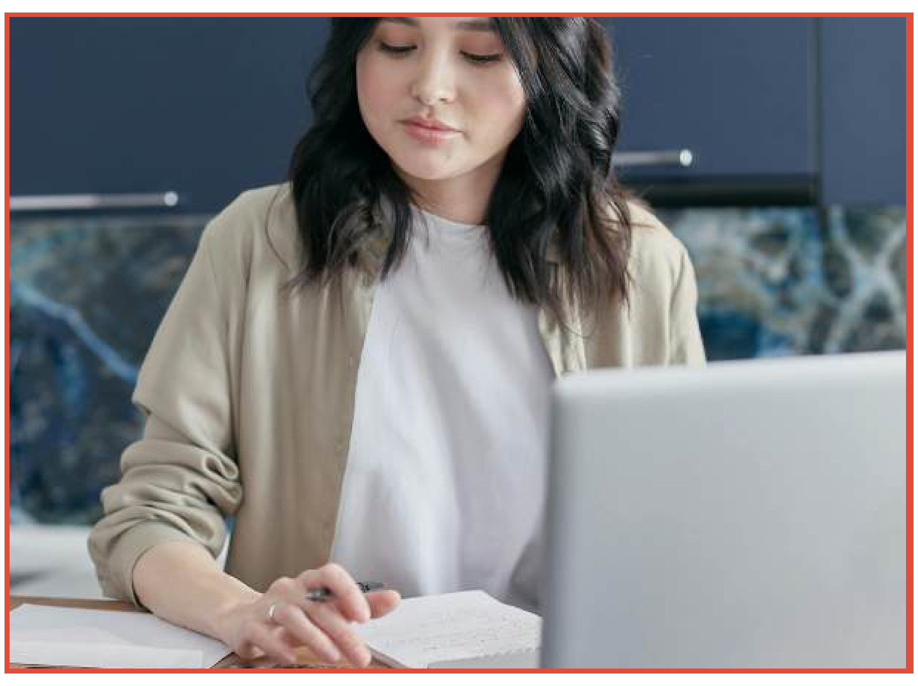
5 Smart Tax-Deferred Strategies for Your Capital Gains

1. 1031 Exchange

The 1031 exchange is a common tax-deferral tool for selling investment properties. It lets you sell one property and roll the proceeds into another "like-kind" property, deferring capital gains and depreciation recapture taxes in the process.

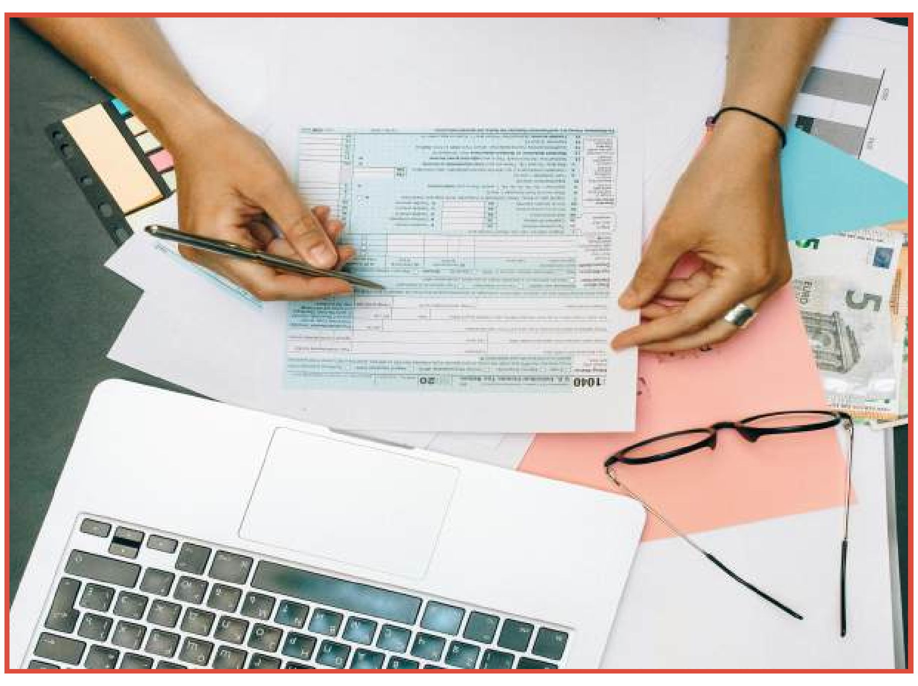


2. Deferred Sales Trust

A Deferred Sales Trust (DST) allows you to sell an appreciated asset without immediately triggering capital gains tax. Here's how it works. You transfer ownership of the asset to a third-party trust before the sale. The trust then sells the asset, and because you didn't receive the proceeds directly, you don't owe any capital gains tax upfront.

3. Opportunity Zones

Another option for deferring capital gains is Opportunity Zones. These are federally designated areas that offer tax incentives to investors who reinvest gains into long-term projects in underserved communities. You can defer capital gains tax on a prior investment if you reinvest in a Qualified Opportunity Fund (QOF) within 180 days of the sale.

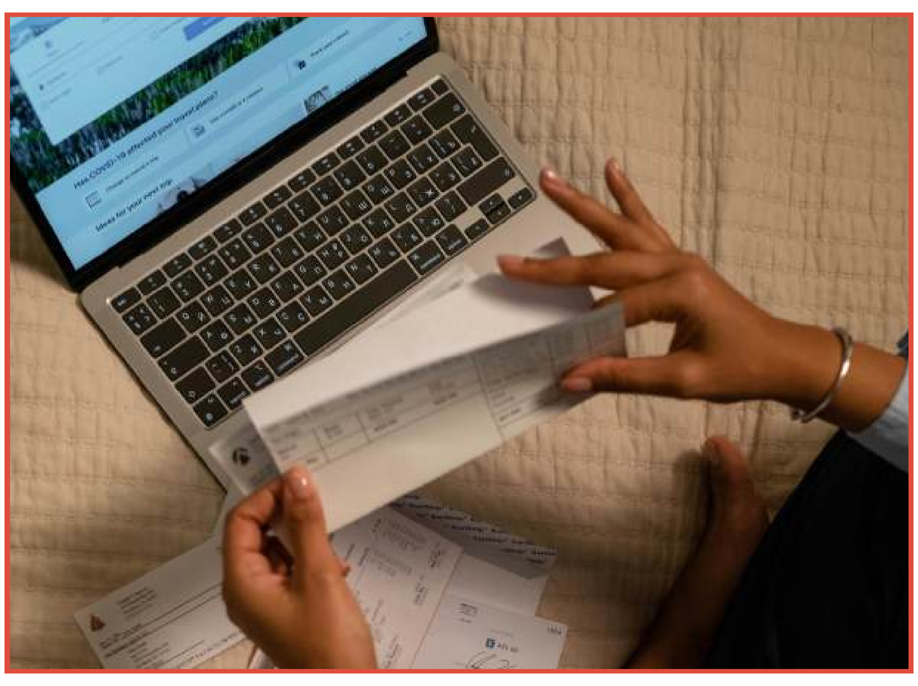


4. Installment Sales

If you're selling a high-value asset, an installment sale lets you spread both the gain and the tax over multiple years. You agree to receive payments from the buyer over time instead of a lump sum. Each payment includes a portion of the original cost basis, interest, and capital gain. This keeps your taxable income lower each year and helps you avoid bumping into a higher tax bracket.

5. Charitable Remainder Trust

For those who are philanthropically inclined, a Charitable Remainder Trust (CRT) offers a way to reduce taxes while giving back. You transfer the appreciated asset into the trust, which then sells it. Since the trust is a tax-exempt entity, no capital gains tax is due on the sale.



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