

Change to 1031 Exchange Structure

At the beginning of 2019, we made a structural change to our 1031 Exchange program. **We are now only offering 1031 exchanges through our master lease program.** You have probably read about this in some of our other materials, but I haven't explained it yet within one of our monthly updates.

The process is similar to before, but now has a better structure for tax purposes if the IRS were to audit any 1031 transactions. Here's how it works: If you have an investment property that you want to sell (defined as any property used for investment purposes), we will help you set up a 1031 Exchange account. You sell your property as you normally would, but the proceeds of the sale go directly into your 1031 Exchange account so you never touch the money, which is what makes it tax-exempt. That's why it's crucial to have your 1031 Exchange account set up *before* you sell your property. This will make it so you don't have to pay *any* taxes upon the sale of your property (including your recaptured depreciation tax), which can be quite a bit of money for most people.

At this point, you purchase properties from our Buy and Hold Fund's inventory. We will select properties close to the amount you sold your previous investment property for. The exchange is done through escrow and the properties will be titled in your name. The Buy and Hold Fund then master leases the properties back from you by paying you monthly rent and is responsible for **all property management duties**. The only thing you are responsible for at this point is

purchasing insurance on your properties.

This gives the investor the best of both worlds — no more landlord hassles and usually double (or more) the net income they were previously making. Despite all of our due diligence, time, and money spent on our old 1031 structure, there were still some complicated tax questions that didn't have clear cut or perfect answers. Our new 1031 structure with the master lease program makes the tax system completely black and white and eliminates any uncertainty.

As of today, we have about \$6.5 million of homes in inventory ready for 1031s with about \$1.8 million of that already committed to specific 1031s coming through in the next 30 to 60 days.

Buyers Found for North Dakota and Gardnerville Homes

Our ROI Strategies home in North Dakota has been in escrow 3 times now, and each time the deal has fallen through. For the first deal, the buyer backed out the day we were going to close. We had a strange situation going on with the neighbor where he was lying to potential buyers to scare them off. We think he did this because he wanted to buy the property himself, but at a discount. The neighbor recently passed away, so we shouldn't have that issue anymore.

We lost our second buyer due to the amount of money needed to purchase a good water treatment system. The home previously had a nice Reverse Osmosis water system, but it was destroyed when

the home froze over. There is a wide range of choices and costs for the different water systems that can correct the well water in this area, so instead of choosing the water system ourselves, we'd rather leave that choice to the buyer. That way they can pick something that fits them best.

Our third buyer recently backed out, but at least we got their \$1,500 earnest money deposit.

It is encouraging that every time we relist the property we get full price offers almost immediately. In late September, we received 2 offers on the day it relisted but the buyers appear to be only marginally qualified. We accepted the stronger offer, and with any luck it will close this time. It would be good to sell it as it has been a dead asset not producing any income for a long time, and with no property management in North Dakota we prefer to not rent it out again.

Ironically, we may have found a buyer for our Gardnerville home that is getting remodeled from the previous disastrous Lease to Own tenants.

I say "ironically" because it might be the next-door neighbor. **He is currently renting because he lost his home in the Paradise fire but would like to buy a home and stay in that neighborhood.** He is a beekeeper by trade and produces some of his income by selling honey.

He gave us a jar and WOW, I must have never had that fresh of honey before because it was the best I've ever tasted. I won't, however, be getting my own beehives because I would weigh 50 pounds more if I had that around all the time.

Until next time,


Steve Sixberry


Greg Hughes



Our potential buyer for the Gardnerville home has a passion for bees (and makes some of the best honey I have ever tasted!).