

Lending

From Your IRA

FAQs



1. Can I make loans using the funds in my IRA account?

Answer: YES, you will simply need to open a Self Directed IRA.

2. What is the advantage of using IRA funds as compared to making the same loan using my Personal Funds?

Answer: When using personal funds the interest income is taxable at the ordinary income tax rate in the current period. As you can earn a great deal of interest by lending money the income tax bill can be quite large. However, if you invest using IRA funds all income is tax deferred till you choose to take a distribution (with a ROTH IRA there will never be an income tax). This allows more money to stay in the account and increased the effect of compounding.

3. What type of IRA is best for lending?

It depends on your situation however; generally you would use a standard Self Directed IRA. Typically there is no need for an IRA LLC.

4. If I use IRA funds must I invest only in my State?

There is no restriction on the location of the loan.

5. How much interest will my IRA earn?

This is completely up to you and the borrower.

6. Can my IRA earn more than the stated interest rate?

Yes, this is called Bonus Interest, or a kicker. Example: The loan agreement may read that the borrower will pay X% plus 20% of profits.

7. What happens if the borrower secured the loan with an asset (such as property) and then defaults on the loan?

The asset goes to the lender. In this case, your IRA will now take and hold the title to the property.

8. Can I loan money from my IRA to my son or daughter?

No, your IRA account may not make a loan to you, your spouse, your children or grand children or your parents.

For more information

- For more information on Self Directed IRAs call The IRA Club 888-795-7950