



Making Offshore IRA Investments:  
**Puerto Rico & Colombia**



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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.

# Agenda

- 1 About Entrust
- 2 What is a Self-Directed IRA?
- 3 The Benefits of Self-Direction
- 4 Investing in Puerto Rico and Colombia
- 5 Q&A Time

# Meet Your Host

Bill Neville

Business Development Manager at The Entrust Group



Years at Entrust



Educating people on investing in alternative assets with an IRA



B.S. in Finance from Penn State University

# About Entrust



**3.6 B**

Assets Under Management



**22k+**

Accounts



**39**

Years of Service



**1**

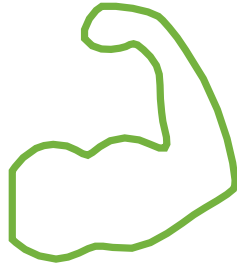
Point of Contact

# About Entrust



- Self-Directed IRA administrators
- Knowledgeable Staff with CISP designations
- Nationwide offices
- National CE program
- In-person events and webinars
- Annual IRA Academy

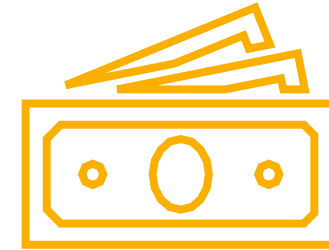
# Benefits of Self-Direction



Take Control



Diversification



Tax Benefits



An aerial night view of a city, likely San Juan, Puerto Rico, with mountains in the background. The city lights are visible, and the sky is dark with some clouds. The text is overlaid on the left side of the image.

# INVEST OVERSEAS THROUGH YOUR IRA

## Puerto Rico and Colombia





## SPEAKERS



**Adrian Beales**  
Director of Sales

Adrian has personally invested in real estate since his early twenties, buying multiple investment properties in his home state of Victoria, Australia, in addition to investments in Latin America. His previous professional experience includes working as a Relationship Director – Enterprise (Large Law) with LexisNexis in Sydney, Australia where he worked with the top global law firms with an Asian-Pacific focus.



**Ankita Jain**  
Senior Associate, Acquisitions and  
Development

Ankita specializes in emerging markets and has experience working in India, Dubai, Saudi Arabia, and U.S. Prior to joining Lifeafar, Ankita worked as a financial analyst and community development consultant in New York. She received a master's degree in real estate finance and development at Harvard University and a bachelor's degree in architecture from India.

A street scene in Puerto Rico featuring colorful buildings with balconies and a sign for 'FOOD COURT'. The buildings are multi-storied with white facades and blue accents. A sign for 'FOOD COURT' is visible on the ground floor of one building. The street is lined with parked cars and a few people. The overall atmosphere is bright and sunny.

# PUERTO RICO

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# PUERTO RICO OVERVIEW

Amid warm white sands and thick green rainforests, Puerto Rico is home to lively cities, sleepy beach towns, and everything in between.

- **Official Name:** Commonwealth of Puerto Rico
- **Capital:** San Juan
- **Monetary Unit:** U.S. dollar
- **Population:** (2019 est.) 3,059,000
- **Major Cities:** [San Juan](#), Guaynabo, Bayamón, [Mayagüez](#), Rincon, [Ponce](#), and Arecibo
- Puerto Rico is a U.S. territory, meaning U.S. travelers can visit freely without needing to obtain a visa or even having a passport
- Growing International Recognition





# PUERTO RICO REAL ESTATE MARKET

- 83% of land in Puerto Rico is raw land — but much of that includes mountains
- 55% of housing on the island is informal
- Average house price in PR is \$160,000
- House prices are on the rise
- Hot real estate markets:
  - San Juan. 50% of the population of Puerto Rico lives in the greater San Juan area
  - Dorado. The Atlantic coast to the west of San Juan, which includes the high-end area of Dorado
  - Palmas del Mar / South East. Palmas del Mar is a popular community known for its golf courses





# PROCESS OF INVESTING IN REAL ESTATE

**Step 1:** Choose a location

**Step 2:** Find a local real estate agent: A local agent will counsel you on local lifestyle and cultural concerns such as whether the neighborhood is family- or vacation-rental friendly.

**Step 3:** Inspect the property: In Puerto Rico, properties typically sell as-is.

**Step 4:** Make a Downpayment

**Step 5:** Close: The closing transaction can be complicated and time-consuming.





# PUERTO RICO REAL ESTATE - THINGS TO KNOW

- Real Estate Agents: Buyer's agents aren't as common in Puerto Rico, as brokers acquire their own listings to which they steer potential buyers. Commissions range from 3% to 6%.
- Management and Fees: Prior to purchasing, it's important to determine what is and isn't included in the homeowners association (HOA) fee.
- Inspections: Whether the condo is brand new or has been lived in, hire a licensed home inspector to ensure the unit is in sound condition.
- Financing and Legals: While there's no obligation to purchase in cash, you can obtain a home equity loan (on your U.S. residence, if you have one), or draw from a U.S. line of credit to purchase your Puerto Rican condo in cash – which may make sense from an interest-rates point of view.
- Tax Breaks: In 2012, Puerto Rico passed legislation shielding new residents from paying most federal income taxes.





# PUERTO RICO REAL ESTATE - THINGS TO KNOW

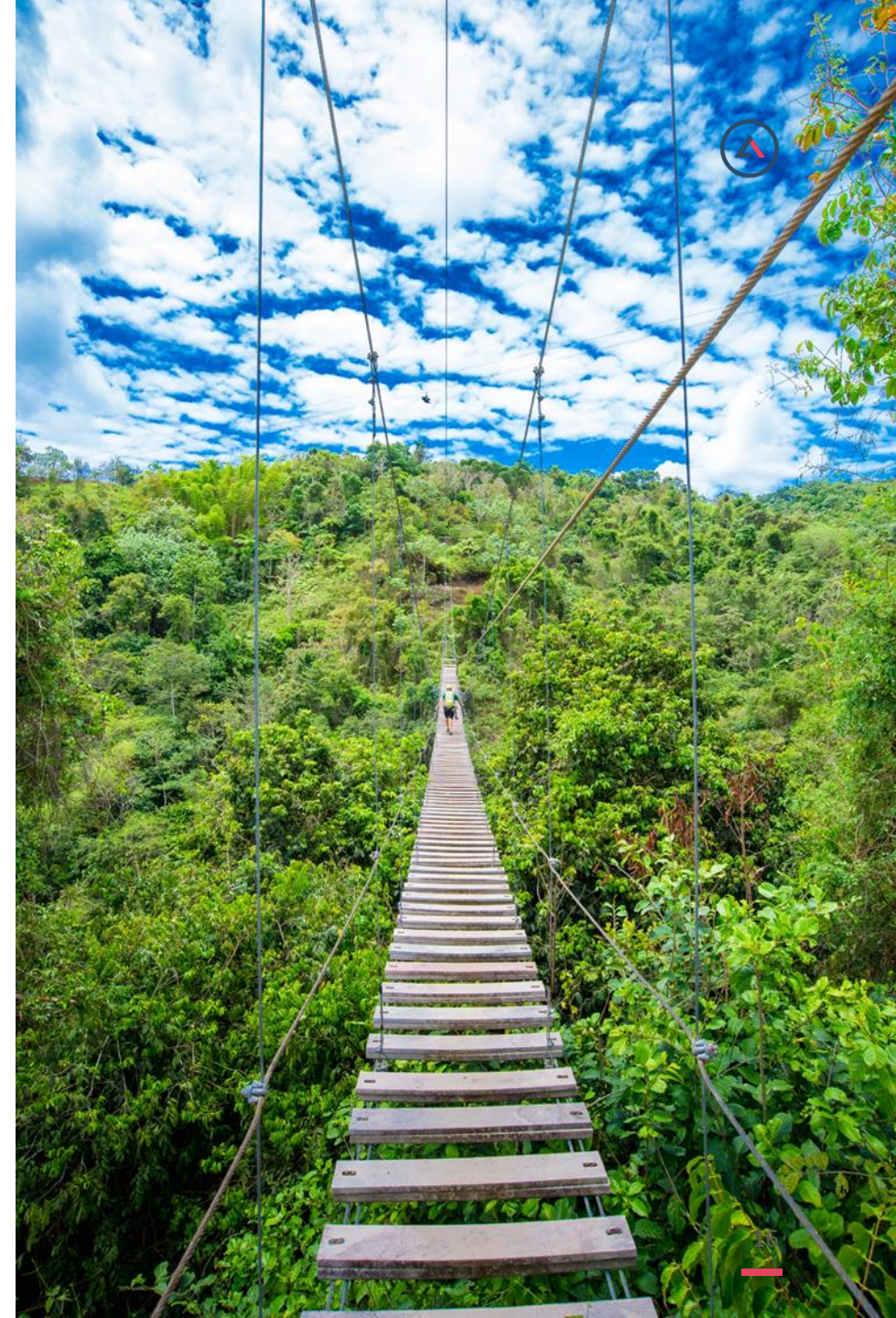
- A difference between the buying process on the mainland v/s Puerto Rico is that there is no buyer's agent
  - Agents have their individual neighborhoods
  - There are no standard contracts for rentals or sale properties
  - Closings require lawyers and agents
  - Multiple Listing Service or realtor association do not exist on the island
- Listing data and comp data are hard to find
- Lack of transparency
- Most houses in Puerto Rico are built from concrete and finishes are below mainland quality
- Frequent contractual lapses in local government make getting property title and permit difficult and a lengthy process





## TAX CREDITS & INCENTIVES

- Up to a 90% exemption in the taxation of:
  - Income/gains
  - Dividends
  - Distributions, including liquidations
  - Gain on the sale or exchange of stocks, or all of the assets used by the exempt business
- Up to 90% exemption on Personal & Real Property Taxes
- Up to 90% exemption Municipal License Taxes
- Up to 100% exemption on Municipal Construction Excise Taxes
- Up to 100% exemption on Sales & Use Taxes
- Incentives are granted for an initial ten year period which can be extended for an additional ten years for the ownership and/or administration of eligible tourism activities.
- In addition to the tax exemptions mentioned above, The Tourism Development Act provides for a tax credit for an amount up to 40% of the entire project cost.





# QUALIFIED OPPORTUNITY ZONE TAX ADVANTAGES

Enacted as part of the December 2017 Tax Cuts and Jobs Act, Opportunity Zones are areas targeted for economic development through the use of capital gains funds, and in return, U.S. investors in Qualified Opportunity Funds receive significant tax advantages. Almost the entire island of Puerto Rico was deemed an Opportunity Zone.

Three major benefits when you invest in an Opportunity Zone investment:

- **Defer Capital Gains:** The Federal capital gains due from the sale of the asset are deferred until December 31, 2026 or until the date the investment is sold.
- **Reduce Capital Gains:** The cost basis of the original investment is increased by 10% if the Opportunity Zone investment is held for at least five years. If the Opportunity Zone investment is held for at least seven years, the cost basis of the original investment is increased by 15%.
- **Eliminate Capital Gains:** If the Opportunity Zone investment is held for at least ten years, no capital gains are due on the profit from the sale or exchange of the Opportunity Zone investment.







# COLOMBIA

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# COLOMBIAN REAL ESTATE - THINGS TO KNOW

**Commissions:** 3% seller paid is standard, but it's not always guaranteed. 5% on larger commercial is also common place

**Agents:** There is no licensing required to be an agent and it is uncommon to have a buyers and sellers agent

**MLS:** There is no MLS

**Associations:** There's no official governing body, but an organisation called La Lonja are working towards becoming the official body for the industry

**Visa eligibility:** Foreign Direct Investment in Real Estate can attract an investors visa. There are a few levels:

- M-6 Business Investor Visa (100 times the minimum wage)
- M-10 Real Estate Investor Visa (350 times the minimum wage)
- R - Resident Investment Visa (650 times the minimum wage)



# COLOMBIAN REAL ESTATE - THINGS TO KNOW

**Financing:** Traditional rates 10-14%, only available to locals

**Developer Financing:** Mixture of payment options e.g. 30/40/30 & 10/40/50

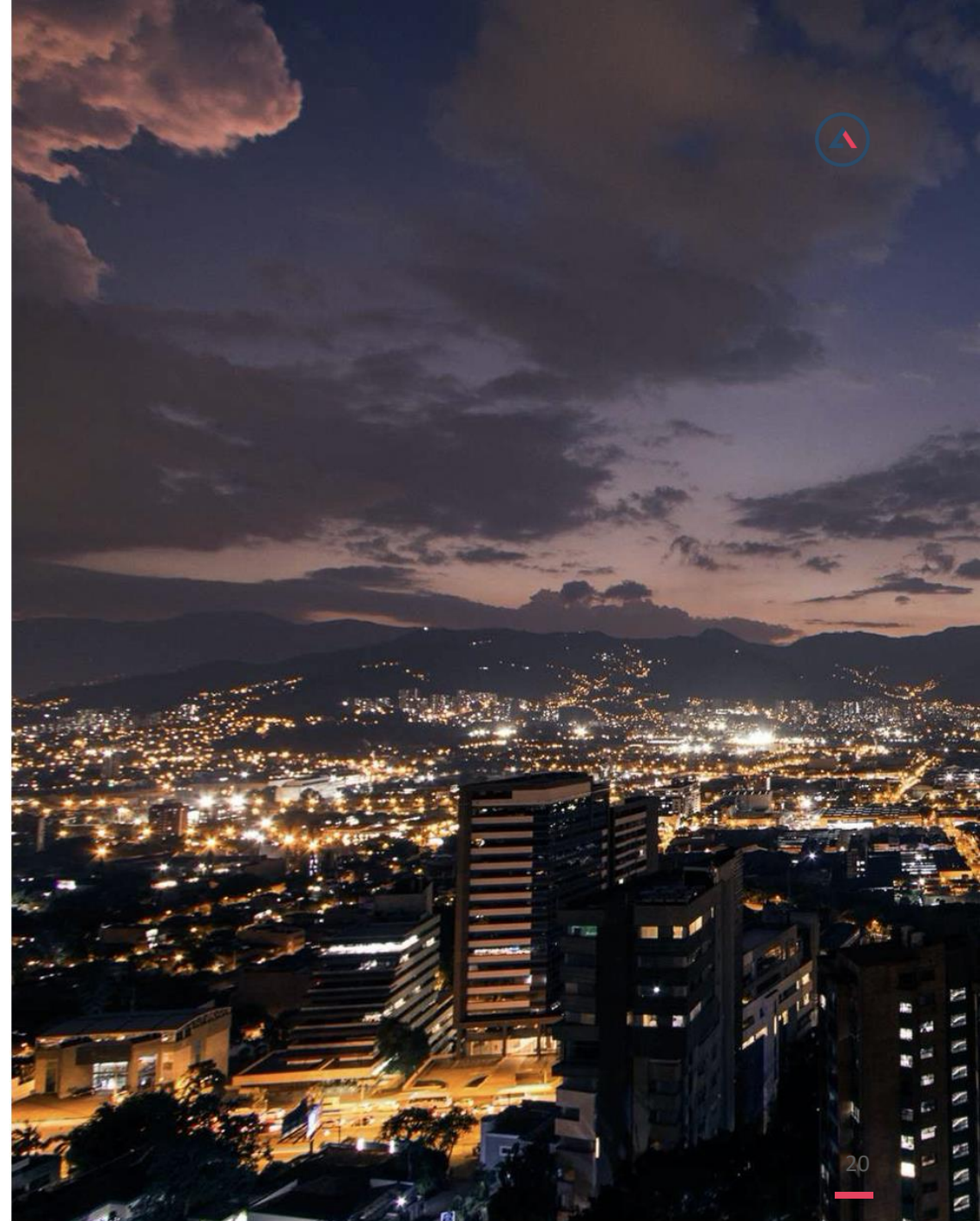
**Exchange Rate:** Currently \$1USD buys 3750-3850 COP

**Flipping and Renovating:** Less common due to capital gains tax rules and demand from locals

**New Development:** Very popular and high quality

**Lawyers:** Many bilingual lawyers in major cities

**Closing Costs:** 1.45% (buyer) 1.65% (seller)







# Moving money into Colombia



Set up a local brokerage account



F4 & F5 Foreign Exchange Declaration Form



Banco de Republica Certificate





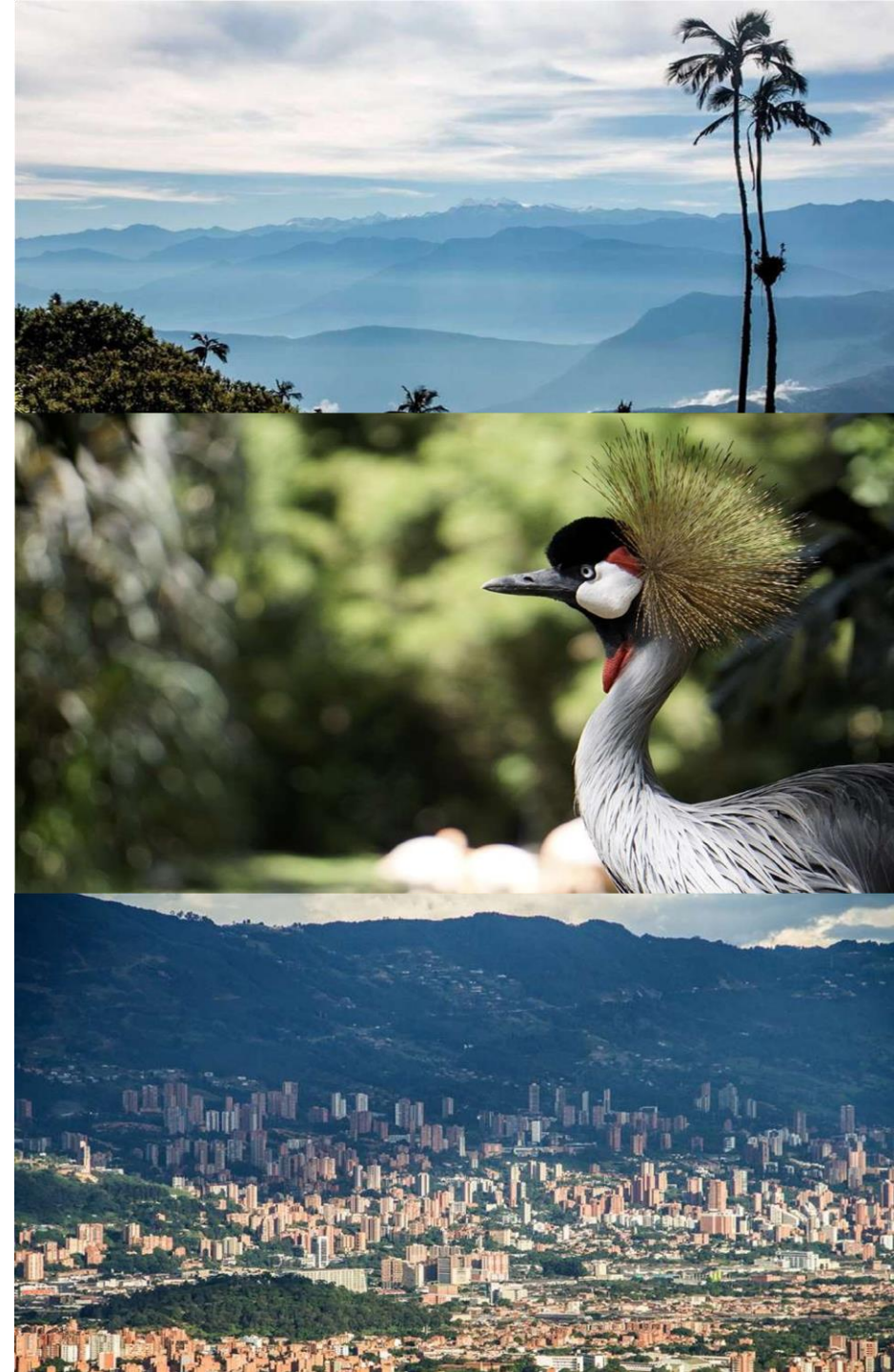
## PROCESS OF BUYING

- Find a property and agree to terms with the seller
- The Buyer opens securities account with brokerage firm or bank
- Meet with a real estate attorney
- Prepare a Term Sheet for buyer, seller, and attorney(s)
- Certificados de Libertad provided
- Promesa (Sales Contract) prepared
- Buyer brings funds into Colombia
- Promesa executed at a Notaría with 10% down
- Closing takes place 15 - 60 days later when the balance is paid
- Buyer receives Title 3 - 4 weeks after closing



# COMMON OWNERSHIP STRUCTURES & TITLES

- **Matricular:** This is a titled apartment which is the most common for residential properties.
- **Acciones Fiduciarias:** Acciones fiduciarias are shares in a project, in this case a building, managed by a brokerage company. This is common in many commercial real estate investments
- **Acciones Fiduciarias con derecho de uso:** This is a hybrid of the two stated above. This is common in condo-hotels, where owners may have usage rights to the property.
- **Invest in individual name**
- **Invest through a local company (SAS)**
- **Invest through an offshore company (LLC, Panamanian SA, etc.)**





# HOW TO INVEST OVERSEAS WITH YOUR IRA

Investors who want to build a more diverse portfolio can use their IRA funds to take advantage of **high-yield opportunities** overseas, such as real estate investments.

- IRA funds can be used to invest outside the United States. These include SIMPLE IRA, traditional IRA, SEP IRA, Roth IRA, individual 401(k), ESA, and HSA accounts.
- “No self-dealing” rules dictate that investors cannot buy or sell something from or to the IRA personally, nor use any asset that the IRA invests in.

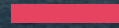
## How to Invest Overseas with Your IRA

1. Move funds to a custodian that handles international transactions, i.e. Entrust
2. There are two ways to hold foreign investment, as a self-directed account through a custodian and through setting up an offshore IRA LLC.
3. Handle Ongoing Management and Reporting





# Own The World



lifeafar

# Time for Questions



# Stay Connected



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# What's Next?



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For more education, **register [here](#)** for our **October 14<sup>th</sup> webinar on using AI to invest with an IRA**



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“

Education is the passport  
to the future, for tomorrow  
belongs to those who  
prepare for it today.

- *Malcolm X*

