

10 THINGS TO KNOW

About Real Estate IRAs

By Daniel Hanlon, Midland IRA

In today's financial environment, many people are looking outside of the stock market. More and more people are taking control of their retirement plans by switching to real estate investments. Since 1974, IRA holders have been able to diversify their portfolios by investing directly into real estate. Most types of retirement plans can be self-directed including: Traditional, Roth, Simple and Roth IRAs, as well as 401 (k) plans. Here is a list of the top 10 questions we get about owning real estate inside of a retirement plan.

1. What is an IRA?

IRAs are retirement accounts in which all gains are tax-free or tax-deferred.

2. What is a real estate IRA?

It's not a special type of IRA; it's an IRA that is invested into real estate as opposed to public securities like stocks and bonds. The IRA can buy real estate, enter into partnerships that buy real estate, or issue loans to buyers and secure them through real estate.

3. I don't have enough money in my IRA. What are my options?

IRAs can purchase in 3 ways. They can buy 100% of the property, they can partner with other individuals or IRAs, or they can obtain loans.

4. Are there any limitations?

IRAs are prohibited from transacting with certain parties which include the IRA holder (buying your own property in the IRA), his/her spouse, lineal ascendants and descendants (children and parents - no, siblings and cousins - yes).

5. What happens to the income made by the property?

All profits (rental income, gains from sale, or dividends) must be deposited into the IRA account to remain tax-deferred.

6. Who pays the property taxes?

All expenses, including taxes, assessments, improvements, etc. must come from the IRA.

7. Can I live in the property, or vacation there?

No. While the IRA is the owner, the IRA holder and disqualified parties are not to occupy the property. However, the holder may take property out of the IRA as a distribution by paying income tax on the current value of the property, in which case they would be able to live in the property.

8. I keep hearing about Checkbook IRAs. What are those?

Checkbook IRAs are LLC investments. The IRA invests into an LLC which allows the managing member the ability to write checks directly for property expenses.

9. I want to invest in real estate, but I'm not ready to be a landlord.

Notes are a great way to passively invest in real estate. The IRA holder can be the bank by issuing loans and secure it with real estate.

10. How do I get started?

You must first open an account. It's important to remember that all earned money must come from your IRA. So the first step is to open and fund your Midland self-directed IRA!

If you have more questions or want to learn more,
contact Daniel at 312-753-6383 or dhanlon@midlandira.com