



Tax- and Transaction-Related News and Commentary from S.Crow Collateral Corp.

“They Aren’t Making Any More of It”: From Real Estate to Financial Investments and Back Again

Dear Dealburt: Throughout most of my adult life I favored real estate over other forms of investment, because, as I often said, “They aren’t making any more of it.” Besides the scarcity principle, I knew and understood real estate, I could see it, walk on it, fence it, build things on it, dig things up, and operate businesses on it. Later in life I was ready to slow down,

and gradually I liquidated my real estate portfolio in favor of the stock and bond market and other financial investments. When I first spoke with you about selling some of my real estate in a collateralized installment sale (what you call a “C453”), I wanted to continue my move into financial assets and out of real estate, while deferring the capital gains tax. Because of the market now, I’m ready to reverse directions and return to real estate. Can I do that, with a C453?—Leonard Fletcher

Dear Leonard: It’s true that “they aren’t making any more of it,” at least on this planet. Everything that we do, we do on, under, in, with, because of, in relation to, or with the aid of real estate. As population grows, real estate must become more scarce, on average, and therefore may become more valuable overall. First, consult your legal, tax and investment advisers. Second, to the extent that the collateral account for the C453 transactions in which you already participated is invested in financial assets, yes, with the proper arrangements those financial assets can be sold, and the collateral account can hold, instead, real estate or real estate-related assets. Third, to the extent that you now own financial assets that you could sell at a gain, in some circumstances they can be sold on a tax-deferred basis to a C453 dealer, and the proceeds can be directed toward real estate that is safely set aside in a collateral account, legally pledged as security for the dealer’s installment obligation to you. Fourth, actively exercise your best judgment, and don’t just do something because that’s what you’ve always done.—Dealburt



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PRC95-44a - ST Sci OPO - November 2, 1995
J. Hester and P. Scowen (AZ State Univ.), NASA

Interstellar clouds are believed to lead to the formation of stars (real estate). Photo citation: Hong Kong University Department of Physics, www.physics.hku.hk

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