

Land Investing in a Self-Directed IRA



Investing a self-directed IRA into real estate grows retirement income by achieving both value appreciation and potential rental income, within a tax-advantaged account. Self-directed IRAs are an excellent source of alternative funds when considering investing in real estate. Land has been a preferred investment, as historically it provides better stability than many other investment classes and has low maintenance costs.

4 Must-Knows About Land IRAs

1. USE OF THE LAND

The land must be used for investment purposes only. IRS regulations prohibit personal use of the land.

2. WAYS TO PURCHASE

You can own 100% in your retirement account. Or, you can split ownership with yourself using personal funds or another investor.

3. LOANS

Equity Trust is not a lender. What we do is help investors use their retirement accounts creatively. Due to IRS restrictions, loans for land purchases within an IRA are not typical.

4. EXPENSES

Profits and expenses you generate with the land must be paid to and from the IRA. Think of the account as the IRA as a separate party that would earn any income generated by the investment and liable for any expenses related to it.

The Process

1
Find

Identify your investment property

2
Apply

Setup your IRA with Equity Trust

3
Fund

Rollover your old 401(k), or transfer from your current IRA

4
Close

Complete Equity's real estate purchase authorization form instructing us to send funds to the title company for closing

5
Own

After closing, the land is now owned inside the IRA

Questions We Get Asked

WHAT TYPES OF ACCOUNTS CAN I USE?

Equity Trust can help anyone with an IRA or old employer plan such as a 401(k), 403(b), and 457 plan. 401(k)s with a current employer are not typically able to move into an IRA.

CAN I BUILD ON THE LAND?

The account holder can decide to improve the land, but all expenses related to the IRA's ownership must be paid by the account. These expenses include property taxes, HOA dues, and construction costs. The account holder cannot pay for expenses related to their IRA with out-of-pocket cash.

CAN I LIVE ON OR USE THE LAND?

The IRA holder and his/her family cannot use the land owned by the IRA. The land must be for investment purposes only.

CAN I SELL THE LAND?

Yes. The IRA can sell the land at any time to any non-disqualified party (you cannot sell it to yourself). All sale proceeds flow directly into the IRA without any taxation.

CAN I SELL THE LAND TO MYSELF WHEN I WANT TO USE IT?

IRS rules won't allow you to buy property from your own IRA. If you decide that you wish to remove the property from the account it requires a distribution. Like with other retirement plan distributions, this transaction may be subject to taxation and a penalty if the account owner is under 59½ years of age.

WHO IS LISTED ON THE DEED?

The IRA will be the real estate owner and, therefore, is the entity listed on the deed. The IRA is required to pay any expenses related to the property and acquires any proceeds generated from the investment.

CAN I SELL THE MINERAL RIGHTS TO MY LAND? CAN MY LAND BE USED FOR AN AGRICULTURE PRESERVATION PROGRAM?

Yes. However, as the landowner, your IRA would be paid directly for the proceeds for such transactions. Selling mineral rights or agriculture preservation is a tax-deferred transaction and considered a dividend of the investment.

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