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Tenants, toilets and trash



Financial Thoughts

by John Schooler

The terrible T's. If you have ever rented out your own property you have probably experienced this trio – tenants, toilets and trash.. How do we get the advantages of real estate without the management headaches and not pay capital gains taxes? Many real estate investors are looking for alternatives.

In the last few years real estate in our area has boomed. While values of real estate have been driven up, rents have not kept pace. When a seller wants to take advantage of the high prices to move into areas and property types that have not yet been parabolic, they turn to Section 1031.

Section 1031 is a tax-deferred exchange. This is a method where a property owner trades one property for another and does not incur any federal tax liability in the transaction. When I mean trade, they do not have to actually find someone who has property they want and exchange for it. They use an accommodator to hold their money from their sale while they find a replacement property.

Now this is where the terrible T's comes in. Many of these investors do not want to manage the properties or want to go into another geographic area. Managing these properties from a far is difficult. This is where the tenancy in common (TIC) program comes in very handy.

With TIC's, property owners exchange their property for direct ownership in portions of another larger property as a tenant in common. They are deeded a share of the property for their portion and in return receive their share of the rent and depreciation. All this without any of the management headaches. TIC properties can be found all over the country.

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Investors can increase their income and appreciation potential all at the same time. There are too many details and nuances to explain in this article. If you have questions or want further information please feel free to give me a call.

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