

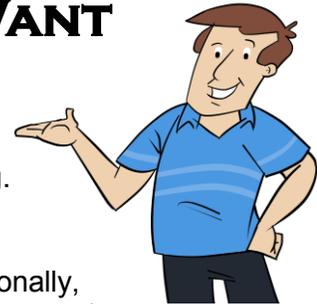


**THE IRA CLUB**  
79 W. MONROE  
SUITE 1208  
CHICAGO, IL 60603-4936

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

## HOW YOU AND YOUR IRA CAN PARTNER TO TO BUY THE INVESTMENTS YOU WANT

**Congratulations:** You have identified the perfect Investment Opportunity. Of course, it is best if your "IRA account" or if "you" (an individual) can afford the entire investment without relying on partnering. However, sometimes that's just not practical.



**Advanced Planning:** You can "Partner" with your IRA account. Occasionally, there may be a situation when it makes economic sense for you, (an individual), and your IRA to "partner" in an investment. This article will explain a method that will help accomplish this.

### Here's how it's done:

- ✚ **Step 1:** When investing as partners the first step is: Create the partnership. It is the "partnership" that will pay for and acquire the investment. In this sample, the partners may be your "IRA" and "You" (an individual).
  - Step 1A Give the partnership a name. We generally recommend naming the partnership for the investment such as 421 Church Street or 1015 Lincoln Avenue. Do not name the partnership with your name, initials, or the name of your IRA
  - Step 1B Create a the Partnership. This means forming the entity and obtaining an EIN.
    - Most people form an LLC, this can be done on line on the web site of your local Secretary of State. In most states, creating the LLC takes about 10 minutes on line. Other people just form a "DBA" (doing business as).
    - Obtain an EIN for the Partnership. You can obtain an EIN free: Go to <https://sa.www4.irs.gov/modiein/individual/index.jsp> and answer the questions.
  - Step 1D Write up a statement describing the purpose of the partnership (i.e. To buy 123 Green Street and lease it out) Name the partners and amount of their investment. Also, show the ownership by percentage. (The percentage must be pro rate to the dollars invested.) i.e. Joe Smith, IRA 60% and Joe Smith, an individual 40%.
  - Step 1E Go to the bank of your choice. Ask to open a "Small Business Checking account". Open the bank account in the name of the partnership. Your bank will ask to see the State LLC Certificate or the DBA form and your EIN.
  - Step 1F Fund the Bank account from the two sources.

- ✚ **Step 2** The partnership buys the property, paying for it from the new partnership bank account. The partnership pays for the maintenance of the property; paying all costs from the partnership bank account.
- ✚ **Step 3** The partnership collects the rent and other income.
- ✚ **Step 4** The partnership makes distributions to the partners (the investors) pro rate based on their dollar investment of the partners. (Example Joe Smith, IRA 60% and Joe Smith, an individual 40%.)

**Important Note A:** The investment must be new:

- If you already own the property (or have already started to invest in the property), there is no way that your IRA may become a partner.
- If your IRA already owns the property (or has started to invest in the property), there is no way that you can become a partner.



So plan ahead, you will need to decide if you will be partnering *before* you start the purchase of the property.

**Important Note B:** Once the investment is funded by you and by your IRA, no additional funds may be added to the investment by you or your IRA (or by a member of your linear family).



Again, plan ahead, you will need to fund the project with adequate funds at the start.

**Important Note C:** It is a good idea to consider using an independent third party or management company to collect the rent and pay the bills. Besides the conveyance; having a third party professional collect the rent and pay the bills will make your record keeping much easier.

You only need to instruct the management company to distribute the net earnings to the investors pro-rate to the amount of their investments.

### **Avoid this common error:**

Sometimes a person will tell us "I found a \$40,000 property, it will need \$30,000 to rehab. I want my IRA to buy the property and later I will partner and pay for the rehab."

Sorry, once your IRA bought the property you (an individual) may no longer invest.

Here is what you have: not a \$40K house with a \$30K rehab. You have a \$70,000 project. So, first create and fund the partnership (as listed above). Split the ownership based on the dollar amount invested and then proceed to complete your successful project.

### **Want More Information?**

I would like to talk with an IRA Professional about partnering with my IRA call The IRA Club toll free 888-795-7950

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