MARINER

3 STRATEGIES

Selling an Investment Property

As you think about retirement, if you own real estate, you may be wondering if it's time to cash in given the increased valuations on properties these days. Before you make a move, we suggest meeting with your wealth team to understand the overall impact that the sale of an investment property could have on your finances.

Consider these 3 strategies as you contemplate your decision:

1. Understand the Tax Impact
2. Decide if Owning a Property Fits Your Lifestyle
3. Consider All Your Options

1. Understand the Tax Impact

Prior to retirement, be strategic by meeting with your wealth advisor, tax professional and real estate attorney first to understand the impact the sale would have.

Most importantly, talk to your tax person about the estimated net proceeds you might receive once taxes are figured in. You might sell the property for cash or consider a 1031 exchange, which can have tax benefits but also comes with IRS regulations and no immediate profit. Essentially, if IRS rules are met, a 1031 allows you to swap out one investment property for another and defer capital gains tax normally paid at the time of the sale.

If you're already retired or close to retiring and have applied for Medicare, the sale could put you into a higher modified adjusted gross income (MAGI) category, which, in turn, could increase your Medicare Part B insurance premiums.

2. Decide if Owning a Property Fits Your Lifestyle

Let's face it: With rent collection and maintenance, owning an investment property is work. Even if you outsource those tasks to a management company, you'll still have to manage that relationship.

You might also think about whether the property you own will hold its value should you postpone selling it. Conversely, you may decide to sell it to generate some cash flow as you near or are in retirement.

3. Consider All Your Options

- **Opportunity Zone Fund.** You could also choose to invest in an Opportunity Zone. Created under the Tax Cuts & Jobs Act of 2017, Qualified Opportunity Funds (QOF) are investment vehicles that allow investors to potentially defer and reduce capital gains on their investments by moving funds into QOFs focused on "opportunity zones." Keep in mind that specific rules and regulations for investment in, and taxation of, QOFs could be subject to change, so it's important to consult your wealth advisor and tax professional about the latest rules.
- **Charitable Remainder Trust.** If you transfer a property before it's sold into this type of trust, the gain from the sale is exempt from capital gains tax. You could then reinvest the proceeds and receive income from the trust throughout your life. Upon death, the remainder of income would go to the named charity.

Weigh All the Factors

Once you've met with your wealth team and weighed your options, you'll be better able to decide whether it makes sense to sell an investment property or transfer it into another type of investment.

Meet With Your Wealth Team

At Mariner, our teams are in-house, so your advisor can collaborate with tax, trust and investment professionals to consider all the factors and then offer advice to help you navigate this decision.

For more information visit: **mariner.com**