchange, LLC advisor.

HELPFUL IDENTIFICATION RULES

- **3 Property Rule** – Up to three (3) properties can be identified without regard to their fair market value.
- **200% Rule** – Any number of properties as long as their combined fair market value does not exceed 200% of the fair market value of all relinquished property.
- **95% Rule** – Any number of properties regardless of their aggregate fair market value, provided 95% of the value of the identified properties are acquired.
- **None Of The Above Rule** – If you close your final identified and designated replacement property before the 45th day deadline, none of the above rules apply.

*This information is not to be construed as legal and/or tax advice.
Investors should have their transaction reviewed
by their own legal and/or tax counsel.*

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**WHY CHOOSE
MUTUAL-EXCHANGE, LLC
AS YOUR QUALIFIED
INTERMEDIARY?**

- Our experienced Central Florida based managers and staff are constantly keeping up-to-date on the latest information impacting your exchange.
- Your funds are deposited into a FDIC insured bank monitored escrow account requiring your signature and ours to release the funds.
- We chose the name Mutual-exchange, LLC because we believe it is important that our relationship and your exchange be a mutually rewarding experience. We work to earn your business and respect daily.
- We will provide you with periodic reminders to assist you in meeting all of your exchange transaction deadlines.
- Our 1031 exchange documents comply with all Internal Revenue Service Regulations.
- Reasonable Fee Schedule.



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Visit our site today for up-to-date
information on Tax Deferred Exchanges
www.mutual-exchange.com

**SAVE ON
CAPITAL
GAINS TAXES
WITH A
LIKE-KIND
EXCHANGE**



**USE INTERNAL REVENUE CODE 1031
TO YOUR ADVANTAGE**

WHAT IS A LIKE-KIND EXCHANGE?

Authorized by the Internal Revenue Code 1031, a *like-kind exchange* or *tax-deferred exchange* is simply a method by which a property owner *trades* one property for another while deferring the payment of federal income taxes on the transaction. In an ordinary sale transaction, the property owner is taxed on any gain realized by the sale of the property. The deferral of taxes can continue through a number of *exchanges*, until the newly acquired property is sold or until the tax burden is extinguished by death of the owner.

It is important that you work with a Qualified Intermediary to assure that the transaction is structured as an *exchange* of one property for another, rather than a taxable sale of one property and the purchase of another.

HOW CAN A 1031 EXCHANGE BENEFIT YOU?

The exchange process has a multitude of tax and non-tax benefits. Primarily, it allows investors to save tax dollars and have the ability to purchase substantially more real estate. Based on a net equity gain of \$500,000, here is an example:

| | Sale | Exchange |
|--------------------|--------------|--------------|
| Net Equity | \$ 500,000 | \$ 500,000 |
| Capital Gain Tax | \$ 75,000 | None |
| Equity to Reinvest | \$ 425,000 | \$ 500,000 |
| Acquisition Value* | \$ 1,416,525 | \$ 1,666,500 |

**Assuming you put 30% down on the replacement property.*

RESULT: The investor using the exchange process was able to purchase property selling at **\$249,975.00 more** than the exchanging investor who sold and reinvested with after-tax dollars.

Non-Tax Benefits in addition to deferring the capital gain tax include the ability to:

- Optimize appreciation
- Reposition assets
- Change property types
- Increase Leverage
- Increase depreciation deduction
- Provide for estate and retirement planning
- Improve cash flow
- Achieve property consolidation or diversification

THE EXCHANGE PROCESS

Years ago, exchanges were only a swap of properties between two parties. Today, whether they are delayed, simultaneous (*Step #1 and #2 take place at the same time*) or reverse (*when the replacement property transaction is completed before the time that the relinquished property is ready to close*), they usually involve at least four parties: the investor who is doing the exchange, the buyer who is purchasing the investors relinquished property, the seller who is providing the investor with his replacement property and a Qualified Intermediary.

This process requires the use of a Qualified Intermediary whose role is to facilitate your transaction in accordance with IRS codes and rulings. The Qualified Intermediary becomes the fourth party fiduciary in both delayed and simultaneous exchanges. The Qualified Intermediary works to provide “Safe Harbor” protections to prevent actual or constructive receipt of exchange proceeds, which would disqualify the exchange.

THE DELAYED EXCHANGE

