Six Strategies for Commissions

Generate Additional Commissions with 1031 Exchanges

1031 Knowledge

1031 exchanges are a powerful tax deferral strategy for taxpayers that own property held for investment to reinvest into better-performing properties and obtain tax deferral. In addition to benefitting taxpayers who own investment real estate, 1031 exchanges provide real estate professionals with numerous ways to increase commission income as a result of helping investors reach their objectives:

I. TWO TRANSACTIONS

- Every 1031 exchange, at minimum, involves the sale of a relinquished property and the purchase of a replacement property. This provides real estate professionals the opportunity to earn two commissions.

II. TWO OR MORE REPLACEMENT PROPERTIES

- Many taxpayers leverage their real estate investments and purchase several replacement properties, which equates to the opportunity to earn several commissions on multiple purchases from one taxpayer.
- A taxpayer with a high equity position in the relinquished property will often receive a better rate of return by purchasing several replacement properties with some debt and thus earning a better rate of return on equity invested.

III. SELLER OF THE TAXPAYER'S REPLACEMENT PROPERTY

- The seller of the taxpayer's replacement property may often hold the property they are selling for investment and may not be aware of the benefits of a 1031 exchange.
- A real estate professional can identify 1031 exchange opportunities and share these with the seller of the replacement property and possibly obtain a new 1031 exchange opportunity as the replacement property seller contemplates a 1031 exchange.

IV. LARGER PROPERTIES = LARGER COMMISSIONS

- With the benefits of tax deferral, taxpayers have more equity available to purchase larger replacement properties which generate larger commissions.

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V. BECOME AN "EXCHANGE AGENT"

- By learning about 1031 exchanges, real estate professionals can differentiate themselves from other competitors in a real estate local market.
- Often, real estate professionals who understand 1031 exchanges develop a base of repeat taxpayers who own investment real estate. This can lead to an established clientele and less time working a "farm" area to produce business as the base of repeat 1031 exchange taxpayers continue to exchange over and over.

VI. "PROACTIVE" TOOL TO FIND NEW INVESTOR CUSTOMERS

- Real estate professionals can approach any owner of a non-owner occupied property to get an appointment.
- At the first appointment, listen to their investment objectives. Typically, most investors want one thing – "more" of something (more equity, more cash flow, more real estate, more tax advantages, etc.)
- At the first meeting, find out what the investors want to obtain more of. The objective is to discover the investor's specific long-range investment goals and what type of investment property they might want to acquire next to meet these objectives.
- Next, find a number of properties that meet their investment criteria.
- In your second meeting, show them properties that meet their objectives or investment criteria. Show them how they can do a 1031 exchange, preserve their equity and move closer to meeting their long-term financial goals.

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