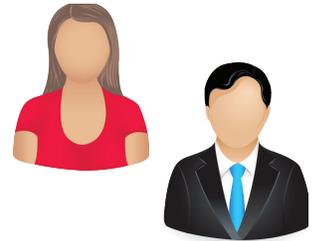


# Purchasing Rental Property with Retirement Funds

Maria has \$250,000 in a Traditional IRA at a bank. For some time, her real estate agent, Bob Realtor, has been telling her about the benefits of owning real estate in a self-directed IRA. She is interested, but is not familiar with the investment process. The bank that is her IRA custodian does not allow real estate investments in an IRA.



## Getting Started

Bob Realtor puts Maria in contact with a trained professional in an Entrust office. The Entrust representative walks Maria through the process step-by-step:

1. Maria starts by reading materials in The Entrust Group's online [Learning Center](#). These explain the [IRS rules](#) she must follow. She reads about [prohibited transactions](#) and how to do [due diligence](#) on a potential transaction.
2. Maria opens a self-directed Traditional IRA at Entrust. She:
  - Fills out an application and fee schedule and sends both to her representative,
  - Completes a transfer form to move her IRA balance from the bank, her current custodian, to Entrust and provides an account statement from the bank.
3. Entrust opens the account and initiates the transfer from her previous custodian. While the funds arrive at Entrust, Maria and Bob Realtor look at a number of properties that would qualify as IRA investments. One of them is for sale at \$179,500, which fits her budget.

## Maria is Ready to Invest

The money has arrived at Entrust and Maria has selected a property. There are several ways Maria can fund the purchase: direct purchase, partnering, leveraging, or through a limited liability partnership. Maria chooses to make an all-cash offer (direct purchase) contingent on inspections and clearances.

1. The offer is made in the name of her IRA and is titled in the name of the IRA. In Maria's case, the purchase agreement reads: *The Entrust Group, Inc. For Benefit of Maria IRA #12345*.



2. The offer is accepted and Bob Realtor chooses a title company to open escrow.
3. Maria completes an Entrust Buy Direction Letter, instructing Entrust to wire \$10,000 to the title company as an earnest money deposit, and an additional \$500 for the inspection and other expenses.
  - The purchase contract is included with the Buy Direction Letter.
4. Maria reads and approves all documents that Bob Realtor, and the title company send to her to make sure everything is correct. Only then will Entrust sign the documents on behalf of her IRA.
  - Maria does not sign the documents because Entrust is the signatory on all documents on behalf of her self-directed Traditional IRA.

## Closing Escrow

The property has passed all the inspections to Maria's satisfaction and she is ready to conclude the purchase. Once Entrust receives all the required documentation for the purchase, Entrust wires \$169,500 from her account to escrow in accordance with the closing statement, which includes all closing costs.

Maria's IRA now owns the property. The deed reads "The Entrust Group, Inc. FBO Maria IRA #12345."

## Rental Income and Expenses

After interviewing potential tenants, she selects one, and they come to terms on a rental agreement. The rental agreement is signed by Entrust for the benefit of Maria's IRA. In the future, all rental payments are made payable to "The Entrust Group Inc., FBO Maria IRA #12345."



The IRA has to pay for all expenses for the property. Because Maria likes to save time and money, she uses [The Entrust Group myDirection Visa® Card](#) loaded with her retirement funds to pay for the expenses associated with her rental property.

As she uses the card, she certifies the transactions online to make sure they are specified as property expenses and not as distributions. IRA expenses are not reported as distributions.

For more details on real estate transactions with an IRA please visit our [Real Estate Center](#).