



# IRA CLUB

312-795-0988  
FAX 888-600-6997  
IRAclub.org

## Can my IRA Partner With Others to Make an Investment?



**YES, It Can**

Partnering your IRA with another source of funds to make an investment is both an easy and powerful tool. Your IRA Club, Self-Directed IRA already has this power.

Partnering is not new, it has been around since 1974 and it has been used to great advantage by those who know about it.

### A Sample Situation:

- You just identified a wonderful opportunity. You've run all the numbers and know it will take \$100,000 to make this deal work.
- Your IRA had \$70,000 of investable capital.
- Because your IRA is \$30,000 shy of funds you can feel this opportunity slipping away.

Sad and discouraged, you walk into Starbucks to drown your frustrations in a giant cup of their strongest coffee. As you walk in you see your old friend Harvey. Once you get your coffee you join Harvey at his little round table to tell him the sad tale of how this wonderful opportunity will slip away because your IRA is \$30,000 short.

**Case 1.** Harvey is excited about the opportunity and tells you. "My IRA has \$30,000 of investable capital". Let's partner our IRAs.

Can this be done? Sure, the Title to the Property will clearly state that your IRA owns 70% and the other IRA owns 30%.

Your IRA will receive:

- 70% of the benefits (Rent Income / Proceeds at Sale / etc.) income tax free. Your IRA will also be responsible for 70% of the costs.

The other IRA will receive:

- 30% of the benefits (Rent Income / Proceeds at Sale / etc.) income tax free. Harvey's IRA will also be responsible for 30% of the costs.

**Case 2.** Harvey is excited about the opportunity; he tells you. "I don't have an IRA however, I personally have \$30,000 of investable capital". Let's partner.

Can this be done? Sure, the Title to the Property will clearly state that your IRA owns 70% and Harvey (an Individual) owns the other IRA owns 30%.

Your IRA will receive:

- 70% of the benefits (Rent Income / Proceeds at Sale / etc.) income tax free. The same for the costs

Harvey will receive:

- 30% of the benefits (Rent Income / Proceeds at Sale / etc.) This will be taxable income to Harvey. Like before 30% of the costs.

**Case 3.** Harvey is excited about the opportunity but, he tells you. "I don't have an IRA and I don't have any investable Capital.

First you think to yourself: "I need to get a better class of friends". Then you realize. Wait a minute I have \$30,000 of investable capital myself !

Can Your IRA and You (an Individual) partner to buy the property? Yes!

The Title to the Property will clearly state that your IRA owns 70% and you (an Individual) owns the other IRA owns 30%.

Your IRA will receive:

- 70% of the benefits (Rent Income / Proceeds at Sale / etc.) income tax free

You (the individual) will receive: (Same for the costs)

- 30% of the benefits (Rent Income / Proceeds at Sale / etc.) This will be taxable income to you. Same for the costs)

Congratulations! By adding "IRA Partnering" to your knowledge base you have opened countless new investment opportunities that might not have been realized without the IRA's ability to "partner".

### **Partnering Rules:**

- The partners participate from the very beginning. It is the two (or more) partners that acquire the asset and pay the costs (based on the dollar proportions of their investments).
- The original participation percentages (the split) remain unchanged. In the above your IRA will earn 70% of the benefits and the other partner will earn 30% of the benefits.
- The ratio (the split) is based on the actual dollar amounts invested. If your IRA invested 62.3% it will earn 62.3% of the benefits.
- How many partners can there be? There is no limit however, as a practical matter try to keep it to three or less. Too many partners can become unwieldy.

### **What happens if there is a need for additional investment dollars?**

Need for additional funds are relatively rare, especially if the investment is a rental property. If a need does come up; maintain the ratio. If your IRA originally invested 58% then your IRA would invest 58% of the new capital. (Again, this is relatively rare.)

### **What is the Easiest way to partner an IRA?**

By far the easiest way to Partner (a rental Property) is to engage a Property Management Company to manage the property. This will take all the work out of your hands.

The Property Management:

- Finds the tenant and collects the rent.
- Pays the bills.
- Sends each partner its pro rate share of the revenue.

### **Why isn't this a Prohibited Transaction?**

This question is understandable. Most people know that an IRA cannot transact business with a Disqualified Person. (See the chapter on Prohibited Transactions if you want more detail.)

However, “Partnering”, even with a disqualified person is not a Prohibited Transaction. This is because the IRA and the other party (even if the other party is yourself) are not transacting business with each other. Rather, they are each investing solely for their own benefit.

Even if the two parties are investing in a common investment, each party is acting only for its own benefit. It makes no difference if the “other investor” is yourself, your spouse,

your adult son, or the man in the moon. Each party is acting in their own sole best interest and not transacting business with the other.

**My Traditional IRA and My Roth IRA want to invest in the same opportunity.  
(A most common question.)**

Can my Traditional IRA & my Roth IRA (even my SEP IRA) invest in the same opportunity? Yes, just partner in the investment from the beginning and keep the benefit prorated to the dollar amounts invested.

So, what is “next most common question”? There is always one guy who thinks he has discovered a loophole. You know him, he loves to tell you how smart he is. (Okay, he’s my brother-in-law).

He says my Traditional IRA will invest 50% and my Roth IRA will invest 50% but, I want 90% of the earnings to be placed in my Roth account and only 10% in my Traditional IRA.

No, the earnings are split prorated to the dollar amount of the investment. In this case 50% - 50%.