

**Cash Out Tax Deferred and Create Steady Income
An Alternative Exit Strategy
By Anne Baber, Investment Real Estate Broker**

A recently unveiled opportunity has presented itself to sell property, tax deferred, through what is deemed a “**structured sale**”. The structured sale, as it stands, is no more than a fresh approach to participating in a widely accepted and IRS approved installment sale. The difference is that future payments are transferred from buyer to a highly rated insurance company and secured through the purchase of a guaranteed annuity.

The end result is a huge advantage to the seller who has now spread his tax liability over a number of years keeping precious dollars as spendable cash or working in other investments.

Unlike an installment sale, where only a down payment is made and the seller carries back a note that is dependant on the credit worthiness of the buyer, the buyer must provide cash up front at the time of the sale to purchase the future income stream for the benefit of the seller. Entering into a structured sale is enacted when the seller receives an accepted offer. The seller counter offers for the buyer to cooperate with the intent to utilize the installment method of accounting. Sales proceeds pass from buyer, normally during the escrow period, to an assignment company owned by a major insurance company. The Seller does not take constructive receipt so no taxable event occurs. The assignment company purchases the guaranteed future income structure from the insurance company to include principal and interest for the benefit of the seller and the insurance company issues the annuity and the promise to pay.

The end result is a huge advantage to the seller who has now spread his tax liability over a number of years keeping precious dollars as spendable cash or working in other investments. The taxes are due on an incremental basis only as received through the structure. The income the structure produces is often better than that of a conservative bond portfolio with the added element of guaranteed income subject to virtually no market risk (downgrade of credit quality, callable, replacement costs). Payments can be customized to be made monthly, yearly, with lump sums and at strategic intervals to fund retirement or a grandchild college education, as specified by the seller, and formulated with the assistance of a structure consultant.

The tax deferred capability is not the only benefit here. A structure can provide one of the safest, most secure and protected incomes of any investment alternative pre-tax and without professional management fees, transaction costs or account maintenance fees. A structure provides a spend thrift mechanism, as well, to prevent heirs from spending inheritances wildly as the payment stream of a structure continues in tact for the specified year to the estate of the holder.

If you were looking to cash out of a property, the structure option presents itself as a viable alternative to paying the almost 25% state and fed tax combined and provides the seller a secure, comfortable and reliable investment. Often the current income stream from a property can be replicated through a structure so that you experience no disruption of cash flow.

It should be obvious from the topics discussed in this article that tax deferral opportunities require advanced tax planning and attention to structuring formalities. As with any investment, the investor should consult with their CPA and/or tax consultant.

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