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Financial Q&A: Why it's best to seek legal advice when selling land

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Q: My husband and his brother want to sell 200 acres of land that they own. We do not want to develop it and have been leasing it for grazing rights for the past five years. No house or improvements are on the land. What or how is the best way to sell the land with the least tax consequence? We've been told several things (must live on it two years in past five) and whom to contact: real estate lawyers and a CPA. (My financial planner directed me to a real estate lawyer who wants a retainer and then $185 an hour to answer my question.) M.G., via e-mail

A: It sounds as if a lot of money could be at stake here. And it appears to Gary Schatsky, a fee-only financial adviser and attorney in New York, as if $185 per hour for expert advice on valuable assets is a steal.The real question that needs to be addressed is whether the retainer is merely a deposit against hourly billings or an additional charge. You need to clear that up. But don't fall into the penny wise, pound foolish category on getting the help you need.Otherwise, Mr. Schatsky notes that the tax exemption of $250,000 of the capital gain (two-years-out-of-five rule) applies when the property was your primarily residence. It is not clear if there is any residence, let alone a primary residence, and it also seems as if the only purpose the property has served has been a business one – leasing of grazing rights.Under this scenario, at least, that loophole won't be available, he says.

Q: I have just started my first professional job. The company has no pension or 401(k), but it gives employees 10 percent of their salary to invest as they please for retirement purposes. I earn $50,000 a year and I plan to match my employer's 10 percent contribution for a total of 20 percent. But where should I invest the rest of my money after I've maxed the allowable $5,000 limit that a traditional IRA/Roth IRA provides? T.M., via e-mail

A: Neel Tiku, a financial planner in Waltham, Mass., says the initial objective for any investor is to first ensure he or she has an emergency fund for unpredictable but certain future events. That kitty should amount to three to six months of your living expenses, and should be in either a savings or taxable brokerage account. Keep it liquid: You want to make sure you can lay your hands on it quickly. That could mean a money market fund, or even a mutual fund that invests in bonds. Once you've fed the emergency kitty and the IRA, Mr. Tiku would look again to either a savings account or taxable brokerage account. This time, he would consider investments with a higher return potential, such as individual stocks, mutual funds, or ETFs (exchange traded funds). Tiku also favors some diversity, and would approach these investments with the idea of splitting the money three ways: US, international, and emerging markets.