



Here are the simple rules for:

## Investing in Real Estate using your IRA



Yes, your Individual Retirement Account (IRA) may invest in Real Estate and the process is simple.

If you believe that an investment in Real Estate offers the right opportunity for you and your IRA, These FAQs from The IRA Club may be a good place to begin:

### WHAT TYPES OF REAL ESTATE ARE ELIGIBLE FOR INVESTMENT USING AN IRA?

Almost any type of investment Real Estate may be owned inside an IRA. The most common type of Real Estate investment found in IRA accounts is income producing property (rental property). These include single family homes, two flats, four flats etc. In addition, many people use their IRA to hold farmland, timberland, and even mineral rights.



### IS THIS A NEW IDEA?

IRAs have been allowed to own investment real estate since January 1, 1975. Today, we estimate that over two million people hold real estate inside their Individual Retirement Account.

### YOU AND YOUR IRA MAY NOT COMINGLE

What belongs to you personally and what belongs to your IRA should be kept separate. Example: The costs for upkeep on the IRA owned property should be paid with IRA dollars (not by you personally). Just as all the rent or other income from the property goes directly to your IRA (and is income tax deferred or even income tax free)

## **WILL I NEED A SPECIAL TYPE OF IRA TO HOLD THE REAL ESTATE INVESTMENT?**

Yes, you will need a Self Directed IRA. The Self Directed IRA may be a Traditional IRA, a Roth IRA a SEP IRA etc. For more information on which would be best for your needs contact The IRA Club 888-795-7950

## **WHERE WILL THE NEW IRA GET THE MONEY SO IT MAY BUY THE REAL ESTATE?**

The two most common ways to fund a Self Directed IRA account are:

- Transfer funds from your existing IRA
- Transfer funds from an old 401(k) or Pension Plan

## **MUST I TRANSFER 100% OF MY FORMER IRA ACCOUNT?**

No, just transfer the amount you want to transfer.

## **IS THE TRANSFER FROM MY OLD IRA OR 401(K) A TAXABLE EVENT?**

No, IRA to IRA transfers are not a taxable event.

## **WHERE DOES THE RENT MONEY (THE EARNINGS) GO?**

To your IRA; there it will accumulate so your IRA may make future investments. The earnings will be Income Tax Deferred or even Income Tax Free in the case of a Roth IRA.



## **HOW LONG DOES IT TAKE TO OPEN A SELF DIRECTED IRA ACCOUNT?**

Generally about 10 minutes to gather some basic information. If you a "transferring from an old IRA or 401(k) account please allow 21 to 28 days. This is important to know because your Self Directed IRA account must be in place and funded prior to the transaction. Please allow adequate time.

## **DOES THE IRA CLUB CHARGE A PERCENT OF THE AMOUNT MY IRA INVESTS OR A PART OF THE IRA'S EARNINGS?**

**No**, the IRA Club charges only flat fees no matter the size of the account or the profits.

## **IRA TAX TYPES**

Real Estate may be owned in any tax type of Self Directed IRA including: Traditional IRA, Roth IRA, SEP IRA, SIMPLE IRA etc;

## TAX TREATMENT OF EARNINGS

All IRA accounts are income tax deferred, or may even be income tax free, there is no income tax on the earnings your money makes inside the IRA account. This allows your IRA account to grow and compound in size much quicker than if the earnings were made outside an IRA account.

## HOW MANY HOUSES MAY AN IRA ACCOUNT OWN AT THE SAME TIME?

No Limit. It is not uncommon for a single IRA account to own many houses due to the compounding effect caused by the tax deferral status of the IRA account.

## WHAT IS THE MAXIMUM DOLLAR VALUE ALLOWED IN AN IRA ACCOUNT ?

No Limit

## ARE THERE ANY PROHIBITIONS WHEN INVESTING MY IRA IN REAL ESTATE?

A few,

- ✚ The biggest one is simply that the IRA's investments are for the exclusive benefit of your IRA. Hence, you or a family member may not receive a current benefit from the property. Example:
  - May my IRA buy a house, rent the house to a tenant, and earn income free from current income tax? YES.
  - May my IRA buy a house and I (or a family member) live in the house? NO, because by living in the house you or your family would be receiving a current benefit. The investment must be for the exclusive benefit of the IRA.
- ✚ Do not commingle of your personal assets and the IRA's assets.
- ✚ You or a family member may not invest "labor" into the property. Sometimes this is referred to as "no sweat equity". If work needs to be done on the property; simply call a local handyman or professional.
- ✚ For more information about restrictions, speak with an IRA professional such as The IRA Club 888-795-7950

## WILL MY IRA BE REQUIRED TO PAY THE 3.8% AFFORDABLE HEALTH CARE TAX ON INVESTMENT INCOME?

The Investment income earned by an IRA is exempt from paying the 3.8% Affordable Health Care tax.

**Want more information?** Or do you want to know about a **Checkbook IRA** that can give you total check writing control? **Call The IRA Club** toll free **888-795-7950**

- The IRA Club makes no investment recommendations.
- The IRA Club offers no investments.
- Always consult your attorney, your tax professional, your financial planner and any other qualified person before making any investment.