



# Structured installment sales



Wealth  
Management

Planning to sell a business or property is a personal decision. The prospect of a substantial capital gain and the ensuing tax bill may affect your decision or timing to sell. In this scenario, it's important to evaluate the financial options and the potential tax impact from the sale proceeds. One solution to help secure your future is a structured installment sale product, which can provide both tax efficiency and guaranteed income.<sup>1</sup>

A structured installment sale is an annuity that allows you to potentially defer large capital gains tax and receive guaranteed installment payments over time. The installment sales approach allows you to choose the amount you would like to receive now, and the amount you would like to use to fund an annuity. In turn, you can tailor the annuity payment stream to meet your immediate needs or help plan for the longer term, like retirement.

For a transaction to qualify as a structured installment sale, it must be an eligible property under IRS Section 453 in which you receive at least one payment after the year of the transaction.<sup>2</sup>

Eligible property sales include, but are not limited to:

- Sale of real estate
  - Personal property, such as a home
  - Commercial property, such as an office or apartment building, a retail store or farmland
- Sale of a business

Structured installment sale treatment may not be available for certain types of assets, including business inventory and publicly traded securities. Sellers should consult with their tax advisors to determine if a prospective sale qualifies for a structured installment sale product.<sup>3</sup>



<sup>1</sup> Guarantees are subject to the financial strength and claims-paying ability of the insurance company.

<sup>2</sup> Real or personal property sold by the dealer or a person who regularly sells property on the installment plan and properly included in inventory do not qualify for the installment sales rules. Marketable securities are not eligible for installment sale treatment. Other restrictions may apply.

<sup>3</sup> RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in consultation with your independent tax or legal advisor. Any discussions of taxes in this material is intended to be general in nature and based on an understanding of the tax laws as they currently apply. Tax laws are subject to change.

**Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.**

## How does it work?

Instead of the seller receiving one lump sum, a structured installment sale converts the purchase price into a payment stream over time and allows a third party to manage the payments.

- All parties agree to the periodic payments for a stated number of years as a condition of the property sale
- The periodic payment obligation is transferred to an assignment company, which pays the full premium to cover the ongoing payments while managing the investment risk and administration of the ongoing payments
- The assignment company purchases an annuity from an insurance company to fund the structured installment sale
- The insurance company issues the scheduled payments to the seller on behalf of the assignment company

## Advantages of a structured installment sale

- Allows for the deferral or potential reduction of capital gain taxes
- The asset is converted into a guaranteed income stream, which is not impacted by market volatility and performance
- Payments are guaranteed by the insurance company<sup>4</sup>

## A specialized team to meet your needs

We often think of planning in financial terms: how much we need and how we'll spend it. Yet planning for a retirement means more than just the numbers. Your RBC Wealth Management financial advisor can work with your tax advisor and attorney to provide you proficiency with the aspects of your financial plan, including the financial impact of the sale of a business or property. A structured installment sale annuity within your plan, along with asset management strategies, can help you meet your wealth planning needs.

Our goals-based wealth planning approach focuses on what matters most to you. Your financial advisor works with you to craft a plan that charts a direct route to your goals, yet flexes when life throws you a curveball. A financial advisor you trust, and a plan you create together, can help you accomplish your financial priorities: grow and protect your wealth, live well and create a legacy to achieve a greater purpose.

Strengthening your financial security<sup>SM</sup>  
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