



# Real Estate in an IRA Can Make You Wealthy - You Just Need to Follow the Rules

Hello,

I'm Richard Geller, CEO and operating manager of [FinancialSuccessInstitute.org](#). If you are not already a regular reader and subscriber to 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 devoted to researching and providing information about new high return alternative investments that you physically hold in a self directed IRA or real estate IRA or self directed 401K. Almost always, these are very different from what your financial planner tells you about.

In this issue of our newsletter, we focus on the question "What is an IRA?" The answer will surprise many readers not aware of the many different types on IRAs. Even more important is the first article of the newsletter that delves into the question whether an IRA or a 401K is better for investors wanting full control of their financial future. Very few investors know that 401K accounts are available to almost everyone. A 401K doesn't need to be provided by an employer. You'll probably be surprised to learn that if you are self employed, the Solo 401K is a retirement account far superior to any employer sponsored account.

No one cares more about you becoming wealthy than you do and no one else should. You'll do much better taking full control of your financial

future starting today! The way to do that is with a Solo 401K. At [FinancialInvestmentInstitute.org](#) you'll learn exactly how to do it!

Please visit us at [FinancialInvestmentInstitute.org](#) to leave general questions and comments. 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 Wishing You Great Success With Your Investing,  
Richard Geller

## Self Directed IRA Rules - When Good Hearted People Do the Wrong Thing

January 2nd, 2012

One of the often-violated self directed IRA rules involves prohibited transactions with related parties. Some times, they are unintentional and at other times they are for the benefit of the account owner or their family. Regardless of why a self directed rules violation occurs, when any of the self directed IRA rules are broken it can mean the death of the account owner's retirement dreams.

Here is what IRA advisor Clint Coon writes in an article about [self directed IRA rules](#):

***“It is vitally important for every investor to know the limitations of his IRA which unfortunately requires your becoming partially if not fully versed in the IRA, prohibited transaction rules. A violation of any of these rules can result in a loss of your IRA’s tax deferred status. Section 408 and 4975 of the Internal Revenue Code explain[s] everything the IRA investor must be aware of when dealing with his own IRA.”***

## **Self Directed IRA Rules – Doing Good Doesn’t Protect Your Account**

The daughter of an account holder is legally a related party. Self directed IRA rules prohibit a related party from benefitting from the account holder’s IRA. Still, it can be tempting to try getting around the self directed IRA rules when a loved one is involved. Examples of self directed rules violation often involve a limited liability company or LLC.

LLCs are a common way for an IRA owner to gain checkbook control of their account by instructing the IRA custodian to invest the IRA in the LLC. That’s not a self directed IRA rules violation. What can become a self directed IRA rules violation is how the LLC invests the money.

A father helping a daughter might be tempted to violate the self directed IRA rules by purchasing his daughter a house thinking the LLC gives him enough anonymity that the IRS won’t find the self directed IRA rules violation. That single violation of the self directed IRA rules can shatter the father’s retirement dreams.



*Did daddy violate the self directed IRA rules to make these new home owners happy? Photo courtesy of: [www.flickr.com/photos/jennycu/504676399](http://www.flickr.com/photos/jennycu/504676399)*

Buying a house isn’t the only way an account owner can violate the self directed IRA rules. Loaning money to a daughter, son, spouse, or parent is a violation of the self directed IRA rules. Owning the house and renting to a related party is another violation of the self directed IRA rules. Making the down payment is yet another violation of the self directed IRA rules.

And don’t go thinking that LLC will hide self directed IRA rules violations. The paperwork filed with the state creating the LLC are public records easily obtained by the IRS. Who is that paperwork going to say owns the LLC? Something like Dear Daddy’s LLC fully owned by Dear Daddy’s self directed

IRA. Big self directed IRA rules violation if the LLC engages in a prohibited transaction.

## **How Violating Self Directed IRA Rules Ruins Retirement Dreams**

Once the IRS determines an account owner has engaged in a self directed IRA rules violations, they will almost certainly declare the retirement account fully distributed for the year the self directed IRA rules violation occurred. Or at the least, for the amount of money involved in the self directed IRA rules violation.

Let’s go with our example from above and the house purchase for the daughter cost \$120,000. Rich daddy could afford the all cash purchase but what is the self directed IRA rules violation going to do to his taxes for the year and his retirement account long term?

Let’s assume dear daddy’s annual salary is \$65,000 the year the self directed IRA rules were violated. Now, as a penalty for the self directed rules violation, he must also include the distributed \$120,000 as income. First, he has to pay the 10% penalty for an early distribution. That penalty for the self directed IRA rules violation is \$12,000. The additional \$120,000 in income jumps him from the 15% to the 28% tax bracket. The self directed IRA rules violation increases his yearly taxes from \$8,900 to \$39,870. Adding in the \$12,000 penalty comes to \$51,870. That’s a heck of a penalty dear daddy will pay for the self directed IRA rules violation.



*Will a self directed IRA rules violation cause dear daddy to retire old and broke? Photo courtesy of: [www.flickr.com/photos/jennycu/504676399](http://www.flickr.com/photos/jennycu/504676399)*

Fortunately, this doesn’t have to be the result of a self directed IRA rules violation. A better answer is switching to a self directed 401K. A married couple can borrow up to \$100,000 from that preferred retirement account. And even if there is a rules violation the penalties are more like a slap on the wrist than the death of your retirement dreams caused by breaking the self directed IRA rules.

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

Click on the Ebook icon for your free copy!

written by Richard



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

## Real Estate IRA or Stock Market Forecasts?

January 2nd, 2012

**Real estate IRA...holding property inside a real estate IRA means you hold a tangible and predictable asset. Conversely, stock markets depend on events no one can predict. Year-end will bring a plethora of forecasts how the stocks will perform next year.**

The Secretary of the Treasury says this about predictions:

*“Our best plan is to plan for constant change and the potential for instability, and to recognize that the threats will constantly be changing in ways we cannot predict or fully understand.”*

– Timothy Geithner



*You can feel and touch real estate IRA investments. No crystal ball needed. Photo courtesy of: <http://www.flickr.com/photos/in2thewoodz9/4048776702/>*

## A Real Estate IRA is Highly Predictable

Preparing for his appearance on the TV show Alberta Primetime, Jim Yih writes in his [retirehappyblog](#) – “Spending an hour trying to predict the future movement of the stock market is an hour wasted in your life.”

However, spending a few hours studying your local market before investing your real estate IRA will pay real dividends. Historically property values rise. Still, no one can guarantee what happens in your local market but a real estate IRA invested in one of the many deeply discounted opportunities available, creates a nice cushion if the market retreats slightly. Opening a real estate IRA today means buying low to sell high. Also, your real estate IRA can generate passive income by acquiring a rental property. The income makes property value fluctuations less important while adding income to your real estate IRA.



*Bank Owned is one of many sources of deep discounted properties for your real estate IRA. Photo courtesy of :<http://www.flickr.com/photos/nickbastian/4117185183/>*

Another thought Yih had about market forecasts, “Pundits, Gurus and experts go to great lengths to try to either try to predict the stock market or they try to at least explain the stock markets with a myriad of theories. I try to read as much as I can and what I have found is there are more theories and explanations than ever preserved by the world wide web.”

Thinking how real estate IRA investing is much more secure than depending on stock predictions brought a TV commercial to mind. I don’t recall the investment house running it but it boasts about their ability to convert diverse information into accurate market predictions. Something about using the price of tea in China, the future demand for steel in the U.S., and a crop failure in Brazil to accurately predict the direction of the markets. A real estate IRA is much less complicated and highly secured.

Instead of trying to predict the markets, it makes more sense opening a real estate IRA to invest in something you understand. There are a lot fewer variables with a real estate IRA. You don’t need to worry about the price of tea in China. A real estate IRA enables you to calculate different scenarios to find your maximum profit. Every way you look at it, the real estate IRA has stock investing beat hands down.

Yih wraps up his blog warning,

Don’t get caught up in thinking the stock market can be your secret way to get from rags to riches. That kind of speculation is about as risky as the casino or lottery and we know the odds of winning at that game. And his final thought is, “Some people will argue that if it’s too hot in the kitchen, then get out but also know the consequence of getting out . . . there’s not much for alternatives. Others seek safety within the market but I think it’s best to find safety outside the market.

My sentiment exactly. Investing outside the market with a highly secure real estate IRA is much less risky than stock markets. Make a New Year resolution to invest in a real estate IRA.

If you’re not sure [how a real estate IRA works](#), follow the link for more information. You can learn about [real estate IRA strategies here](#). Go here if you’re still not convinced a [real estate IRA is vastly superior to stock markets](#).

Or for other valuable resources about alternative investments visit us at [FinancialSuccessInstitute.org](http://FinancialSuccessInstitute.org).

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