



**Second Quarter 2021**

## **Cashing Out the Appreciation in Your Home**

2020 left homeowners with a number of reasons to cash out on the appreciation in their home ranging from the desire to move to a new area of the country to record increases in their home's value over the last few years, the ability to work remotely or even deciding to retire.

Another reason might be to take advantage of a tax break for homeowners included in the 1997 Taxpayer Relief Act. The legislation enabled homeowner couples to receive up to \$500,000 in gains on the sale of their principal residence tax free. For singles, the tax break is \$250,000. The home must have served as the owner(s)'s principal residence for two of the preceding five years.

Before 1997, homeowners had to "roll over" the proceeds on the sale of a home into the purchase of a new home to avoid capital gains taxes, or wait until age 55 to sell for a one-time opportunity to eliminate taxes on up to \$125,000 of their accumulated real estate gains.

One key reason for taking advantage of the ability to cash out on your real estate gains now is that there is no guarantee how long this particular tax break will be around. The catch of course is that you have to make certain you have somewhere to live once you sell. Record price increases around the country are in part a result of a housing market with a limited inventory of homes for sale. Before taking any action, you also want to talk with your financial or tax consultant on how the sale will affect your overall financial position and your potential taxes.

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