



GET CONTROL!

USING AN IRA (OR 401K)  
TO INVEST IN REAL  
ESTATE

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Worked for Advanta since 2006

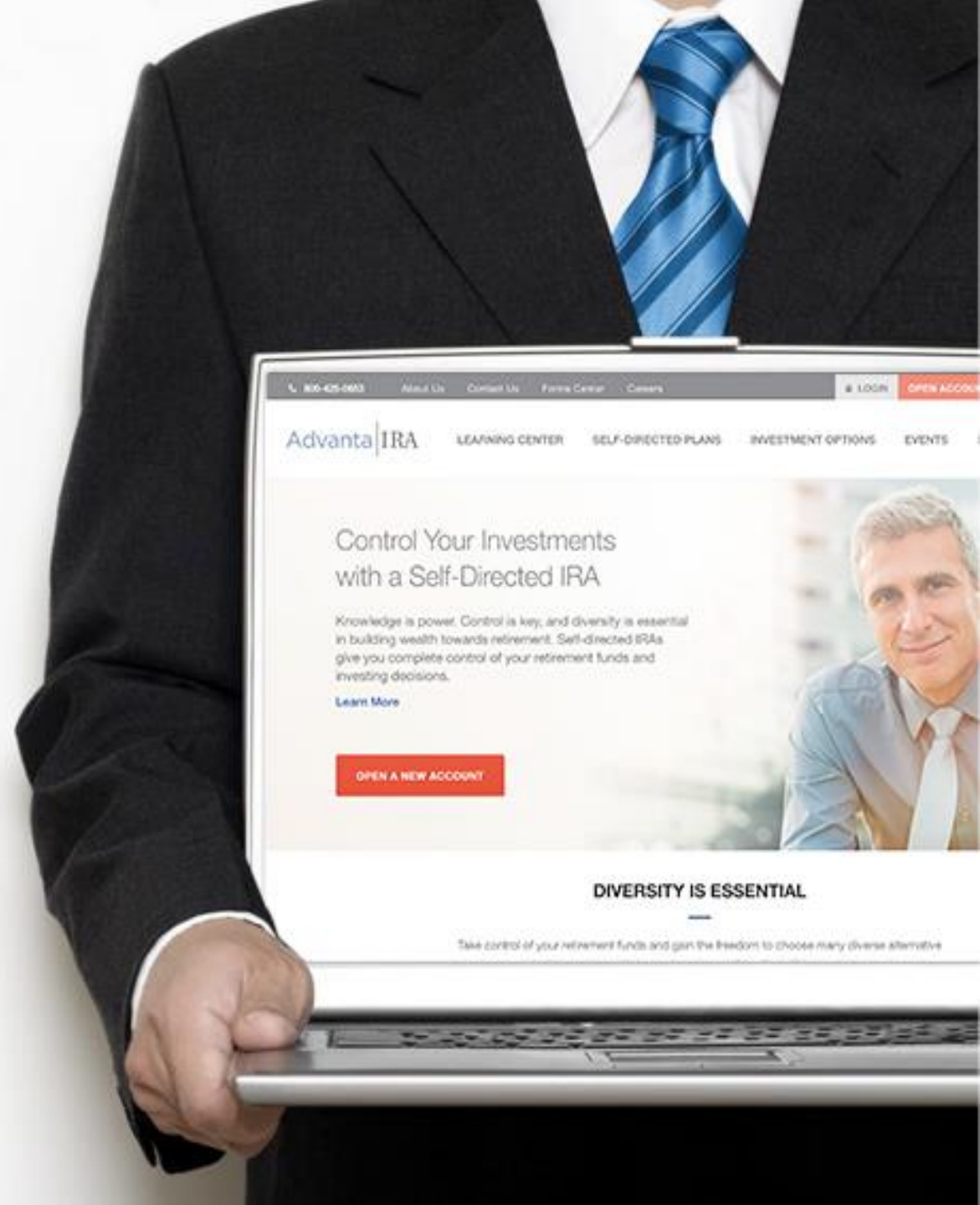
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All information and materials are for educational purposes only. All parties are encouraged to consult with their attorneys, accountants, and financial advisors before entering into any type of investment.

# ABOUT ADVANTA IRA

*What Is a Self-Directed IRA?*

## EXPERIENCED

With over 15 years in our industry, Advanta IRA is the nation's premier self-directed IRA administrator.

## SECURE

We use multiple banks that are insured by the FDIC to protect the undirected cash held within your IRA.

## TRUSTED

With clients across the nation, Advanta IRA holds over \$1 billion in assets and partners with a network of trusted CPAs and attorneys.

## PERSONAL

Our account manager system guarantees clients concierge-style personal service. Advanta IRA also offers cutting-edge educational tools for all types of investors.

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# OUR LEARNING CENTER

*About Advanta IRA*

Powerful knowledge about self-directed retirement plans and alternative investments is available at your fingertips:

ADVANTA EVENTS  
ADVANTAIRA.COM/EVENTS

Seminars, webinars, networking,  
and lunch and learn events to help  
you learn the ins and outs of  
self-direction



ADVANTA ON-DEMAND  
ADVANTAIRA.COM/LEARNING-CENTER

Watch free investment training  
videos and learn how to build a  
self-directed plan that's  
right for you



THE ADVANTA BLOG  
BLOG.ADVANTAIRA.COM

Get the latest industry news,  
updates, and insights from our  
team of professionals



# HAVEN'T HEARD OF A SELF-DIRECTED IRA?

*What Is a Self-Directed IRA?*

Maybe it is because the most common IRAs are administered by banks and investment brokers who offer limited investment products.

However, the IRS regulations allow a much broader range of investments.

Did you know self-directed accounts only add up to less than 2% of IRA investments?



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# WHY DO PEOPLE CHOOSE TO SELF-DIRECT?

*In general, people looking to self-direct fall into one or more of the following buckets:*

New Source of Capital:  
Cash in IRA/retirement plan provides them with needed capital for an investment

Stock Market Fatigue:  
Tired/unsure of investments into conventional assets (like stocks, bonds, mutual funds, etc.)

Tax Benefits:  
Benefits of investment (rents, dividends, profits) are tax-deferred or tax-free back to IRA account

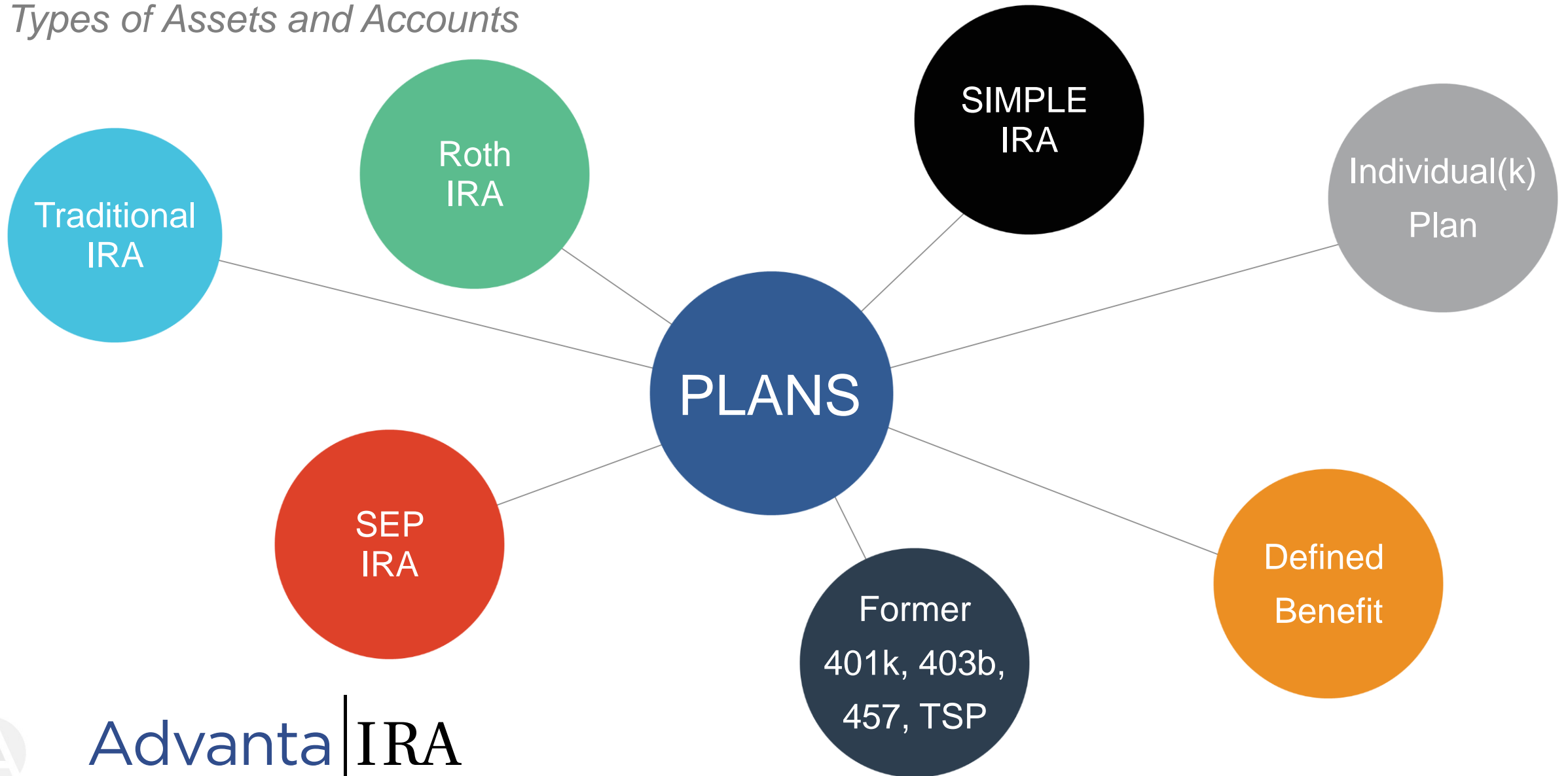
These people include everyday real estate investors through white-collar professionals investing in the next start-up company or private hedge fund.

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# SELF-DIRECTED PLANS

*Types of Assets and Accounts*



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# HOW TO MOVE MONEY TO A SELF-DIRECTED ACCOUNT

*Many individuals are concerned that moving funds will be taxable, but this is NOT the case!*

## Transfer and Direct Rollovers

Moving funds directly between accounts can be fairly easy, depending on the account you are moving from and the type of account you are moving to.

Transfers and Direct Rollovers can be done unlimited amount of times and can be done **in partial amounts**. These are also **NON-TAXABLE** movements of funds.



## How and When

In most cases, transfers and rollovers are done fairly quickly, with funds arriving at Advanta within 1-2 weeks.

The process can be different from one custodian to the next and Advanta keeps records of each custodian's requirements.

Transfers, Direct Rollovers and Earnings within an IRA are unlimited.



# TYPES OF ASSETS

*Types of Real Estate Assets that can be purchased in a self-directed IRA*

- Single Family Homes
  - Long term Rental
  - Short term rentals
  - Rehab projects
- Private Notes/Mortgages
- Mobile Homes/Parks
- Checkbook Control LLCs
- Tax Liens
- Real Estate Investment trusts
- Syndications/Private Placements
  - Commercial property
  - Multifamily

**Common thread? Brokerage firms will not hold these assets!**



# TYPES OF ASSETS

*Types of Assets and Accounts*

## Paper Assets

- Mortgage loans
- Tax liens
- Unsecured notes
- Debenture notes
- Option contracts
- Assignments
- Joint venturing
- Accounts receivable



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# TYPES OF ASSETS

*Types of Assets and Accounts*

## Other Alternative Assets

- LLCs
- Farm animals
- Partnerships
- Movie projects
- Precious metals
- Cryptocurrency
- Equipment leasing
- Forex accounts
- Private stock
- Commodities
- Oil/gas



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# PROHIBITED INVESTMENTS

*What You Can't Do with a Self-Directed IRA*

## INVESTMENT RESTRICTIONS

### CANNOT:

- 1) Purchase life insurance or collectibles
- 2) Use your IRA to benefit you or a disqualified person
  - No buy/sell with DQ person
  - No lending to/from DQ person
  - Cannot buy RE to live in, vacation, etc.
  - No DQ person can perform work on RE
  - Can't use 3<sup>rd</sup> parties as intermediary

## DISQUALIFIED PERSONS

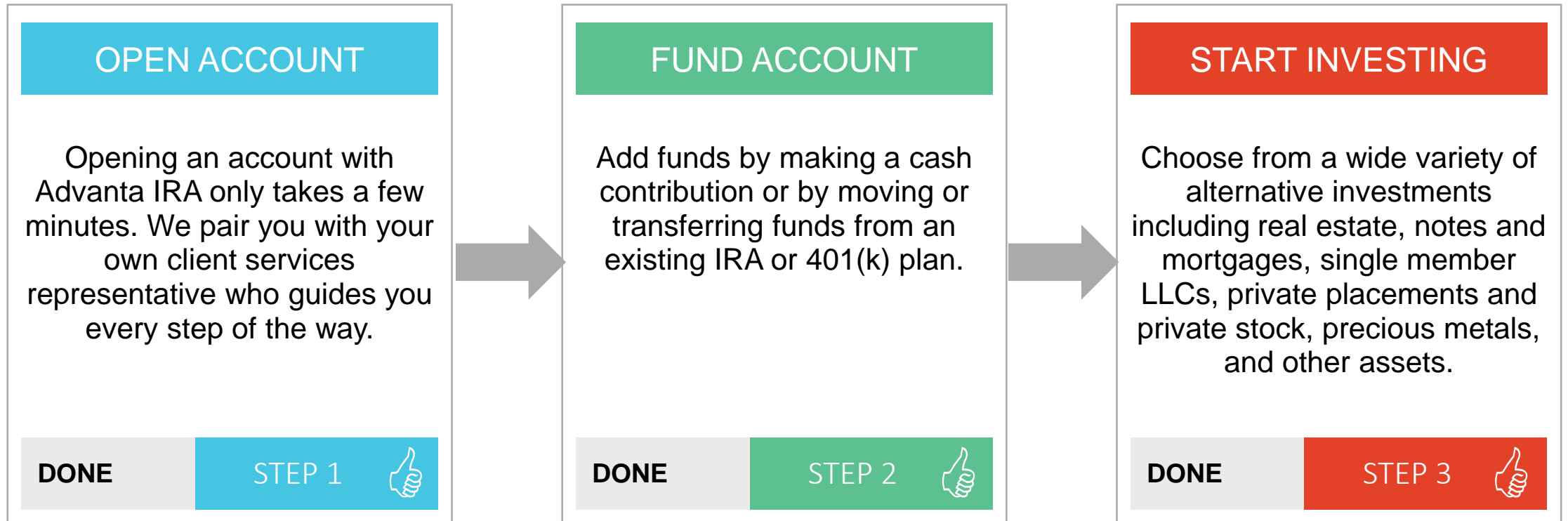
- You and your spouse
- Your parents and grandparents
- Your children and grandchildren
- Your son-in-law and daughter-in-law
- Business or entity owned or controlled by one of the above

**Siblings, aunts, uncles, cousins  
are NOT DQ!!**



# CASE STUDIES: GETTING STARTED

*Before you can invest, you need to get an account established and funds transferred or rolled over to the account.*



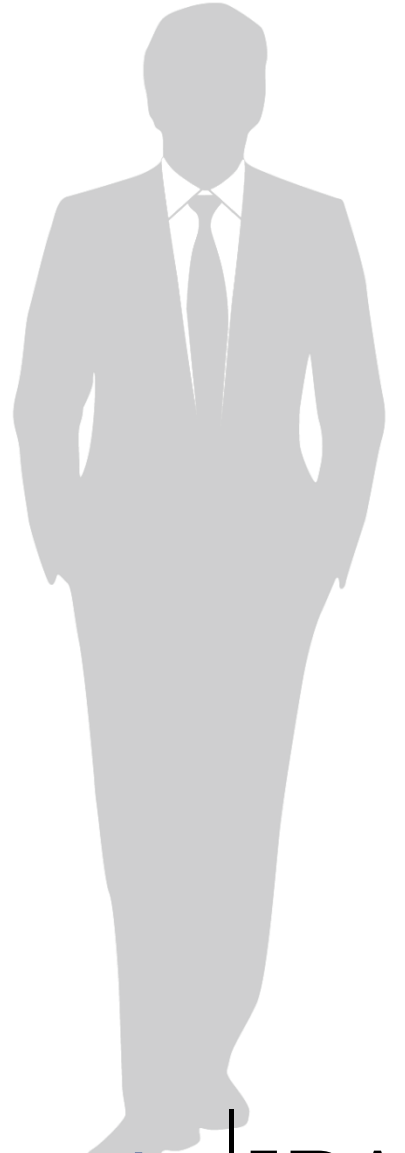
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# CASE STUDY

*The Facts:*

## JOHN'S RETIREMENT ACCOUNT

- John has a former 401k plan through his employer and a few IRAs as well (total around \$200k) that we can use towards alternative assets
- John's IRA could invest in rental or rehab properties, lend money to friends, invest in multifamily, auctions, etc.
- John understands that any income from his investments must go back into the IRA and all expenses get paid out.
- John knows that Advanta IRA, as the administrator, will receive and deposit the funds into his account, and pay bills at his direction.
- John is responsible for doing due diligence on any investment that he chooses to make.

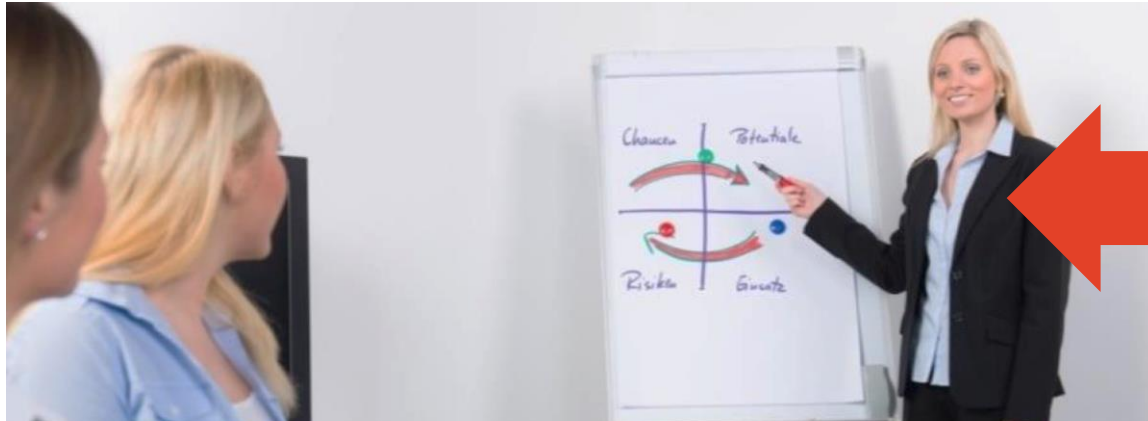


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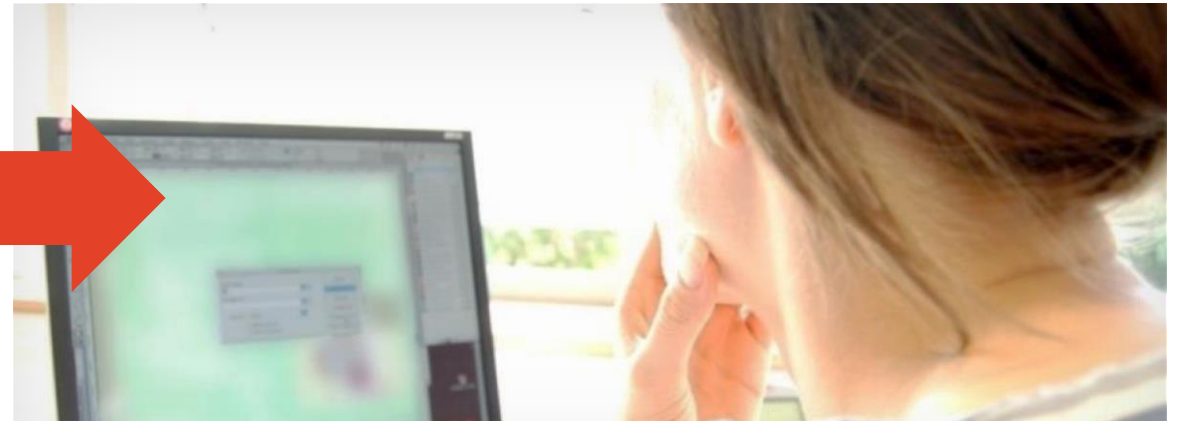
# Case Study #1

## *Purchasing Single Family Rental Home*



### NEW ACCOUNT OPENING

- John obtains the account opening paperwork from Advanta
- John will complete the application packet and complete forms to rollover his old 401k to the new self-directed IRA
- Advanta will establish the IRA and receive the incoming rollover



### BENEFITS OF SINGLE-FAMILY HOME

- John is in control of the investment, location, terms, etc.
- All benefits/profits come back to his IRA
- Only dealing with one tenant, one structure
- No other partners or investors involved (unless he wants to have them)





# Case Study #1

*Purchasing Single Family Home to Rent*

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## 123 MAIN STREET

- John wants to buy single-family condo/home for rent
- John knocks on doors, works with realtors, etc. to find a property for his IRA
- John identifies a property and makes the offer in the name of his IRA:
  - Advanta IRA FBO John Smith IRA



## NUMBERS

- Purchase: \$150,000
- Gross Rent: \$ 2,000
- Monthly Exp. (avg) \$ 750
- Net Rent: \$ 1,250 (10%)
- After 3 years:
  - Accrued Rents \$ 45,000 (no taxes)



# Case Study #2

## Purchasing Real Estate to Rehab



### 123 MAIN STREET

- John Smith identifies property being sold and makes an offer in name of IRA
- Deal is funded and closed in the IRA.
- John selects contractors to repair property
- IRA pays for all fix-up/repairs to property from extra cash in John's IRA
- John's IRA then sells property at profit



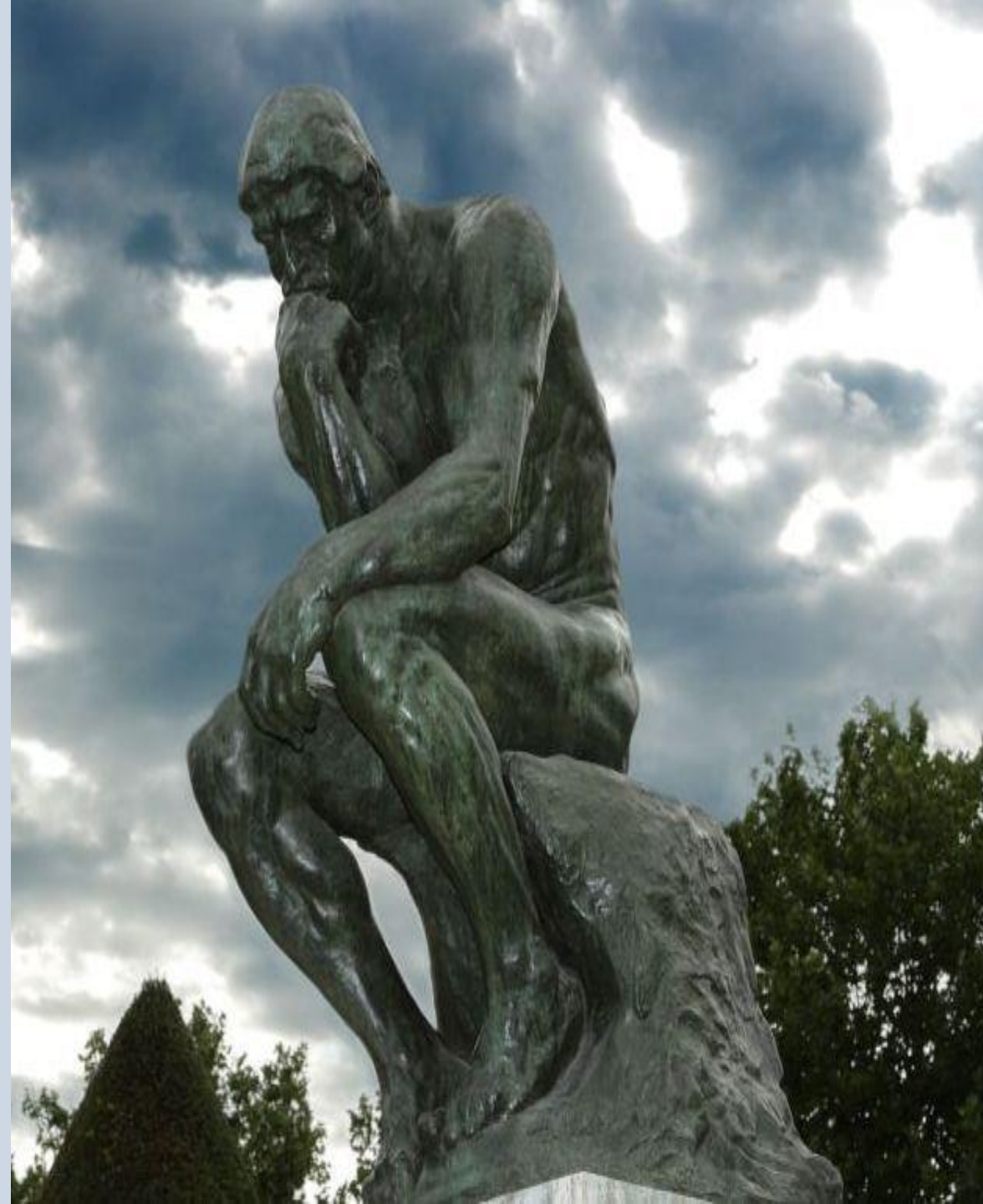
### NUMBERS

- |                |           |                    |
|----------------|-----------|--------------------|
| ▪ Acquisition: | \$100,000 |                    |
| ▪ Repairs:     | \$ 40,000 |                    |
| ▪ Sales Price: | \$180,000 |                    |
| ▪ Taxes due    | \$ 0      | (Not in IRA: 25%?) |
| ▪ Profit:      | \$ 40,000 | (\$30,000)         |
| ▪ Cash to IRA: | \$180,000 |                    |



# OWNING RENTAL REAL ESTATE IN AN IRA: THINGS TO REMEMBER

- IRA must pay for all repairs and expenses and then receive all sale/rent proceeds
- IRA must pay for all expenses
- John must find the tenants, deal with the maintenance, etc. and make sure he does not do anything prohibited (like perform any of the maintenance services)
- John could hire property manager



# CASE STUDY #3

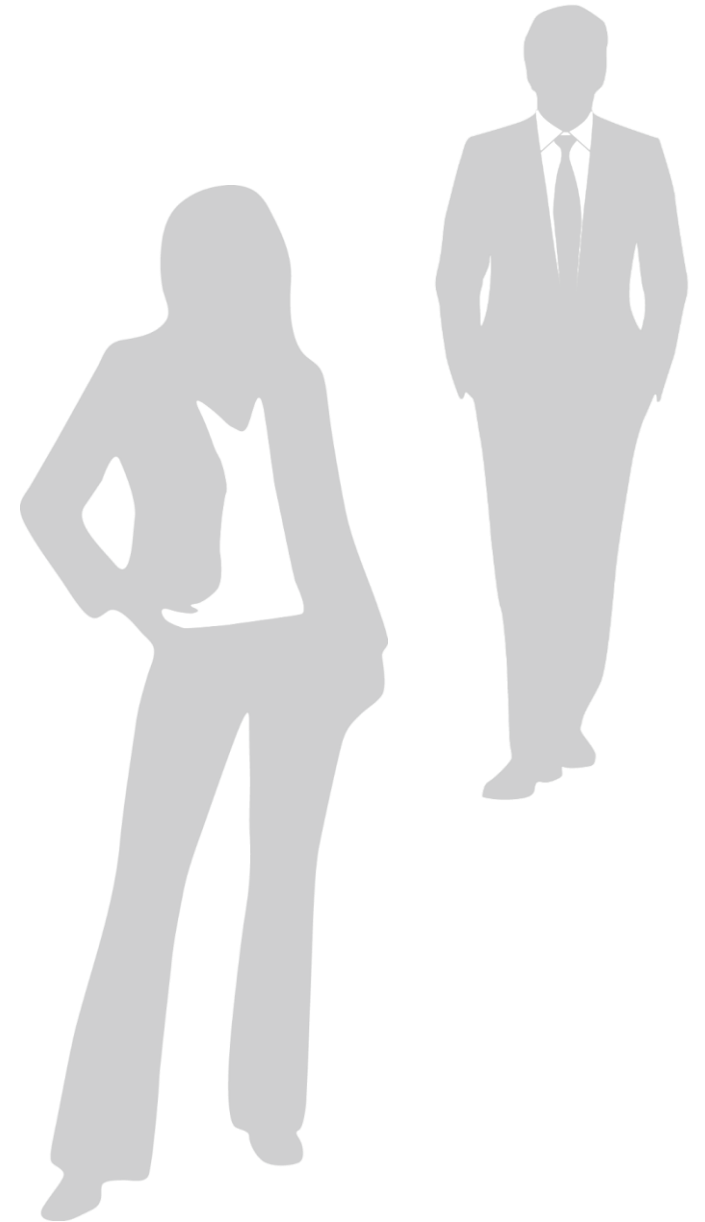
## *Private Lending from an IRA*

### THE DEAL

- John meets Andrea who is looking for \$\$ for her next rehab
- Andrea needs \$100K towards purchase and rehab
- John can be Andrea's private lender and provide financing
- Andrea will make payments back to John's IRA rather than a bank
- The terms of the loan (and payback) will be decided by John and Andrea.

### THE TERMS

- Loan amount: ~ \$100,000
- Interest rate: ~ 6%
- Equity participation: 1/3 of profits upon sale of property
- 2-year balloon note
- Monthly payment: ~ \$500
- First mortgage on the property
- John's attorney prepares loan documents and he approves the paperwork



# CASE STUDY #3

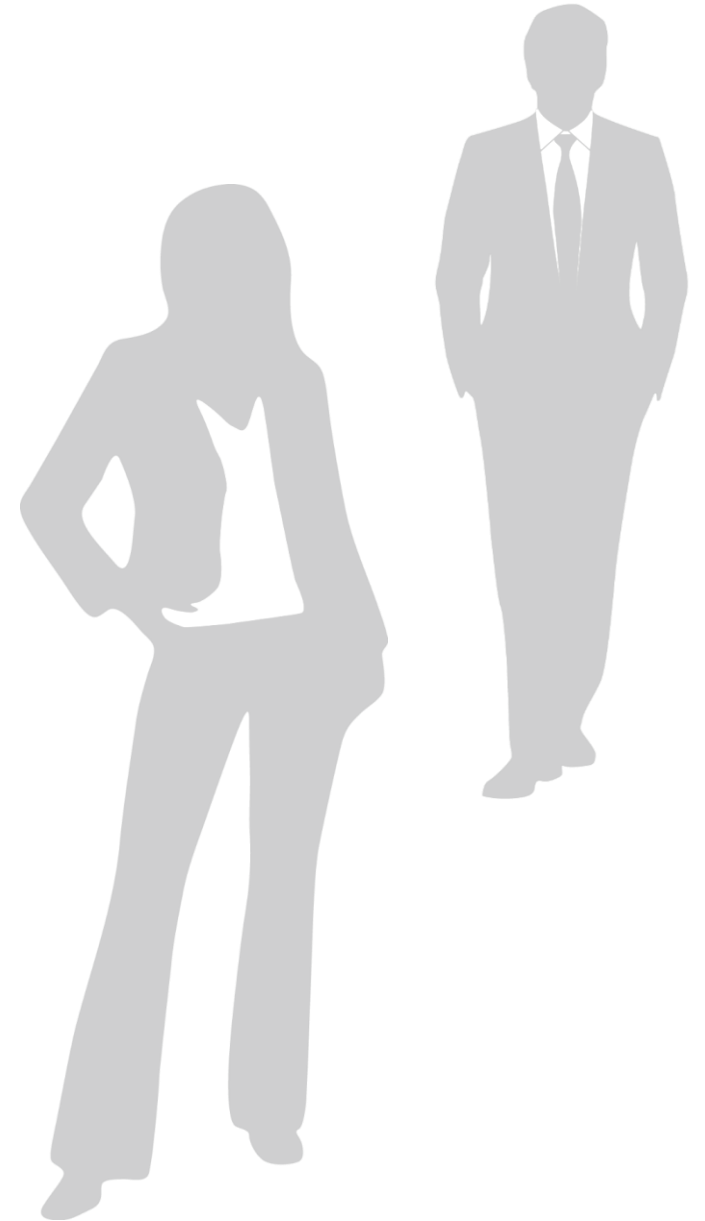
## *Private Lending from an IRA*

### THE LOAN PAYOFF

- 4 months later, Andrea is ready to sell the property for \$130,000 (net after closing costs)
- She requests the payoff amount
  - 1/3 of net profits (net profits are \$30K) PLUS 4 mths of interest

### JOHN'S IRA VALUE

- Repaid principal: ~ \$100,000
- Interest: ~ \$2,000 (\$500/mth x 4 mths)
- % of profits: ~ \$10,000
- Total earnings: ~ \$12,000
- Return on investment:  
~ \$12,000 / \$100,000



# Case Study #4

## *Investing in Multifamily Syndication*



### FINDING THE DEAL

- John meets Randy, who has a private offering to purchase and remodel an apartment complex.
- Randy provides John with the Subscription documents and Prospectus.
- John will review the document to determine the suitability of the investment for his IRA.



### BENEFITS OF MULTIFAMILY

- John doesn't have to find the tenants, deal with maintenance, etc.
- Vacancies in a few units doesn't have the effect it does with a single-family home
- Professional property management in place
- Mailbox Money



# Case Study #4

## *Investing in Multifamily Syndication*



### INVESTMENT PROCESS

- John's account manager at Advanta will work with him and investment provider to complete documents in name of IRA; John must approve documents
- Subscribers' Name:
  - Advanta IRA FBO John Smith IRA # \_\_\_\_\_
  - Tax ID is Advanta's Trust tax ID, not his SSN
- Advanta signs sub documents and sends wire to fund

### GOING FORWARD

- Any future dividends or profit splits are sent for deposit to John's IRA
- Gains to John's account are not included in his income
- If John's IRA exits the investment (or the investment sells), all proceeds returned to his IRA with NO tax consequence to John



# WHY ARE SELF-DIRECTED IRAS A GOOD CAPITAL SOURCE?



## Repeat Investor:

Can easily solicit existing investors to re-invest by simply using their IRA account

## Not Expecting to use IRA funds soon:

Most individuals do not plan to touch their IRAs for years, so they don't mind putting them in 5-10 yr. investments.

## Offer Better Returns:

Many IRAs sitting in 1-2% money markets/CDs, or individuals afraid of stock market correction

## No outside approval needed:

IRA owner makes decision on using their IRA and simply puts wheels in motion





# SO WHY ADVANTA IRA?

- We handle all recordkeeping and custodial functions for your IRA
- No “lengthy” approval process for investment paperwork
- Years of experience with all types of real estate investments
- Private account manager
- Streamlined process
- Flat administrative fees (regardless of acct value)
- DocuSign capability with investment paperwork



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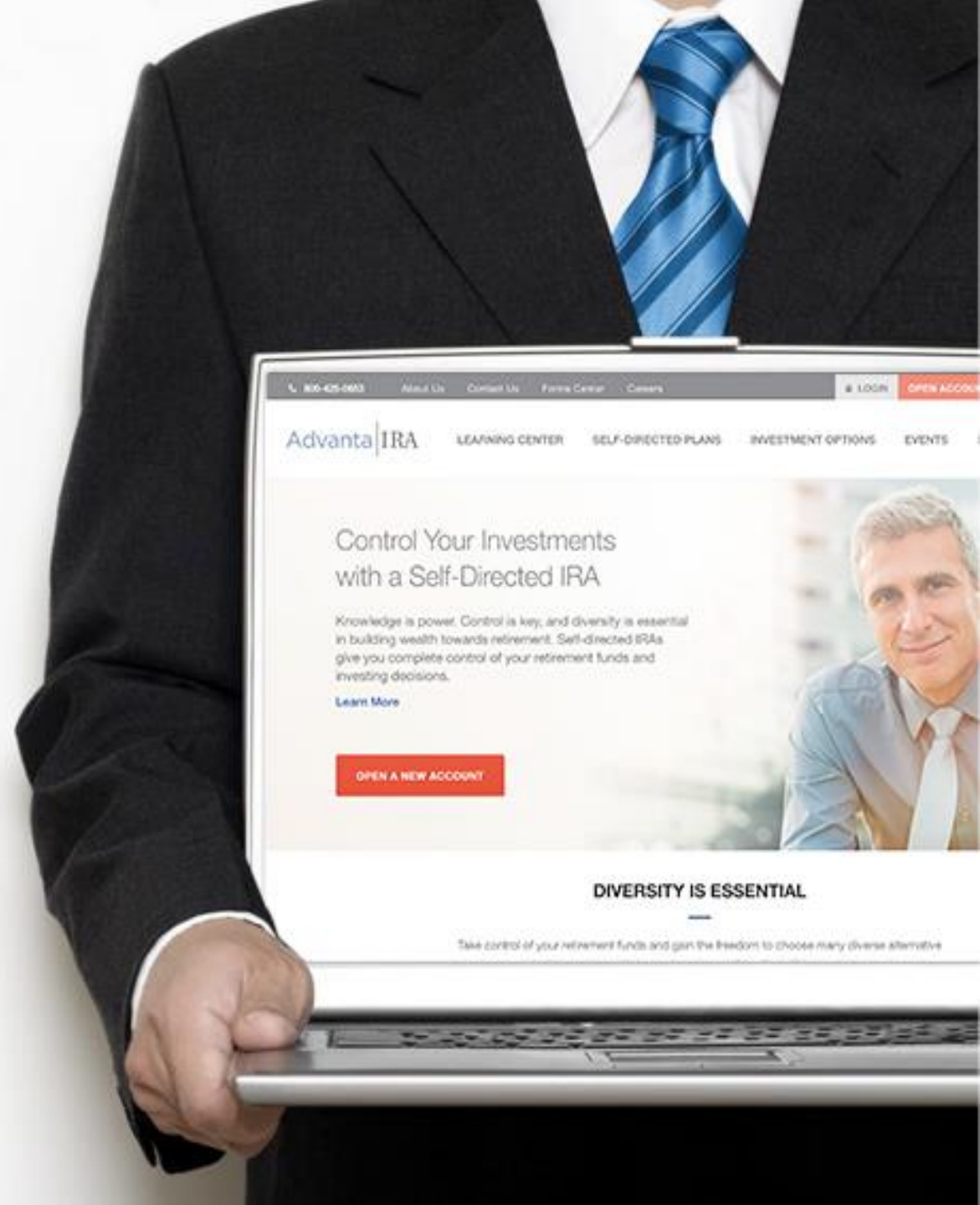
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**QUESTIONS & ANSWERS**

