



Self-Directed Retirement Accounts & Short Sale Investments

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Security Trust Company

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Self-Directed Retirement Accounts

● What is a Self-directed Account?

- You may choose any allowable type of asset
 - Includes non-traditional assets like real estate
 - Offers you true diversification
- You manage your retirement plan investments
- You have control

Types of Retirement Plans

- Traditional IRA
- Roth IRA
- SEP/SARSEP/SIMPLE
- 401 k – prior employer
- 403 b – prior employer
- TSA – prior employer
- TSP – prior employer
- Keogh
- Solo 401(k)
- 401(k) plans



Some Investment Options

- **Single/Multi-family homes**
- **Vacation investment property**
- **Tax Liens**
- **Raw Land/Building Lots**
- **Commercial Buildings**
- **Real Estate Syndications**
- **Mortgages/Loans**
- **Private Business Investments**
- **Operating Businesses**
- **Foreign Currency/Options/Futures**
- **Stocks/Bonds/Mutual Funds**

Guidelines for Self-Directing

- **Administrative requirements**
 - Annual valuation of plan
 - Annual report to IRS (5498)
 - Books and records
 - State filings
 - Tax returns



Guidelines for Self-Directing

Prohibited Assets:

- **Life Insurance Contracts (except Solo 401(k))**
- **Collectibles (i.e. rugs, works of art, stamps, coins)**

Prohibited transactions:

- **Transactions not for the exclusive benefit of the account**
- **Can't borrow from Retirement Account**
- **Can't pledge Retirement Account assets to secure loan**
- **Can't utilize credit or guarantee to obtain loan for account**
- **Can't benefit any disqualified person**

Guidelines for Self-Directing

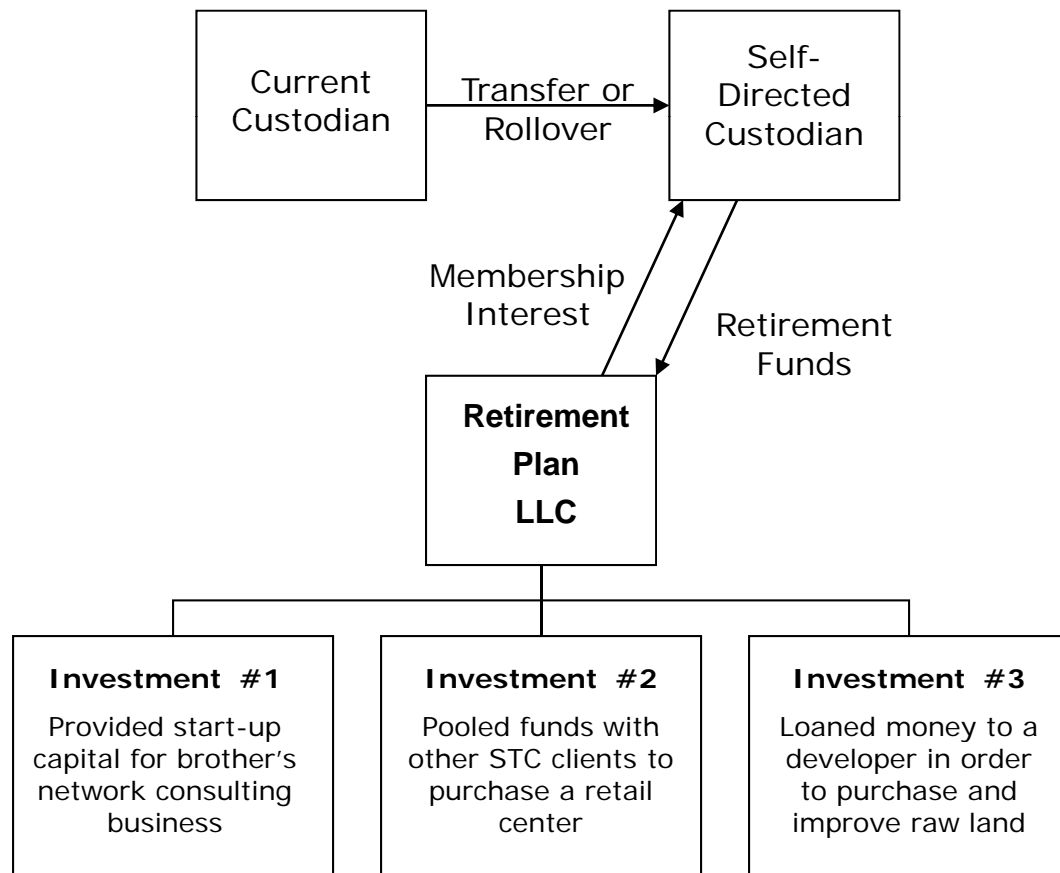
Disqualified persons:

- “You”
- **Certain family members**
 - Ascendants
 - Descendants
 - Lateral family members are not disqualified
- **Company if you have a majority share**
- **Company if you are officer, director, HCE**

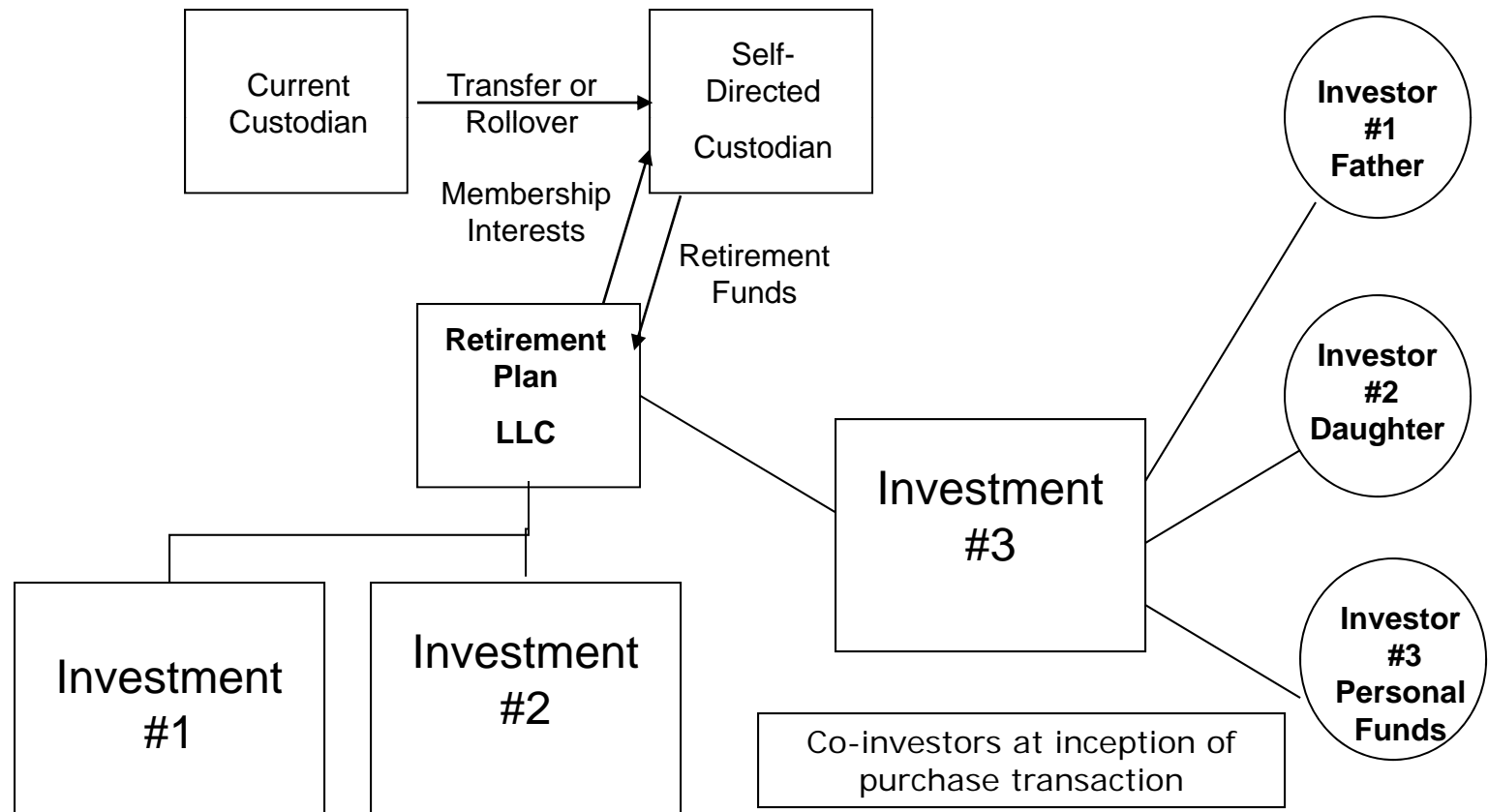
Benefits of the LLC Structure

- **Offers maximum flexibility**
- **Provides additional asset protection**
- **‘Checkbook control’ over retirement funds**
 - **Immediate response to investment opportunities**
- **Simplifies asset titling**
- **Ease of pooling**

IRA LLC Structure



Retirement Plan LLC Structure



Security Trust's Full-Service Approach

- Retirement Plan LLC structure setup
- Protected 'checkbook control'
- CPAs & attorneys to answer technical questions
- Guidance on transaction compliance
- Handle all the 'back office' support
- Maintain LLC financial statements
- Supervise regulatory reporting
- Oversee annual valuation

Short Sale Investments

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What is a Short Sale?

A sale of real estate in which the lender agrees to accept less than what is owed to release their lien against the property that secures the loan.

Can be:

- 1st Lien on Home Mortgage
- HELOC Lien
- Lien for Second Mortgage

Short Sales as Retirement Account Investments

- Be the 'Bank'
- Own the Asset

5 Common Mistakes

1. Ignoring short sales
2. Not knowing when to walk away
3. Not understanding how to properly prepare a Submission Package
4. Not knowing how to accurately price the property
5. Not knowing the state's foreclosure laws

Short Sale Overview

- Not all properties qualify
- Conditions that must be met:
 - Lender believes they will receive more from short sale than at auction
 - Lender cannot commit for beneficiary without their prior approval
 - Lender cannot commit for note insurer without prior approval

Short Sale Criteria

- Owner cannot make payments
- Owner has no other assets to satisfy debt
- Property value is less than loan balance
- Offer is equal to or greater than auction would provide

Finding Short Sale Properties

- MLS listings
- Newspaper foreclosure listings
- Lis Pendens from the courthouse

Short Sale Procedure

- Have an orderly plan of action
- Pre-screen the transaction
 - Preliminary title search
 - Judgment reports

Key Ingredients for Short Sale Success

- ❑ Understand State Foreclosure Laws
- ❑ Prepare a complete and accurate Submission Package

Submission Package:

1. Purchase & Sales Agreement
2. Hardship Letter
3. Income & Expense Summary
4. Hud-1 Preliminary Settlement Statement
5. BPO (Broker's Price Opinion) or Appraisal

Submission Package (cont.):

6. MLS Comps and/or Recent Sales
7. Repair Estimate with Pictures
8. Proof of Funds
9. Cover Letter

Short Sale Investments

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How can Security Trust serve you?

Do you...

- want to open a self-directed retirement account now?
- have clients or colleagues who would be interested in self-direction?
- need more information?

Security Trust Company

- **Contact your STC representative.**
- **Website: www.securitytrustcompany.com**
- **Corporate: 1-866-682-3683**