The Entrust Group

Direct Your Future

Partnering

A look at partnering self-directed IRA funds.

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Partnering Self-Directed IRAs

Partnering Your IRA

Self-directed IRAs have existed for over thirty years. What makes these IRAs special is that they share the same characteristics of IRAs you may already have with a bank or brokerage firm, except they offer a wider variety of investment options. An IRS investment regulation prohibits only collectibles and insurance, thus permitting self-directed IRAs to hold non-traditional investments. These investments include real estate, notes, options, leveraged property, LLCs, gold, joint ventures, and many others. Account holders can transfer any IRA to a self-directed IRA.

Self-directed IRAs provide flexibility when it comes to investing.

A self-directed IRA can partner with ***anyone*** at the time of initial purchase, but after the transaction is closed, it cannot conduct any business with a disqualified person.

Think of an IRA as a separate entity that can conduct business with others.

Here are some examples of partnering an IRA:

- Combine your IRA with other people's IRA funds to make larger investments. Each IRA receives an undivided interest in the asset.
- Combine your IRA with other people's non-IRA money to acquire the investment that you want.
- You can hold leveraged property in your self-directed IRA. The loan will be non-recourse to you as an individual since the IRA is the actual owner of the loan and property.
- Partner with multiple IRAs and multiple personal funds.
- An IRA can own interest in Limited Liability Companies or be beneficiaries of Land Trusts.

These are just a few of the many ways that your self-directed IRA can partner with other people's money and other people's IRAs.

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Partnering Self-Directed IRAs — John and Laura

Case Study

John is a 26 year old professional and wishes to invest some of his IRA funds in real estate, as his equity investments have been under performing. John's mother, Laura, has experience investing in real estate with her IRA and agrees to partner with her son on his investment.

John opens a new Entrust self-directed Roth IRA and rolls over $30,000 from his existing IRA. Laura's existing Entrust IRA has available funds of $230,000.

Working with their family's Realtor, they locate a duplex in an up and coming neighborhood that they believe could be easily flipped for a profit in a few years. Given the rental climate in the area, they decide it would be profitable to rent the duplex out for three years before flipping.

After thorough inspections and due diligence on the property and surrounding area, John and Laura make an offer on the duplex in the name of their IRAs. After a week of negotiations, the seller agrees on a final sale price of $200,000 (including all closing costs).

In the purchase agreement, John's IRA will own 10% of the home ($20,000) and Laura will own 90% of the home ($180,000). After a completed Buy Direction Letter is sent with the contract to The Entrust Group, the funds are wired to escrow to close the transaction.

John and Laura immediately find renters for the duplex and secure a three year leasing contract for $20,000 per year. The duplex incurs expenses of $4,000 per year during the duration of the lease, or $12,000 total.

Since John's IRA owns 10% of the duplex, it is responsible for paying $400 per year ($1,200 total) of the expenses incurred. Laura's IRA is responsible for paying the other 90%, or $3,600 per year ($10,800 total).

John's IRA receives $2,000 per year in rental income. Minus expenses, it generates $1,600 per year ($4,800 total).

Laura's IRA receives $18,000 per year in rental income. Minus expenses, it generates $14,400 per year ($43,200 total).

After three years, John and Laura work with their Realtor to sell the property for $275,000. The area's booming demand brings in offers in just under 30 days.

After all closing costs, John's IRA receives $25,000 from the sale. Combined with the rental income, John's IRA is now worth $39,800. This reflects an annual return of 10.88%.

After all closing costs, Laura's IRA receives $225,000 from the sale. Combined with the rental income, Laura's IRA is now worth $318,200. This reflects an annual return of 12.78%.

John is happy to see that his investment paid off more than it would have in the stock market.

Remember, this investment was possible because:

- The IRAs partnered at the inception of the investment.
- Entrust self-directed IRAs allow alternative investments.

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Partnering Self-Directed IRAs — John and Laura

John's Entrust IRA

Holds: $30,000

Invests $20,000
(IRA owns a ***10%*** interest)

Investment **$200,000**

Laura's Entrust IRA

Holds: $230,000

Invests $180,000
(IRA owns a ***90%*** interest)

Income
IRA receives $2,000 annually from rental income.

Expenses
IRA pays $400 annually in rental expenses.

Earns $20,000 Annually
Costs $4,000 Annually

IRA Accounts Receive and Pay

Income
IRA receives $18,000 annually from rental income.

Expenses
IRA pays $3,600 annually in rental expenses.

IRA has received $6,000 and paid $1,200. A net of $4,800 in rental profits.

John and Laura's IRAs hold the investment property for three years.

IRA has received $54,000 and paid $10,800. A net of $43,200 in rental profits.

IRA receives $25,000 from the sale of the property, after closing costs.

Property Sells for **$275,000**
(Closing costs of $25,000)

IRA receives $225,000 from the sale of the property, after closing costs.

John's IRA has earned a total of ***$9,800*** off of his initial investment.

Both IRAs receive a return on the investment!

Laura's IRA has earned a total of ***$88,200*** off of her initial investment.

Entrust does not promote any investments. Rather, Entrust provides the administration, information, and tools to help make self-direction straightforward and compliant. We help you get started quickly and stay with you every step of the way.

www.TheEntrustGroup.com