



SAFEGUARD ADVISORS

UNLOCK YOUR RETIREMENT PLAN



Tax-Sheltered Real Estate Investing With a Self-Directed IRA

Expert Self-Directed IRA & 401(k) Consultants

- A leading provider of self-directed retirement plans offering checkbook control
- Offering plans since 2005
- Thousands of clients in all 50 states
- Focus on quality education and ongoing consulting to drive client success
- Tax law and real estate expertise

What is a Self-Directed IRA?

- **A tax-sheltered IRA or 401(k) plan just like any other, but with broader investment choices**
 - Rental Property
 - New Construction & Flipping
 - Private Mortgages & Trust Deeds
 - Real Estate Partnerships
 - Tax Liens
 - Anything the IRS rules allow

Do I Qualify?

- **Funds that are accessible for transfer**
 - IRA (Traditional, SEP, SIMPLE, Roth or Inherited)
 - 401(k) or other employer plan from a prior employer
 - Current employer plan if you are over age 59 ½
- **Sufficient funds to invest in real estate**
 - May use mortgages or joint venture
 - Cannot combine IRA and personal funds
 - Possible but sometimes complex to partner spousal IRA's

Checkbook Control

- The right tool for real estate investing
- Plan funds are held in a bank/brokerage of your choice
- You have signing authority on the account
- Eliminates paperwork, processing delays and per-transaction fees typical of self-directed IRA custodians
- Act on opportunities or maintenance needs immediately
- All under the umbrella of the tax-sheltered IRA/401(k)

Checkbook IRA & 401(k) Options

- **Self-Directed IRA LLC**

- Invest in anything the IRS allows
- Asset protection
- Accepts rollovers from a variety of plan types
- Tax-deferred, Roth, or inherited IRA plans

- **Checkbook Solo 401(k)**

- For self-employed persons with no employees
- No custodian required
- High contribution limits
- Tax-deferred & Roth accounts in the same plan
- Personal loan feature
- Superior when using mortgages

IRS Guidelines

- **Exclusive benefit of the plan**
- **Arm's length transactions**
- **Avoid disqualified parties**

Think of yourself as a fund manager, administering the capital of the retirement plan as you best see fit

Trust Deeds & Mortgages

- Be the bank
- A secure asset backed by real estate
- Consistent income
- Short term or long term lending
- A great diversification play
- Suitable for smaller amounts of capital

Rental Property

- Plan capital is in a secure “real asset” with potential for both cash flow and appreciation
- IRA LLC or 401(k) Trust is on title to property
- All expenses/income handled via the plan account
- You can property manage or hire a manager
- You may not use the property or work on the property
- Can use mortgages or joint venture with other investors

Leveraging with Non-Recourse Mortgages

- **Extend the reach of your IRA/401(k) capital**
- **Mortgages must be non-recourse**
 - No personal guarantee
- **Conservative underwriting**
 - 30-40% down
 - 10-15% in reserves
- **Tax implications for IRA borrowers**
- **Higher cash-on-cash return for your plan dollars**

UDFI Illustration

- **Debt-financed income is taxable to an IRA**
 - Solo 401(k) plans are exempt
- **Debt-financing ratio used for income and deductions**
 - \$100K property, \$40K down is 60% debt-financed
- **Tax paid by the IRA using trust return 990-T**



Property Flipping & Development

- High risk/reward strategies
- Can be very profitable
- Keeping things at arm's length
- Considered a trade or business activity, with potential exposure to UBI taxation

UBIT Considerations

- Rental income, interest, dividends & royalties are exempt
- Trade or business activity, on a regular or repeated basis
- Meant to level the playing field when tax-exempt entities compete with tax-paying businesses
- Trust tax rates, as high as 39.6%

UBIT Example

- **\$50K property purchase at auction**
- **Rehabbed & sold for \$100K**
 - \$25K total costs (\$19K rehab & holding, \$6K sales commission)
 - \$25K net income
 - \$8,257 tax amount
 - \$16,743 net return
- **24.2% ROI on \$69K total investment**

3 Options with Flip Opportunities

1. Flip with your IRA/401(k)

- Pay UBIT, and be happy with great ROI for your IRA

2. Be the bank

- Passive interest income not subject to UBIT
- 2-3 points & 12-15% interest is common

3. Hybrid flip

- Buy, fix, rent 1 year +, then sell
- Passive rental income and future sale not subject to UBIT



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Retirement Savings
&
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