7. **Not being prepared with the correct legal assistance.**

There are many guidelines you will need to follow and additional documentations that will need to go through the exchange to keep the IRS happy. Making sure you have competent legal assistance is the key. A mistake here could possibly void all the tax savings you would have had.

For more information about exchanging real estate call the

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NAI IOWA REALTY COMMERCIAL

"The Seven Mistakes to Avoid When You Exchange Real Estate in a 1031 Tax Deferred Exchange"

Courtesy of

Joanne Stevens, CCIM

Mobile Home Park And Manufactured Home Community Specialist

How You Can Spot and Avoid the Seven Mistakes that Can Literally Ruin Your Exchange– Make Sure You Make Money When You Exchange Real Estate...Avoiding the Surprises that Can Cost Thousands of Dollars.

1. **Not deciding up front that You want to do an exchange.**

Make sure you explore completing a tax deferred exchange before you commit to selling your property. You must have the intent to exchange at the beginning of a transaction as per the IRS. Deciding you want to do an exchange two days before closing can call your exchange into question.

2. **Not establishing your Qualified Intermediary.**

Make sure that you know who your intermediary (the party that will hold your sales proceeds in escrow) will be before you start the exchange process.

Remember it has to be an entity that has no interest in you or the sale (you wouldn't want to use your attorney).

3. **Taking receipt of the sales proceeds.**

Any of the sales proceeds you receive you will be taxed on. The proceeds check cannot be made out to you but needs to be made out to the intermediary. If the check is made out to you, you will pay taxes, and it negates a 1031 exchange.

4. **Not giving yourself enough time to identify a replacement property.**

Give yourself plenty of time to find your replacement property. I have seen too many investors buy a property they really didn't want or pay too much for a property because they were running out of time.

5. **Work with an experienced broker that has actually been involved with facilitated exchanges.**

The best brokers specialize in a particular category of investment real estate and have a designation such as CCIM or SIOR.
They have also done numerous exchanges. Do not work with a Realtor that doesn't know how to assist you in a profitable exchange or property. Prior to working with them, be sure to ask how many exchanges they have done.

6. **Not knowing your time dead lines for the Starker Exchange.**

Keep in mind that after you sell you have 45 days to identify a property and 180 days to close on it OR the anniversary of your tax year – whichever comes first. The 45 days is part of the 180 days. It is not 45 days plus 180 days. The clock starts the day of the closing.