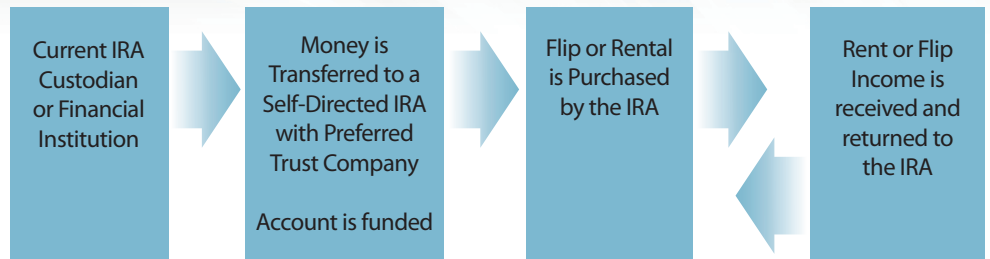


# Buying Real Estate

with a *SELF-DIRECTED IRA*

The process of Buying Real Estate with your IRA



Tips to make the process of Buying Real Estate with your IRA smoother

- > Income from your Investments must go back into your IRA.
- > Not all 401K plans can be transferred.
- > Use a Tax Accountant for Tax Advice and keep them informed of your transaction, this is an important person to have on your team.
- > Changes within 48 hours prior to closing, and/or not reviewing paperwork could delay the closing process.
- > Vesting name must be: Preferred Trust Company, LLC FBO Your Name, Account Type, and Account Number.
- > If you are financing an investment held by your IRA, it must be a non-recourse loan or a hard money loan.
- > S Corporations do not allow IRAs as Investors.
- > Funding cannot occur unless you roll over/transfer your funds to us.
- > Inform your agent on how you intend to buy your real estate investment, with qualified or non-qualified funds.
- > Build your LLC after you decide how it will be funded, with qualified or non-qualified funds.
- > Take action immediately – this directly affects your rate of return.

PREFERRED TRUST COMPANY, LLC  
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# Buying Real Estate

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Here are the top 15 most commonly asked questions.

## **Q A What is the difference between qualified Funds and non-qualified funds?**

Qualified funds are monies deposited into a retirement account prior to paying taxes on it (pre-tax). Non-qualified funds are monies you have available outside of a retirement plan for which you have already paid taxes.

## **Q A Can I transfer/roll-over my 401k Plan with my current employer?**

This depends on the employer and the plan stipulations/guidelines they have established. Many employers will not let you transfer the account while you are still employed with the company. Some employers will allow you to request a partial in-service withdrawal. This is a question that the client will need to ask their employer - specifically the HR or Benefit Department.

## **Q A Do I need to liquidate my funds to cash prior to transfer or can I transfer my assets "in-kind"?**

Although we can accept "in-kind" transfers, we recommend transferring the cash which will mean liquidating the assets prior to the transfer. The process will go more quickly if the assets are liquidated on the transferring custodian side.

## **Q A How long will it take to transfer my funds?**

On average it takes approximately 2-3 weeks. The sooner we receive the completed forms, the sooner we can begin the transfer process. It may be possible to expedite the transfer from the transferring custodian for an additional fee.

## **Q A Who can I lend money to from my IRA?**

You can lend money to an LLC, C-Corp, or an individual not considered by the IRS to be a disqualified individual (spouses, parents, grandparents and children). You can lend to a brother, sister, aunt, uncle, cousin or friend. You cannot loan to an S-Corp.

## **Q A How much can I contribute to my IRA for 2015?**

Traditional and Roth - \$5,500 and \$6,500 if you are age 50 or older (unchanged from 2013 and 2014)

SEP - for 2015, contributions cannot exceed the lesser of 25% of employee's compensation, or \$53,000. The new compensation limit used in the savings calculation is \$265,000, up from \$260,000.

SIMPLE - \$12,500 for 2015 (up from \$12,000 in 2014). The SIMPLE catch-up limit is \$3,000, up from \$2,500 in 2014.

2015 Contribution Deadline: April 15, 2016

## **Q A How do I use my IRA as a hard money lender?**

Your IRA can lend funds as an investment to any individual or entity not considered by the IRS to be a disqualified individual or entity. This type of investment is known as a Private Debt Investment. A secured private debt investment will require a Promissory Note and a Deed securing your investment. An unsecured private debt will require a Promissory Note and a Joint Venture Agreement (if applicable). The lender must be listed as Preferred Trust Company, LLC FBO Your Name, Account Type, and Account Number in all documents. The interest rate and pay off date must be listed in the Promissory Note and Joint Venture Agreement (if applicable) which will both be negotiated by client and borrower.

## **Q A Can I lend money to my LLC?**

You can lend to your LLC if you own 49% or less. The other owner(s) cannot be a disqualified individual.

## **Q A Can I use the property held within my Preferred Trust account as anything other than an investment?**

No, neither you, nor any other individual can have personal use or benefit of the property while it is held in your retirement account. The property must be purchased for investment purposes only. Income derived from your investment must be deposited to your IRA account.

## **Q A Can my Preferred Trust account purchase a portion of a property along with other investors, including myself?**

Yes, as long as the vesting is recorded separately. The deed must be registered to Preferred Trust Company, LLC FBO Your Name, Account Type, and Account Number, with the exact percent interest listed by the owner(s).

## **Q A How are rehab expenses, miscellaneous expenses, and income handled with real estate investments purchased and sold within my IRA?**

Expenses and income related to the real estate investments within your IRA are dependent upon the exact percent interest the IRA owns of each investment. For example, if the IRA owns 50% interest in an investment property, the IRA can only contribute up to 50% of all rehab and/or other expenses. In the same way, the IRA can only benefit from 50% of any earned income, such as rental proceeds or sale proceeds. If your IRA owns 100% interest in an investment property, your IRA must pay 100% of the expenses and would receive 100% of the earned income.

## **Q A Who do I contact if I have questions about my account?**

General service questions should be directed to Client Services. Specific questions related to the activity in your account may be submitted to Accounting Services via fax, email (ptcacctg@ptccmail.com) or regular mail.