

4 Questions to Ask When Choosing a Qualified Intermediary

A 1031 Exchange can be a complex financial transaction. Choosing the right Qualified Intermediary (QI) is the most important decision you will make. One mistake can invalidate the tax-deferment benefits of your exchange. Ask every potential QI you speak with the following questions to reduce your risk. Experience with your particular exchange type is a differentiator worth the search.

What is your expertise?

- Does the QI work full time or is this something they do “on the side?”
- How many exchanges has the QI facilitated?
- Is the person handling your exchange a Certified Exchange Specialist® (CES)?
- Is the QI a member of the Federation of Exchange Accommodators (FEA)?
- Does the QI carry Error & Omissions Insurance that protects you from their negligence?
- Does the QI have a Fidelity Bond?
- Is the QI familiar with state regulated requirements for 1031 exchanges?
- Is the QI considered a disqualified person to you?

How are my funds protected?

- Your QI should work with established, reputable financial institutions and have the appropriate policies, procedures and internal controls to minimize any risk to your funds.

ATLAS 1031’s Answer:

- We have accommodated over 1,400 exchanges since 2003.
- We carry a \$250,000 Errors and Omissions Policy.
- We are current on Court Rulings and Private Letter Rulings associated with 1031 Exchanges and comply with State QI requirements.
- Atlas 1031 is a member of Federation of Exchange Accommodators (FEA), the only national trade association for the industry.
- Atlas uses a qualified escrow agreement rather than maintain a Fidelity Bond.
- A Certified Exchange Specialist® is on staff - professional designation available only to FEA members requiring yearly continuing education.

ATLAS 1031’s Answer

- We use Axos Bank in San Diego, CA
- We use IRS-compliant 1031 documentation updated yearly stating

- Are the funds held in separately identified account under the Exchangor's tax ID?
- Does their Exchange Agreement clearly state the funds are not a part of QI's general assets subject to claims of QI's creditors?
- What security options are available such as a Qualified Escrow Account requiring dual signatures for disbursement?

How accessible will the person handling the exchange be throughout the process?

- Your QI's sole responsibility is to facilitate your exchange so it goes smoothly. A full-time QI is likely to be more accessible and responsive.
- Ask if you can meet with them?

How does the QI price their services?

- QIs charge for their services by either (1) A flat fee plus sharing of interest; (2) Higher flat fee with all interest earned to Exchangor; and (3) Additional charges for more than two properties, wires and use of qualified escrow account?

About the Author

Andy Gustafson, Certified Exchange Specialist®, serves as the managing member of Atlas 1031 Exchange, LLC, a worldwide accommodator of Internal Revenue Code Section 1031. To date, he has accommodated over 1,400 real and personal, simple and complex, domestic and international 1031 exchanges. You can reach him at 800.227.1031 and info@atlas1031.com.

funds are not our asset.

- We use Qualified Escrow Accounts requiring dual signatures in non-commingled accounts.
- Escrow statements are available upon request.

ATLAS 1031's Answer

- We are available Mon-Fri, 8 AM – 6 PM ET.
- Available over the weekends by appointment.
- The CES and facilitator is your contact from start to finish.
- The CES is available to meet with you.

ATLAS 1031's Answer

- Our exchange fees are competitive and based upon complexity and type of exchange.