

Who Has Control of Your 1031 Money?

Security of 1031 Exchange Funds.

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Whether the taxpayer is an individual or a business in a 1031 Exchange, the Tax Code requires taxpayers have no control of the proceeds from their sale until the replacement property is acquired. The monies are held by the taxpayer's chosen 1031 Qualified Intermediary and then sent directly to the title/escrow company that is coordinating the closing of the new property. Therefore, the critical decisions for all taxpayers who are planning on deferring their taxes via a 1031 Exchange is which Qualified Intermediary to hire and how the Qualified Intermediary will be securing your funds.

1031 Intermediaries are not regulated by the federal government and most states. Practically any individual can establish a business acting as a 1031 Qualified Intermediary without testing or approval from any governmental entity. This means that in most states, there are no regulations or laws concerning how your 1031 Exchange funds are deposited, invested or secured by your Qualified Intermediary. During the "Great Recession" of 2007 to 2009, some taxpayers lost their exchange funds when their monies were either misappropriated or poorly invested by their chosen 1031 Intermediaries. In fact, recently a Qualified Intermediary lost taxpayers' funds by investing their customers' monies in cryptocurrencies! In many instances these losses could have been avoided by the taxpayer conducting basic due diligence prior to selecting their Qualified Intermediary.

These are some important factors to consider:

- **Financial Assurances for your funds:** Since 1031 Intermediaries are not regulated by the Federal government or by most states, they are not required to provide insurance or other protections for your exchange funds. Therefore, if your funds are lost or misappropriated by a Qualified Intermediary that does not provide adequate protections, the loss is borne by you. Additionally, funds should only be held in highly rated US banks in segregated accounts and the Qualified Intermediary requires your signature for any disbursement.
- **Safety and Security** for the transfer of your funds: With cybercrime and wire fraud on the rise, bank wire transfers, particularly regarding real estate transactions, have been increasingly targeted and are amongst the costliest types of cybercrime today. Select a Qualified Intermediary that has a secure computer network and updates its safety precautions for holding and transferring funds as well as one that is financially secure.
- **Reputation:** Although Qualified Intermediaries are not regulated by the federal government, there is a highly respected industry trade association, the Federation of Exchange Accommodators (FEA). Check the [FEA website](#) to ensure that the Qualified Intermediaries that you may be considering are members.
- **Expertise and Strength:** Since Qualified Intermediaries are not regulated or tested, ask how long the Qualified Intermediary has been in business and the experience and training of their staff.

So How Do You Choose?

With so much at stake, it is well worth your time to do due diligence. Here are [additional questions to ask](#) when choosing your Qualified Intermediary.

A Few Words about IPX1031, a Fidelity National Financial Company (NYSE: FNF)

Safety and security of exchange funds is a matter of paramount importance. IPX1031 has the highest standards in the industry and routinely provides customers with the following superior [safety and security controls](#) for exchange funds.

To discuss 1031 tax deferral strategy, please reach out to us. IPX1031 focuses solely on 1031 Tax Deferred Like Kind Exchanges. As the national leader in 1031 Exchange services, IPX1031 has the financial assurances, security, and expertise essentials to protect your funds and provide answers and guidance throughout the exchange process.

IPX1031. A QI like no other.

At IPX1031, we pride ourselves on being the industry leader in 1031 expertise, service and security. We aim to be your complete information resource and look forward to helping you and/or your clients maximize qualifying investments through a 1031 Exchange. For more information about 1031 Exchanges, our company, our complimentary 1031 Exchange webinars, or to [initiate an exchange](#), visit our website at www.ipx1031.com or email or call today.

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