



The
Entrust Group



HOW TO

HELP YOUR CLIENTS
INVEST IN REAL ESTATE
TAX-FREE

How would you like to have something new to talk about with your clients, help them save for retirement, and position yourself as their trusted resource?

And you'd be tapping into a \$6 trillion market.

Yes, Americans have more than \$6 trillion in their individual retirement accounts. Chances are, most (if not all) of your clients have an IRA of some sort. The investments in those accounts may be underperforming, or your clients may be interested in diversifying their retirement portfolio with real estate.

Self-directed IRAs give account holders more freedom, flexibility, and choice of how to invest their hard-saved dollars. They can expand and diversify their investment opportunities beyond the stock market.

Smart real estate professionals understand the advantages of self-directed retirement plans. In fact, real estate is the #1 investment in self-directed IRAs. With your help, your clients can invest in residential, commercial, vacant land, and other real estate-related assets.



What's In It For Me?

When you incorporate the Real Estate IRA into your sales strategy, you can become an even more knowledgeable resource for clients who already trust you. Who else would they choose to represent them in buying property for their self-directed IRA?

Your client database is a gold mine of information. You know almost as much about your clients' finances as they do. But they may not know about the advantages of investing their IRAs in real estate. Having that conversation is a great way to reconnect with clients who may not be ready to buy or sell their house, but might benefit from buying an investment property in an IRA to boost their retirement savings.

Mastering the opportunities in Real Estate IRAs can help you:

- ◆ Generate more referrals, leads, and repeat business
- ◆ Stand out from the competition
- ◆ Become a valuable resource for your clients
- ◆ Add value to your relationships
- ◆ Close more sales

Talk to your clients about the Real Estate IRA. They will thank you and you will reap the rewards! Real Estate IRA investors will tell others about their experience. We know...Entrust's clients are our #1 referral source.

How Do I Get Started?

This manual from The Entrust Group explains how real estate transactions work in IRAs—from opening an account to collecting rent from the tenants of that duplex your clients just purchased.

How to Create a Real Estate IRA

It starts with a conversation, actually two conversations. The first is with your client. Then, when your client is ready to open a Real Estate IRA and invest in property:

- ◆ Call or email The Entrust Group to have a representative assigned to you and your client.
- ◆ Your Entrust representative schedules a call for you and your client to ask questions and explain the process.
- ◆ Your client completes and submits the forms to open an account. A Real Estate IRA can be opened in a Traditional, SEP, or Roth IRA.
- ◆ After reviewing the paperwork, your Entrust representative opens the account.
- ◆ Your client funds the account—by rolling over or transferring money from another IRA custodian or by making a new contribution.

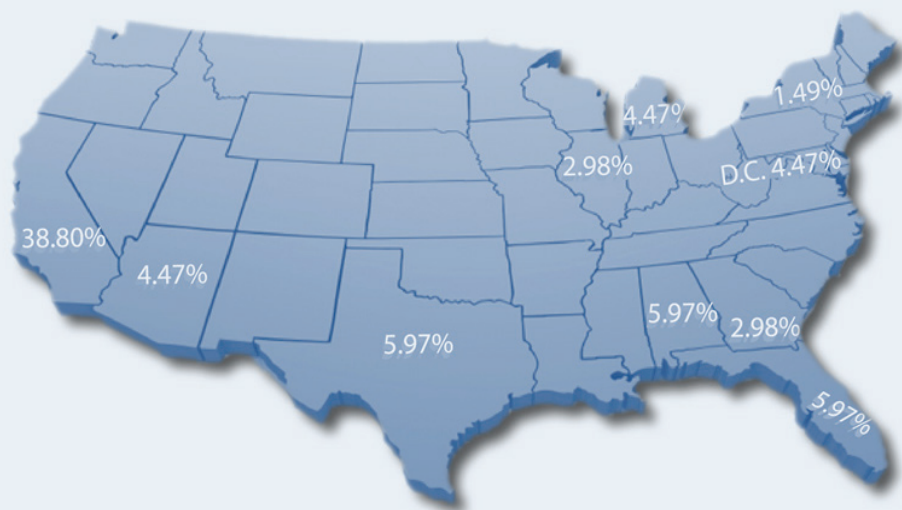
Once the Real Estate IRA is open and funded, it's time for you to do what you do best: Help your client find the right property and make a winning offer.

Even if your clients open their new Real Estate IRA with an amount too small to buy property right away, you are not just helping them save, you are helping them work toward a future real estate investment. They will appreciate that.

Your clients will talk about their experience and refer others. It's a fact!

What Do Californians Know That Others Don't?

The value of investing in real estate for their retirement futures.



California accounted for the majority of Real Estate IRA investments among The Entrust Group's clients in the First Quarter of 2014. Among 21 other states, the heaviest concentrations were in the Sunbelt and the Southwest.

Finding and Purchasing the Real Estate Investment

As you might expect, the process of closing a transaction when a Real Estate IRA is the purchaser is a bit different from what you may be used to. But it's not that different, and your Entrust representative will be an experienced resource.

As with any real estate purchase, you and your client will want to start by doing some basic due diligence. For example, you'll want to make sure:

- ◆ That title can be held in the name of an IRA or qualified plan
- ◆ To use a title company that is familiar with self-directed IRA transactions
- ◆ To set a realistic timetable for the transaction
- ◆ To choose the best way to acquire the property: a direct real estate purchase or through a corporation or trust
- ◆ To find someone local to handle property management and maintenance after the purchase

There are several ways to fund a Real Estate IRA purchase:

- ◆ Direct Purchase: the IRA pays cash for the investment property and holds the title to the property
- ◆ Partnering: the purchase is made with a combination of funds in the Real Estate IRA and personal funds or funds from another investor's IRA; ownership is divided according to each investor's contribution
- ◆ Leveraging: the IRA borrows money to purchase a property with a non-recourse loan
- ◆ LLC: the IRA holds an interest in a limited liability company (LLC) or land trust; the title of the property is held in the name of the LLC

Entrust is a self-directed IRA administrator. We do not sell or promote any product or investment. You find the investment property and we provide the IRA administration. After all, you're the real estate expert. The Entrust Group has educational resources that you can take advantage of to start nurturing or reaching out to your clients.

We have created these tools to:

- ◆ Help you close more business
- ◆ Allow your clients to diversify their retirement portfolios by investing in what they know, understand, and can provide higher returns over time

Learn more about how to talk with your clients about Real Estate IRAs by subscribing to The Entrust Group Learning Center.

Many Types of Property are Allowed in Real Estate IRAs

While single-family houses are the most popular type of property purchased by Real Estate IRAs, your clients have lots of other options, from vacant land to commercial buildings, condos, mobile homes, and apartment buildings.



Single-Family Home: 46%



Vacant Land: 22%



Multiple-Family Home: 30%



Commercial Real Estate: 2%

Once your due diligence is done and your offer is made and accepted:

- ◆ Make sure the purchase contract lists your client's IRA as the buyer. For example, "The Entrust Group FBO Client Name Account X #555555." At this point, you sign the contract only as "read and approved."
- ◆ Your client completes an Entrust Buy Direction Letter and submits it with the purchase contract for Entrust to sign on behalf of the IRA. Allow up to one business day for review and processing.
- ◆ Entrust funds the earnest money deposit the following business day after receiving the fully executed Purchase Contract agreement.
- ◆ You open escrow for your client's Real Estate IRA. When the title company is ready to close escrow, you will need the:
 1. Warranty or grant deed
 2. Preliminary title report
 3. Estimated closing statement
 4. Loan documents (if applicable)
 5. Seller's entity formation document (if applicable)
- ◆ Entrust reviews the paperwork and funds the remaining balance. Allow up to three business days for review; funding occurs the next business day after the review is complete.

Remember...you don't need to be a self-directed IRA expert. That is our role. We will hold your hand every step of the way.

Questions Your Clients May Ask

These frequently asked questions may be useful when you talk with clients.

These and more FAQs can be downloaded from The Entrust Group website.

MAKING THE PURCHASE

How long does it take to make a typical Real Estate purchase?

This depends on the complexity of the transaction. A simple transaction, buying one piece of property without underlying loans, may take five days. A complex transaction may take 30 days or more.

What if I already have a contract in my name and I want the IRA to purchase the property?

The contract must be vested in the name of the retirement plan because the IRA and the IRA accountholder are two separate entities. The IRA accountholder (or any disqualified person) should not assign his or her interest to the IRA because it might be a prohibited transaction. The proper way to handle this is to start a new contract.

I am going to an auction to bid on property. I need a cashier's check issued in my name. What do I need to do?

Cashier's checks cannot be issued in the IRA accountholder's name because this constitutes a distribution. Cashier's checks must be payable to the auctioneer, county, or a third party who is not a disqualified person to the IRA. To fund an auction purchase, you need a:

- ◆ Buy Direction Letter
- ◆ Bidder Registration Form or Third-Party Agreement
- ◆ Real Estate Auction Acknowledgement Letter

Can I sell the property to myself?

No. Pursuant to IRS Code 4975, the direct or indirect furnishing of goods, services, or facilities between an IRA and a "disqualified person" is prohibited.

Can I transfer rental property I own personally to my IRA?

No, this is considered a prohibited transaction. Your IRA cannot buy property that you currently own. See IRS Code 4975 for information on prohibited transactions, disqualified persons, and self-dealing.

Who can my IRA partner with to purchase property?

At the time of initial purchase, your IRA can partner with anyone, including a disqualified person. That means you can partner with your spouse, child or other family member. But after the transaction is closed, your IRA cannot buy, sell, or transfer to any disqualified person.

USE OF THE PROPERTY

Can I use my investment property as a second home?

No, the property is for investment purposes only.

Can my kids live in the home that my IRA owns and pay me rent?

No, because they are disqualified persons. You cannot buy a house or vacation property for you or your lineal ascendants (your parents, grandparents) or descendants (children, grandchildren) to use while your IRA owns it.

Can I get a personal loan on the property that my IRA owns?

No, using an IRA asset to secure a personal loan is a prohibited transaction; this is referred to as "self-dealing." Everything the IRA engages in must be for the exclusive benefit of the IRA. Self-dealing occurs when an IRA owner uses the IRA for his or her personal benefit rather than to benefit the IRA.

Can I use the property during the year?

No, this would be considered the direct or indirect furnishing of goods, services, or facilities, and is prohibited between an IRA and a disqualified person. See IRS Code 4975 for information on prohibited transactions and disqualified persons.

PROPERTY MANAGEMENT

Do I have to hire a property manager to manage the property owned by my IRA?

No, you don't have to. However, some Entrust account owners choose to use a property manager to consolidate the various expenses, and if applicable, income. If you are partnering with others, having a property manager means that your tenants don't have to write multiple rental checks to the various investors. They just write one to the property manager, who then distributes the percentages accordingly.

Can I be the property manager?

No, you can't manage the property yourself. But you can collect the rental income for record keeping. However, you must send the actual funds to Entrust to be deposited. If an IRA owner deposits the rent in any non-IRA account, it qualifies as a distribution. You cannot pay yourself income from profits generated from your IRA's rental property.

Who can I hire as a property manager?

You can hire any third party who is not a disqualified person. For more information about disqualified persons, see IRS Code 4975. The Property Management Agreement is signed by Entrust for the benefit of the IRA at the direction of the IRA accountholder.



The IRS has rules about some of the people and transactions that can be involved with a Real Estate IRA. For example:

Disqualified persons are people who can't be involved in transactions related to the property held in a **self-directed** Real Estate IRA. They include certain members of your family (you, your spouse, any beneficiary of the IRA), and certain financial professionals such as your IRA fiduciaries.

Prohibited transactions are what they sound like: transactions a self-directed IRA can't participate in. Examples include buying property from a disqualified person, accepting payments directly from a tenant living in a property owned by a Real Estate IRA or using the property as collateral for a personal loan.

Self-dealing describes transactions that bring personal gain to the accountholder rather than the IRA itself. Examples include living in a property owned by the Real Estate IRA or an accountholder investing IRA funds into another business.

All of these can result in forfeiting the tax benefits of an IRA and paying penalties.

Read more at learningcenter.theentrustgroup.com

INCOME

Do I have to rent the property or can it be vacant?

You don't have to rent the property as long as the IRA has sufficient cash to pay for all the expenses related to the property. If there is insufficient cash to cover expenses, the IRA accountholder can rent the property, transfer funds from another IRA, make a contribution, or liquidate other IRA assets to pay the expenses.

Where should income be sent and how do I pay for expenses?

All income and expenses are sent to Entrust's Cash Management Team for processing.

Can the rental income from the property in my IRA flow back to me personally?

Yes, you can request that funds be sent to you as a distribution. Your distribution may be subject to taxes or fees, depending on your age and the type of IRA you own.

How is the rent collected on rental property?

If the property is being managed by a property manager, the property manager collects the rent and sends it to Entrust for deposit, along with the monthly profit and loss statement. If a property management company is not managing the property, the rental income should be deposited directly to the IRA account.

"I was astonished at the quality and timeliness of support I received from Entrust. They...demonstrated complete mastery of the (real estate) transaction process."

— KENNETH D.
Entrust client

EXPENSES AND REPAIRS

Do expenses like utilities, repairs, taxes, and mortgage payments need to be paid from the IRA account?

Any expenses from an asset within your IRA must be received and paid through the IRA. You cannot use personal funds to pay for expenses incurred by the asset. This is prohibited by the IRS.

See IRS Code 4975.

I am a contractor. Can I rehab the property that my IRA owns?

No, because you are a disqualified person. The law prohibits any direct or indirect furnishing of goods, services, or facilities between an IRA and a disqualified person.

Can I do my own repairs?

No, because you are considered a disqualified person. The law prohibits any direct or indirect furnishing of goods, services, or facilities between an IRA and a disqualified person.

What expenses on the property can my IRA pay for? What can't the IRA pay for?

Regular real estate expenses, such as mortgage payments, property taxes, insurance, HOA dues, repairs, and maintenance, must be paid from the IRA. If these expenses are paid with personal funds, you cannot be reimbursed by the IRA. This is prohibited transaction. Any payment from an IRA to an IRA accountholder from an IRA, whether or not claimed as a reimbursement, is a distribution and must be reported on IRS form 1099-R and may be taxable, depending on your age and the type of IRA.

Work with a Real Estate IRA administrator that understands your clients.

The Entrust Group is the only Real Estate IRA administrator that serves customers through nationwide offices to ensure personal service. Your clients work with the same team every time.

The Entrust Difference:

- ◆ More than 33 years of experience in Real Estate IRAs
- ◆ Faster real estate transactions and maintenance from a dedicated team of Real Estate IRA professionals
- ◆ FREE online educational Real Estate IRA Center for your clients
- ◆ Tools for Real Estate professionals to grow your business

START THE CONVERSATION WITH
ONE OF OUR REAL ESTATE IRA
SPECIALISTS TODAY AND LEARN
HOW TO GROW YOUR BUSINESS.

theentrustgroup.com/locations

800-392-9653



555 12th Street, Suite 1250
Oakland, California 94607

1-800-392-9653 (toll-free)
teg@theentrustgroup.com

theentrustgroup.com