

Self Directed IRA - Alternative Investments and Rules to Keep You Out of Trouble

Hello,
I'm Richard Geller, CEO and operating manager of [FinancialSuccessInstitute.org](#). If you are not already a regular reader and subscriber of the vital information and resources provided by the Institute, I encourage you to visit the website and signup now at: [FinancialInvestmentInstitute.org](#). The Institute is constantly researching and pointing out new high paying alternative investments that you can hold securely in a self directed or real estate IRA or 401K. In this issue of our newsletter, we focus on two important subjects that self directed IRA and 401K owners need to know about.

First are some possible alternative investment ideas that many retirement account owners are not aware of. Second are the few rules that self directed IRA and 401K owners need to follow.

You can also visit us at [FinancialInvestmentInstitute.org](#) to leave general questions. However, we cannot give direct advice because we don't know the details of your situation or all the laws in your state regarding securities and investments.

Thanks and Happy Investing
Richard Geller

Self Directed IRA - What Do You Want to Invest In?

December 26th, 2011

The first thing that comes to mind for most people looking to invest is NOT promissory notes, limited liability companies, precious metals, real estate, or stock in privately held company. Yet, that is exactly what a self directed IRA or 401K is capable of.

Every day, more Americans are moving their retirement funds into alternative investment vehicles like the self directed IRA and 401K. Two primary goals are driving the switch to the self directed IRA. One is a desire to out perform the nonperforming stock markets. The second is having full control of your investments with a self directed IRA.



A self directed IRA might be Americans' best chance at an early retirement with an All American Lifestyle. Photo Courtesy of: www.flickr.com/photos/mikeschinkel/2640701414

The popularity of the self directed IRA is growing as American's become aware of the diversity of investment types opened up by the self directed IRA. But before you rush out and move your retirement plan into a self directed IRA, there are several things you need to know to get started. In his article [Self Directed IRA](#): Information, tax attorney Warren L. Baker points out several issues people need to first deal with:

"The reality is that most large investment institutions (e.g., Charles Schwab, Fidelity, etc.) have traditionally not allowed

investments outside of publicly-traded securities. Thus, one of the first steps in the process of forming a self directed IRA is generally to roll or transfer some (or all) of the retirement account to a new IRA custodian.”

“In general, if the retirement account that is owned by the client is structured as an IRA (or a 401(k) from a previous employer), it can be moved — in whole or in part — to a new custodian without incurring current tax consequences.”

Here at Financial Success Institute we prefer the self directed 401K to the self directed IRA but for some people there is good reason to go with the self directed IRA. If you do, when you look for a custodian for your self directed IRA, you want one that allows your self directed IRA to invest in limited liability companies (LLC). The reason is to establish an LLC owned by your self directed IRA. You then manage the LLC on behalf of your self directed IRA.

Having an LLC owned by your self directed IRA accomplishes two important goals. You next open a checkbook account in the name of the LLC giving you full control of the funds the self directed IRA invests in the LLC. With full control of your self directed IRA you can invest through foreclosure auctions and tax lien auctions. Most of these require full payment at the time of sale or with in day or two. A self directed IRA requiring third party custodian approval can't move fast enough to participate in auctions.



Will you have full control of your self directed IRA or will it be controlled like a NASA launch with dozens people having to agree an investment is good to go? Photo Courtesy of: www.flickr.com/photos/gsfsc/3653495563/

The other reason you want full control of your self directed IRA with an LLC is to minimize the fees charged by the third party custodian. When your self directed IRA invests through a LLC that you have checkbook control over, there are no transaction fees. You'll still have an annual account fee and probably a fee to prepare a report for the IRS. However, when you have full control of your self directed IRA through an LLC, you'll save the transaction fees.

At FinancialSuccessInstitute.org we want to do everything possible providing you the information needed to make a

decision between the self directed IRA and the self directed 401K. The next stop on your adventure in growing a wealthy retirement account needs to be the Special Report comparing [Self Directed IRA](#) and 401K accounts.

Please leave your comments or self directed IRA questions below.

What insiders know: Five Secret Retirement Investments, some paying 18% fully secured (your financial advisor did NOT tell you about these!)

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Only insiders seem to know how to earn 8%, 11% or more with these top five investments your financial advisor DID NOT tell you about. We scoured our experts for the five best and least known investments you can make inside your IRA, your 401K or your personal account. Some require a few minutes a month, others require no time at all. And all of them are only known by insiders and they have the potential to help you take your savings to the next level.

Real Estate in an IRA - Rules Investors Need to Know

December 26th, 2011

Real Estate in an IRA – There are only three rules that the U.S. Congress placed on all IRAs. But first...

Before we tackle the rules governing real estate in an IRA, a disclaimer needs to be in place. It's essential you obtain competent professional advice before holding real estate in an IRA. This web page provides general information but is not all-inclusive regarding real estate in an IRA. The owner, author, and publisher have no way of knowing your particular circumstances and fully disclaim any and all responsibility

for decisions and/or actions you take based on information provided about owning real estate in an IRA.

The three rules governing real estate in an IRA are:

1. No life insurance contracts
2. No collectables
3. No prohibited transactions

As you see, nothing prohibits real estate in an IRA.

Life insurance is not considered an investment. The purpose of a life insurance is to replace an economic loss. Real estate in an IRA doesn't involve life insurance so we don't need to dwell on this rule.

Collectables are not considered an investment. Real estate in an IRA is not a collectable so we don't need to be concerned with this rule either.



Real estate in an IRA is one of the surest ways of providing the good life your family deserves. Photo courtesy of: www.flickr.com/photos/mikebaird/2522498597

Real Estate in an IRA – Disqualified People

When it comes to real estate in an IRA, the rule to be concerned with is prohibited transactions. When you have real estate in an IRA, it's imperative you avoid self dealing. Self dealing is not limited to the person owning real estate in an IRA. It covers all disqualified person. People disqualified from receiving any direct or in-direct benefit from the real estate in an IRA are:

- The owner of the IRA
- Spouse
- Parents
- Grandparents and Great-Grandparents
- Children (including spouses)
- Grandchildren and Great-Grandchildren (including spouses)

People disqualified from benefitting from real estate in an IRA are the owner, ancestors, and lineal descendants. It's worth pointing out that this does not exclude other relatives from dealing with the real estate in an IRA such as siblings, or aunts, uncles, and cousins.

There are also certain business entities prohibited from dealing with your real estate in an IRA. These are:

- Services providers including IRA custodian, CPA, and financial planners
- A business or trust that's 50% or more owned by the service providers mentioned above
- An employer
- 50% or more owner of the employer
- Officers, directors, 10% or more shareholders, and highly compensated employees of the employer
- An entity 50% or more owned by the employer
- 10% or more partner or joint venturer of the employer

The other part to be concerned with regarding real estate in an IRA is what constitutes self dealing.

Real Estate in an IRA – Self Dealing Examples

By properly structuring real estate in an IRA it's possible to get around some of these issues (but very difficult). It requires a highly trained and experienced professional to accomplish it. Always consult with a professional before engaging your real estate in an IRA with any of these types of transactions.

- Including real estate you or a disqualified person owns as real estate in an IRA
- Borrowing money from an IRA
- Issuing a mortgage on a residence purchased by a disqualified person
- Receiving unreasonable compensation for managing real estate in an IRA
- No disqualified person or business can engage in business such as rehabbing real estate in an IRA
- Using real estate in an IRA as security for a loan for a disqualified person
- Using real estate in an IRA for personal use

At first glance, it can appear real estate in an IRA comes with too many complicated rules. However, it really doesn't. The overarching concept for real estate in an IRA is all transactions must be arm length deals. Real estate in an IRA cannot do business with specific people and entities. Otherwise, you can conduct business with your real estate in an IRA almost any way you choose. Real estate in an IRA is a great way of growing wealth and having all the money you want for retirement.

One last reminder that you **MUST** seek professional advice about real estate in an IRA so that you don't run afoul of the rules. If you do break a rule regarding real estate in an IRA, the IRS may declare the IRA distributed and you'll have tax and fine issues.



With real estate in an IRA, one of the bigger drawbacks may be that you can't do your own repairs. Photo courtesy of: www.flickr.com/photos/boboroshi/17130600/

Please leave questions and comments below.

Don't Get a Real Estate IRA Until You Read These Facts!

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written by Richard in *Free Reports*



Our expert panel analyzed the tax code and the costs of the real estate IRA. Our findings were shocking.

This report is nitroglycerin to the industry of IRA custodians who want to run your money and collect huge fees from you. Make sure you get it and read it if you have a self directed IRA of any kind. It will open your eyes to what they do NOT want you to know

- How to contribute up to six times as much
- How to borrow up to \$100,000 from your retirement and pay it back at low interest over many years — with the interest adding to your retirement
- How to pay debts down with your retirement account
- The almost secret way to buy real estate for tax free income for life