

**Question:** We are about to sell a rental property in Saratoga and have considered a 1031 exchange but, contrary to most things I read, I like the idea of being debt free. Consequently, we're thinking about paying off our primary home mortgage with the proceeds from the sale of the rental property. We know we can lose some tax benefits (including the hefty capital gains tax on the sale), but the security of owing nothing, to anyone, might be worth it. Your thoughts?

**Answer:** If I was a tax preparer, I would most likely tell you you're foolish because you'd be paying all those taxes for nothing because they could be avoided or minimized. If I was an annuity salesman hungry for a commission, I'd tell you you'd be better off investing that money in a great insurance company product that will kick off some income. If I was a stock broker, I'd tell you that you could invest your money in cheap value stocks now and make a boat load of cash when the markets rebound.

But, I'm not any of these people.

Over the years, I've seen too many decent, hard-working people, get suckered into a tax saving strategy or new investment because the numbers said so. I'm telling you that I hear what you're saying and I feel you. Realize though, that once you've plunked down all that money to be debt-free, that money is in the walls (equity) of your primary house. The only way to get the money out is through a loan, reverse mortgage or sale. Keep that in mind.

**Bill's Bottom-line:** Being debt-free is a liberating feeling. However, if you've done your homework and your gut is telling you to pay the hefty taxes, pay off your primary mortgage and be debt-free regardless of what the numbers say, then follow your heart.



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