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**Subject Line: Purchase Your Next Property at Auction with a Retirement Account**

Whether the auction is live or online, the goal is still the same – acquire the piece of real estate at a fraction of the price. A common misconception is that it will take too long for your Self-Directed IRA (SDIRA) custodian to provide you with the proof of funds necessary to lock-in the winning bid. That is entirely untrue! There are three ways you can accomplish this part of the investment, but it is up to you to decide which method works best for you.

In the first method, communication is key. Typically, auctions are scheduled far enough in advance that you can make your SDIRA custodian aware of your intentions to participate on that specific date. The speed at which you will obtain your proof of funds will depend on who your SDIRA custodian is. For example, Preferred Trust Company is able to process an investor’s direction to invest and provide a cashier’s check on behalf of the IRA within 24 hours (cashier’s check can either be picked up at our office or sent via overnight mail). If you do not win the bid, the cashier’s check must be returned to your custodian within ten days of the auction.

Your second option is to establish an IRA owned LLC with checkbook control, also known as a [Checkbook IRA](http://blog.preferredtrustcompany.com/blog/control-your-alternative-investments-with-an-ira-llc). This means that you will have direct access to your qualified funds through the LLC’s bank account, essentially removing your custodian as the intermediary of processing your investments. It is important to note that even though you are not working directly with your SDIRA custodian, you are still responsible for reporting your investment activity to your custodian. For example, Preferred Trust requires that investors with Checkbook IRAs submit monthly bank statements from the checking account, along with any documentation related to investment purchases transactions.

Although not encouraged, but if you are in a time crunch, your third option would be to take a personal distribution from the IRA. Depending on your age (under 59 ½ or over 59 ½) and the type of account you are investing with (tax-deferred or tax-free), a distribution could be considered a taxable event. To avoid the taxable event, you need to provide proof of purchase to the custodian within 60 days of the initial distribution. The transaction will then be reclassified as an Earnest Money Deposit at the close of the investment purchase. If you do not win the bid, the funds need to be returned to your custodian within 60 days of the initial distribution or else you may risk facing the IRS penalty and tax consequences, depending on your age and the IRA account type.

About Preferred Trust Company

Preferred Trust Company sets the standard for quick processing times, fewer transaction fees, personalized customer service, and the highest standard of compliance. Preferred Trust is currently **waiving** the **establishment fee and first year administration fee** for all new Self-Directed IRA accounts through December 31st, 2021. [Click Here](https://info.preferredtrustcompany.com/rhj-waived-fees) to learn more about this offer or call 888.990.7892 today!