5 STEPS
to Investing in Real Estate with a Self-Directed IRA

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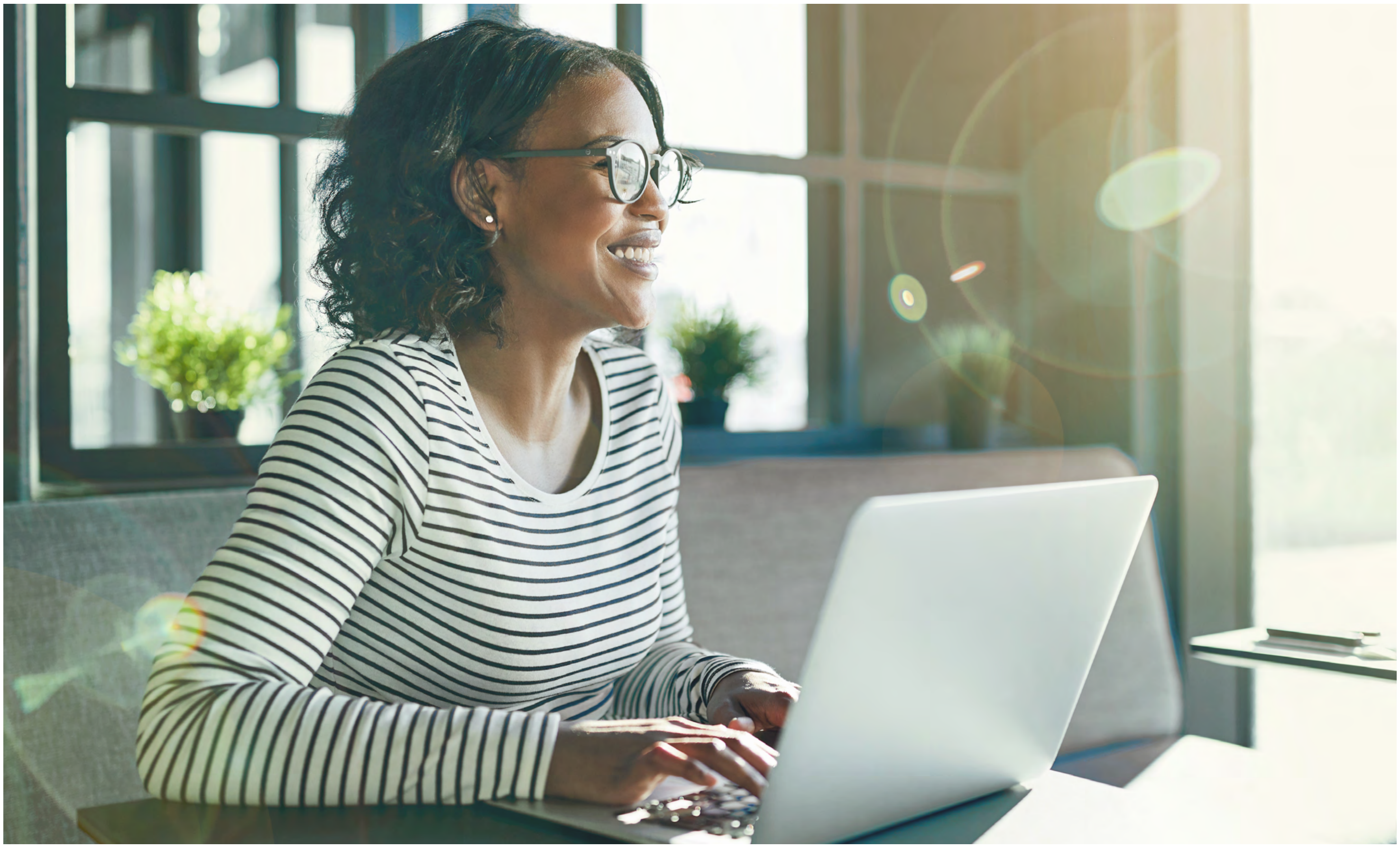


What's in your IRA?

If your IRA custodian is a big bank or a brokerage house, chances are your investments are limited to stocks, bonds, and mutual funds.

When you have a Self-Directed IRA (SDIRA), your investment possibilities expand. They include actual real estate, not just REITs (real estate investment trusts). In fact, real estate is one of the most popular investment among Self-Directed IRA holders.

According to investment experts, adding real estate to your portfolio:

- Increases diversification
- Provides a hedge against inflation
- Allows you to invest in an asset you're already familiar with

Let's explore the types of real estate an IRA can invest in and the rules that govern them. Understanding the rules will help you avoid jeopardizing your retirement plan's qualified status. We'll walk you through the process of investing in real estate with a SDIRA step by step.

What your SDIRA can own

You can own real estate using a Traditional or a Roth IRA. The main difference is once the Roth IRA requirements are satisfied, the earnings are distributed tax-free.

Your Self-Directed IRA can own:

Residential real estate
(single/multi-family properties, condos, mobile homes)

Land
(developed or undeveloped)

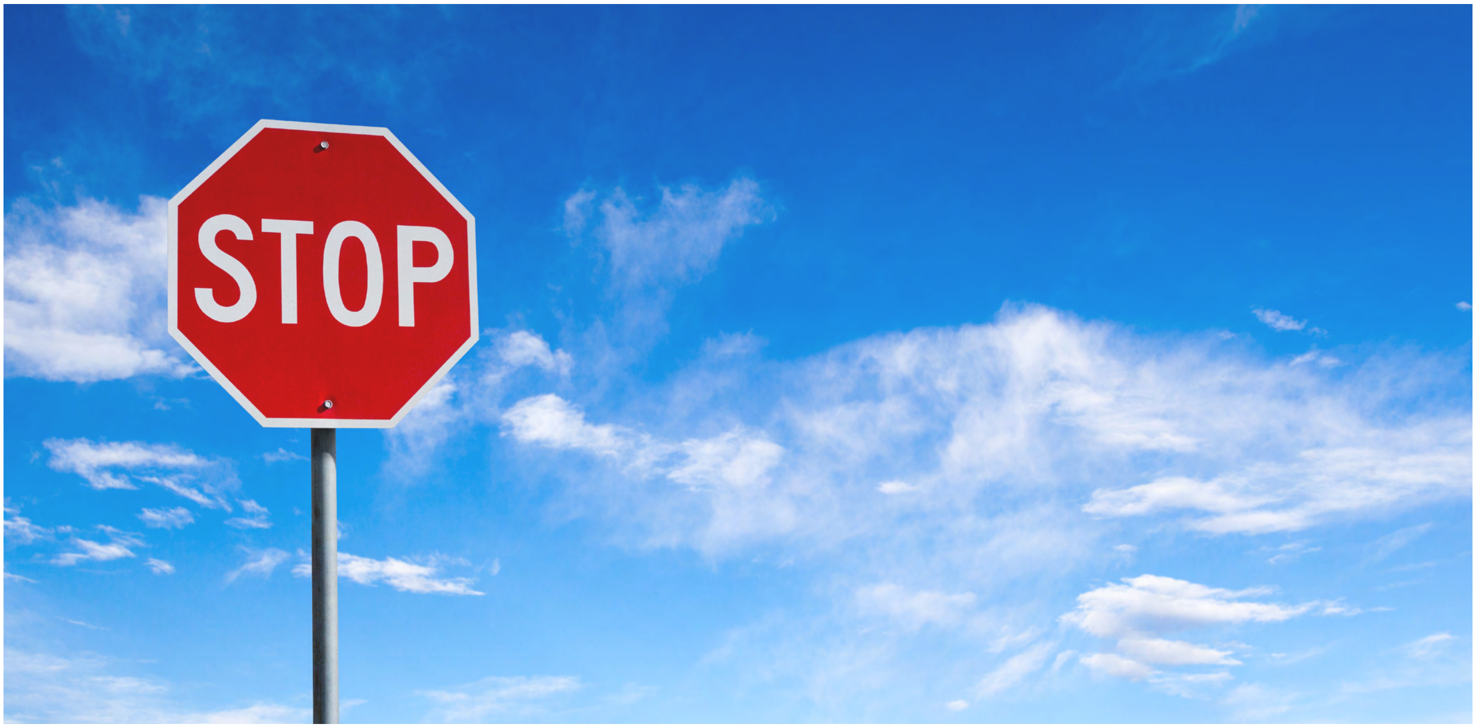
Commercial real estate
(shops, office buildings, gas stations, etc.)

If you don't want to own actual property, you can still diversify your retirement savings with:

Trust deeds

Mortgage notes

Real estate options



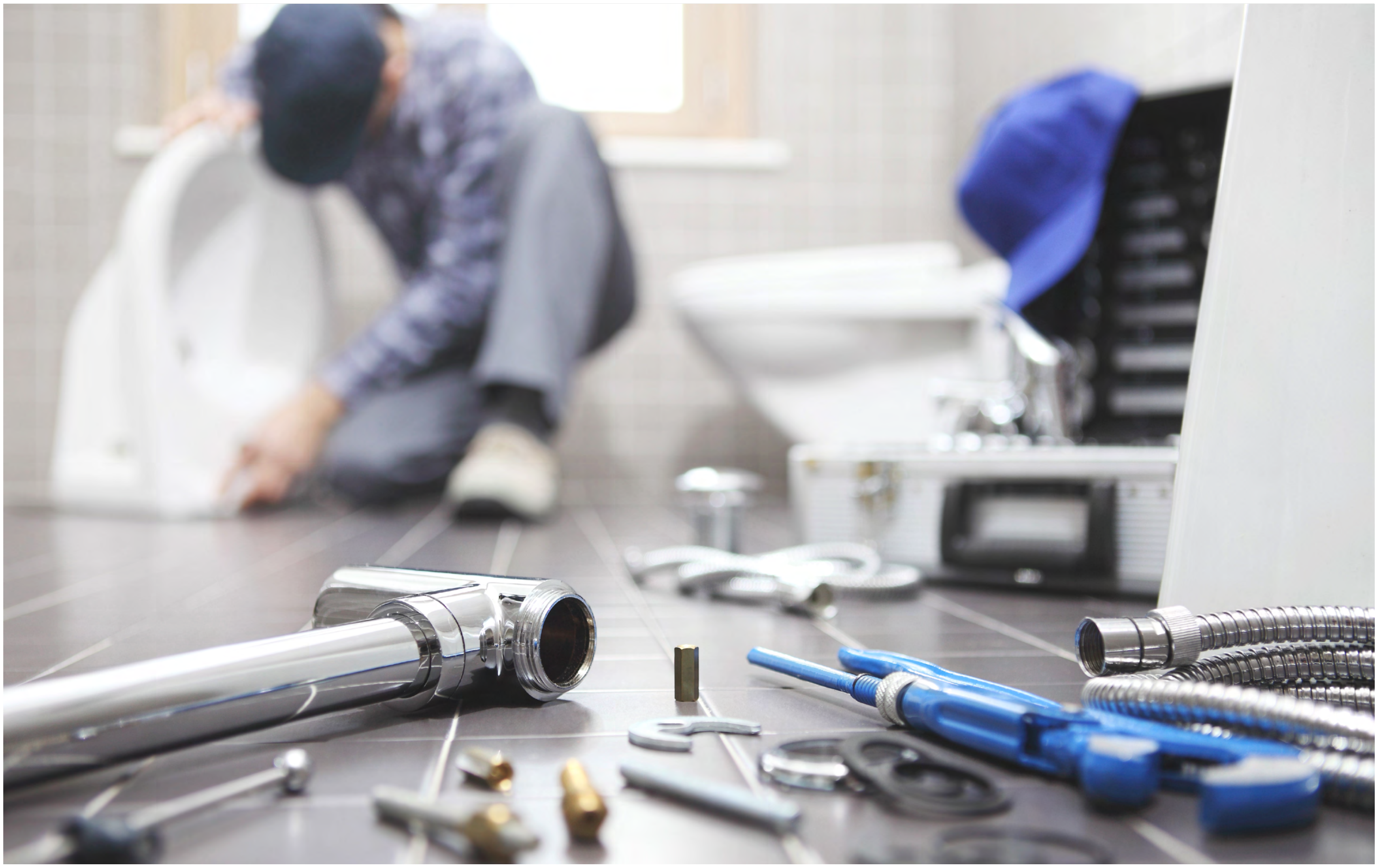
What your SDIRA can't do

The IRS creates the rules that govern IRA investments. Many of the rules governing real estate in IRAs are about transactions you can't make and people you should not do business with. Breaking these rules can result in an asset's immediate distribution, which can trigger taxes and penalties.

Disqualified persons: These are people who aren't allowed to benefit from the SDIRA-owned property. This includes the account holder, their spouse, parents, grandparents, children, and grandchildren and their spouses. These are called "lineal ascendants and descendants." For example, you can't rent a vacation property your IRA owns to your child.

Prohibited transactions: A SDIRA can't own property that is used for the personal benefit of the account holder or a disqualified person. For example, you cannot live in a house owned by your IRA.

Disqualified Persons	Qualified Persons
You and Your Spouse Children, Grandchildren, Great Grandchildren (and their spouses) Parents, Grandparents, Great Grandparents (and their spouses) Fiduciaries and Plan Service Providers	Everyone Else!



Self-Dealing

If you own a business, that business isn't allowed to benefit from your SDIRA-owned real estate. For example, if you own a pool-cleaning service, you can't hire your business to maintain the pool at an apartment building your IRA owns.

Prohibited transactions of SDIRA-owned real estate also include:

- The account holder acting as property manager. Rent must be paid directly to the IRA. The money used to pay the property manager must also come from the IRA.
- The account holder can't make repairs or do maintenance on the property, nor can any other disqualified person. The work must be done by a third-party. Services must be paid for by the IRA.
- All property taxes, insurance and mortgage payments must be paid by the IRA.

1 Open a Self-Directed IRA

Opening a SDIRA with The Entrust Group is easy. Our website provides a complete overview of what you'll need to open an account. Our highly trained staff are available if you need help. We offer every client a single point of contact.

2 Decide How to Fund Your IRA and Your Real Estate Investment

There are three ways to fund your SDIRA:

- **Transfer funds** from another IRA you own. Transfers do not prompt reporting, taxes, or penalties as they are not considered distributions. Transfers only occur between like plans. For example, a Traditional IRA at Bank ABC to a Self-Directed Traditional IRA at Entrust.
- **Rollover funds** from a previous employer's 401(k), 403(b) or governmental 457(b), or another type of IRA. Unlike transfers, rollovers are reportable events. Rollovers must be completed within 60 days of taking the money out of the original account to avoid any taxes and penalties.
- **Contribute money** from your personal savings into your new SDIRA.

There are several ways to fund a real estate purchase. You can:

Make a direct purchase using the funds in your IRA. This is the simplest and quickest way to buy property. Your IRA pays cash for the investment and holds the property title.

Partner your IRA funds with personal funds, money in another IRA you own, or with funds owned by another person. You divide ownership based on the investment of both parties. Read our report to learn more about Partnering Self-Directed IRAs.

Make a leveraged purchase. Your IRA can borrow money to purchase a property with a non-recourse loan. The Entrust Group works with a few non-recourse lenders.

Form an IRA limited liability company (LLC). The IRA holds an interest in the LLC. The property title is held in the name of the LLC. Seek the assistance of a competent legal or tax advisor before entering into this type of arrangement. Learn more about funding your real estate purchase.

3 Find the Right Investment

Work with a qualified, knowledgeable real estate professional. They will be familiar with the local market and will work with you to find properties that suit your needs.

Finding the right investment property depends on several factors, such as:

- **Your investment goals.** If you want a steady revenue stream, you'll want to look at rental properties. If you're more interested in appreciation, vacant land ready for development may suit you better.
- **How much money you have to invest.** What you can afford will depend on your local real estate market. You can also partner with others or get a non-recourse loan.
- **The seller's willingness to sell to an IRA.** People unfamiliar with the process may hesitate.

Before making a commitment, ask if the real estate professional has experience finding properties for IRAs. An experienced professional will be more knowledgeable and able to ensure the process is done properly.

4 Direct Entrust to Make the Purchase

Once your offer is accepted, here's the typical process:

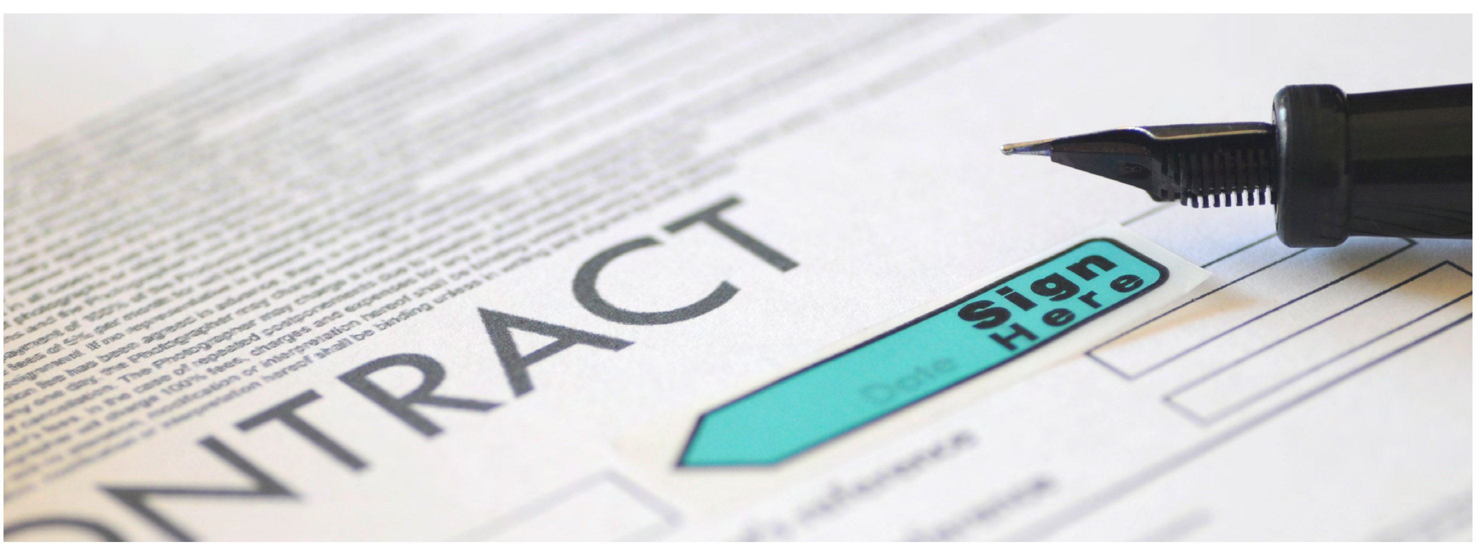
- You complete an investment request online or via paperwork and submit it along with the purchase contract. Make sure the contract is titled in the name of your IRA as the buyer. For example, "The Entrust Group FBO [Client Name] [Account #123456]". Entrust signs the contract since your IRA is purchasing the real estate; not you personally. You sign as "read and approved."
- Once the contract is executed, Entrust uses your IRA funds to pay the earnest money deposit.
- You and your real estate broker open escrow.

5 Close Escrow

When the title company closes escrow, you submit the paperwork to Entrust, including:

- Warranty or grant deed
- Preliminary title report
- Estimated closing cost statement
- Loan documents (if applicable)
- Documentation regarding the seller's entity formation (if applicable)

Entrust completes its review, we fund the balance due on the purchase, and the property belongs to your SDIRA.



Once the SDIRA Owns the Property

All related income and expenses must be paid to or from the IRA. Rent checks must be sent to your property manager or directly to The Entrust Group. If you employ a property manager or hire a plumber to make repairs, they're paid directly from the IRA. All agreements for property management services, insurance policies, and tenant agreements must be made in the IRA's name:

The Entrust Group FBO [Client Name] [Account #123456]

Read more about **managing IRA-owned real estate** and how our **myDirection Visa® Card** simplifies paying for real estate expenses.

TAKE THE FIRST STEP
TO INVESTING IN REAL ESTATE WITH YOUR IRA

Want to learn more about how investing in real estate with a Self-Directed IRA might benefit your retirement?

Visit our website or **Schedule a chat** with one of our SDIRA experts.

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