

# FAQs: Structured Installment Sale

- 1. What is an installment sale?**
  - a.** In accordance with IRC section 453, taking the proceeds from the sale of a capital asset in installments or periodic payments over a prearranged period and as a result deferring the tax liability into the years in which the funds are received.
- 2. How is a structured sale different from a traditional installment sale?**
  - a.** In a structured sale, the seller transfers the risk and the obligation to make the future payments from the buyer to an assignment company which then makes said future payments to the seller via an annuity contract. In a traditional installment sale, the seller must rely on the buyer to make the future payments, therefore increasing the risk of possible default and keeping the buyer and seller contractually bound to one another for the life of the program.
- 3. What assets can I use a structured installment sale for?**
  - a.** Non-tradable capital assets. i.e., qualifying property or business sales that are eligible under IRC section 453.
- 4. Can I defer the start of my structured sale payments?**
  - a.** Yes, using iStructure from Independent Life, you can defer starting payments. Lump sum options are available.
- 5. When do I have to pay taxes on the money that I use to fund my structured sale contract?**
  - a.** The year in which the funds are received.
- 6. Why Independent Life? Can I use any annuity company for a structured sale?**
  - a.** Independent Life provides the flexibility to defer the start date of income payouts, lump sum options, and indexed payment growth as opposed to fixed rate crediting.
  - b.** The assignment company must allow assignment of IRC 453 installment sales.
  - c.** Only Independent Life offers iStructure to fund your structured sale.
- 7. How do my structured sale installment payments grow?**
  - a.** iStructure is powered by the proprietary Franklin BofA World Index.

*Want to learn more about how iStructure could work for your clients?*

**Call today and let's start the conversation.**

- 8. Will there be a statement that shows what payments I will receive?**
  - a. An annual report will show growth in guaranteed payments.
- 9. Will I receive any tax reporting documents for my structure sale payments?**
  - a. Yes. IRS Form 1099 for the money received in that year. Your tax advisor can tell you how to apportion that between tax free Return of Basis, Capital Gains and Ordinary Income.
- 10. Can I change the payment schedule once the contract is issued?**
  - a. No. The seller and the buyer negotiate the payment schedule, which thereafter cannot be accelerated or delayed.
- 11. Can I change who the payments are made to after the contract is issued?**
  - a. You can change where the payments are sent, however, not the payee.
- 12. If I die, what happens to my installment payments?**
  - a. If the payee dies, payments continue to a beneficiary that is named up front.
- 13. Can I change the beneficiary once the contract is issued?**
  - a. Yes, with a change of beneficiary form.

*For more information on the regulations and mechanics of installment sales, see **IRS publication 537**.*

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