## Tax Shelter Options for Fix & Flips and **Rental Properties**

All politics aside, there are a couple things that are certain. First and foremost, at the end of the day, the trillions of dollars that will have been issued for pandemic relief will need to be paid back. Secondly, it can generally be agreed upon that the recourse for those relief dollars will be through taxes. The underlying question here is, what measures are you taking in preparation of this impending tax event? Do you not only have tax shelters in place for your personal income, but also your freelance business income as well? Are you only tax sheltering your conventional investments and not your alternative investments, like real estate?

Needless to say, the government has granted us the boon of many forms of tax sheltering vehicles. Capital gains, interest income or rental income from your rental properties, fix & flips, tax liens/deeds, whatever your niche is, could be accumulating tax-deferred or tax-free in a personal (i.e. Traditional or Roth IRA) and/or a business (i.e. SEP or SIMPLE IRA) retirement account. Below we break down the numbers side-by-side so you can see the difference.



## **Standard Cash Purchase**

\$20,0000 Profit Example: 5 flips per year at \$20K Gross Profit

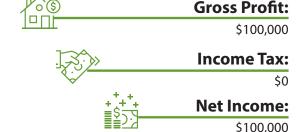


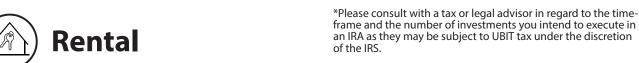




**Net Income:** \$70,000







\$1200 Profit Example:

5 rentals per year at \$1200 Gross Profit

Standard Cash Purchase





## **SDIRA Funds Purchase**

\$1200 Profit Example: 5 rentals per year at \$1200 Gross Profit

<b>Gross Profit:</b>		<b>P</b>	<b>Gross Profit:</b>
\$72,000	<u>                                      </u>	<u>                                      </u>	\$72,000
Income Tax:	<b>₹.</b> [.		Income Tax:
\$21,600	7.0	4.5	\$0
Net Income:	*+ + \$_	+ + + + + + = \$ - \	Net Income:
\$50,400	P.C.		\$72,000

So, are you truly utilizing all available tax shelters to the fullest? If you find yourself uncertain of the answer, it may be time to talk to your tax advisor to see what your options are.

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