

5 Essential Steps to Follow When Buying a Foreclosure Property with Your Self-Directed IRA

FORECLOSURE

✓ STEP 1: Set up a real estate IRA.

- Having your IRA plan in place is critical to your success as a foreclosure investor.
- If your plan is not setup in advance, you simply cannot invest in these types of deals.
- A self directed IRA LLC or Solo 401k with checkbook control will give you the power to bid at auction and fund the same day.

✓ STEP 2: Find a foreclosure specialist.

- The laws and regulations governing foreclosure sales vary by state and can be complicated to navigate.
- Experienced or not, your realtor is not a legal advisor, so you should also be open to consulting with a real estate attorney who has experience dealing with the unique legal pitfalls associated with foreclosures.

✓ STEP 3: Get to know the financial neighborhood.

- Before you consider making an offer on a property, you will want to have a reliable picture of its actual value.
- Ask your real estate agent to examine comparable properties or to use the absorption rate to help make a more accurate assessment of the property's value.

✓ STEP 4: Have a plan.

- Buying a property just because you can get it at a discount is not a strategy. You need to be able to estimate repair costs if applicable and determine whether the property will work better as a flip or long term rental.
- Depending on your approach with a property, you will want to run the numbers to determine what your potential return on investment may be – either through cash flow or resale.

✓ STEP 5: Don't get auction fever.

- If you have crafted a financial plan for a property, you should know the maximum amount you can bid and still be profitable – while also leaving room for unexpected contingencies.
- Do not bid higher than this amount. Ever. Better to walk away from an auction empty handed than to pay too much for a property.