



How to Buy Real Estate with Your Self Directed 401K

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 sign up now at: [FinancialInvestmentInstitute.org](#). The Institute is devoted to researching and reporting on new and high paying alternative investments that you can hold tax free in a self directed IRA checkbook account or real estate IRA or self directed 401K.

This issue of our newsletter is especially relevant to investors that want to buy real estate with a self directed 401K. Besides very high and tax free annual contribution limits, another source of funds to buy real estate can be 401K accounts left with a previous employer. The first article explains why it's important to roll these over to a self directed 401K that you can use to buy real estate.

The second article demonstrates the perils of making a mistake using a self directed IRA to buy real estate. The tax consequences are much more severe when an IRA is used to buy real estate than when you use a 401K to buy real estate.

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 self directed 401K. You can learn why the self directed 401K is the ultimate retirement account by reading the newly published and authoritative book on the subject: [Wall Street Won't Make You Rich - That's Your Job](#).

At [FinancialInvestmentInstitute.org](#) you'll learn exactly how to retire wealthy when you take control of your financial future!

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

Is a 401K Rollover a Good Idea When Changing Jobs?

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When you change jobs, lose a job, or retire, a big decision is if a 401K rollover is a good idea. You have choices and seldom is leaving it with an old employer the right one.

Christopher Carosa, CTFA writes this in the [Fiduciary News Blog](#):

“ In most cases, the employee has three options: 1) Keep the assets with the old employer; 2) Transfer the assets to the new employer; and, 3) Rollover the assets into a personal IRA [401K]. “

A 401K Rollover is Better than Leaving it with a Previous Employer

I've seen people with have 401K accounts with three and four former employers – not a good idea. When people don't do a 401K rollover to a new employer or a self directed account, there are many problems that can occur. One is losing track of old accounts. You move to a new address and forget to notify the old employer. Or the business you didn't do a 401K rollover from moves and you can't find them. These and other problems do happen when you fail to do a 401K rollover.

Carosa's blog warns of these problems when a 401K rollover doesn't happen:

“Theoretically, former employees have access to their old 401k holdings, but even that access can come with strings attached. It may take several months to extract their assets from a former company's 401k plan. Over time, as HR personnel change, companies move or get bought out, it may be less clear where former employees should go to get their retirement assets. In the worst case, if the former company gets into financial trouble, ex-employees may find access to their retirement assets tied up in litigation.”



Will your 401K rollover leave you financially able to take the grand kids to Disney Land? Photo courtesy of: www.flickr.com/photos/butsky/333147524/

Should Your 401K Rollover be to an New Employer or Self Directed?

There is a case to be made for the 401K rollover going to a new employer. That's the right 401K rollover if you don't want to take the time to take control of your finances. Almost certainly, a 401k rollover to a new employer will come with the same limited investing options as you had with your previous employer. All of them on Wall Street where you take the risk and the financial managers take the rewards.

One reason many people do a 401K rollover to a new employer is fear of change. Going with what they know instead of asking what other options might be available with a 401K rollover.



Be bold, embrace change and your Solo 401K will acquire enough wealth so you can paint the town red whenever you want. Photo courtesy of: www.flickr.com/photos/ronsombilongallery/3079895080

You can do a 401K rollover of all your old employer accounts and invest in real estate notes paying 10% interest or invest in tax liens paying as high as 18%. Or you can take the tried and tested 401K rollover to your new employer to invest back into stocks and bonds paying next to nothing while risking that you could lose it all.

A [401K rollover](#) to a Solo 401K opens your investment world to almost everything. A 401K rollover can hold physical gold as a hedge against inflation. Here at FinancialSuccessInstitute.org we want you to succeed with your 401K rollover. Embrace change before doing a 401K rollover by reading this [401K rollover](#) article to learn your options when you do a 401K rollover to a Solo 401K.

Oh, one last reason you want to do a 401K rollover instead of leaving it with your former employer – expensive administration fees. Your former employer may have an entire department administering a big 401K plan. Those fees are charged to the 401K plan and come out of everyone's account. When your 401K rollover is to a Solo 401K, those fees are drastically reduced. A 401K rollover makes sense on every front. Do your 401K rollover today.

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.

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

January 21st, 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

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

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!

Another valuable resource you receive FREE by clicking on the eBook icon!

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

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