

Self-directed IRA Investment Possibilities



Jackee Knight
Corporate Training Director

...is a retirement plan administrator only and does not provide legal, tax, or investment advice.

... is not a registered investment advisor and does not represent or sell securities or investments of any kind.

... does not represent or endorse any investment opportunities that may be shared in this presentation.

We recommend you consult with your legal, tax and investment advisors prior to making any investments.

Contents

- ❑ **Self-directed Retirement Accounts**
- ❑ **Benefits and Guidelines**
- ❑ **Retirement account LLC Structure**
- ❑ **Creative Investment Possibilities**
- ❑ **STC Services**
- ❑ **Q & A**

Self-directed Retirement Plans

- ***What is a Self-directed Retirement Plan?***

- .You may choose any allowable type of asset
 - .Includes non-traditional assets like real estate
- .You manage your retirement plan's investments
- .You have control



Retirement Plans

- ❖ Traditional IRA
- ❖ Roth IRA
- ❖ SEP
- ❖ SIMPLE
- ❖ 401 k – former employer
- ❖ 403 b – former employer
- ❖ TSA – former employer
- ❖ TSP – former employer
- ❖ Solo 401(k)



Benefits of Self-direction

- **True Diversification**
 - **Include non-traditional assets**
 - **real estate**
 - **mortgages & notes**
 - **private business**
- **You choose and control the investments**
- **Increase your buying power through leverage**

Guidelines for Self-Directing

Administrative requirements

- Annual valuation of the retirement plan
- Annual report to IRS (5498)
- Books and records
- State filings
- Tax Returns



Guidelines for Self-directing

- **Prohibited assets:**

- .Life Insurance Contracts

- .Collectibles

- .i.e. rugs, works of art, stamps, coins



- **Prohibited transactions:**

- .Transactions not for the exclusive benefit of the plan

- .Can't borrow from the retirement plan

- .Can't pledge plan assets to secure a personal loan

- .Can't utilize credit or guarantee to obtain loan for the plan

- .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 are a majority shareholder**
 - **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



Partnering with Others

- **Self**
- **Spouse**
- **Family members**
- **Colleagues**
- **LLCs**
- **Investment Syndications**



Choosing an Investment

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



Client Investment Purchase & Rehab for Sale

- **\$500K in Self-directed Retirement Account**
- **Property purchase price \$330K**
- **Spent \$140K to rehab**
- **Sold & increased Retirement Account by \$85K**

Client Investment Rental Property

- Purchase Rentals for Appreciation
 - \$500K in retirement account
 - Purchased 2 rental properties
 - Approx. \$500K down and remainder non-recourse loans
 - Renting for current income stream
 - Holding property for appreciation



Real Estate in Foreign Countries

- **Vacation condo in Costa Rica**
- **Land development opportunity in Mexico**



Foreclosures

Occurs when owner is in default
and a Notice of Default
has been filed in the courts



Locating Foreclosure Properties

- ❖ **State Judiciary Website**
- ❖ **Go to the Courthouse in area of interest**
 - ❖ **Request ‘pending litigation’ of active foreclosures**
- ❖ **Search newspaper ads for auctions**
 - ❖ **Look for “Trustee Sales”**
- ❖ **Go to Auctioneer Websites**

Foreclosures Considerations

- Does the State have a Foreclosure Law?
- Any restrictions on purchasers?
- Do you have a real estate attorney who is proficient in foreclosure law?
- What is the foreclosure process?
- Does the property owner have the right of redemption?

Tax Liens

- **What are tax liens?**
 - **The purchase of the right to collect on a delinquent taxpayer's debt.**
 - **They generate high interest rates**
 - **They are senior liens**
 - **They are a foreclosable lien**



Tax Liens

How Investors make money

- ✓ Earn statutory interest
- ✓ Potentially take Title to the property



Purchasing Tax Liens

- **Bidding Processes**
 - Lottery
 - Round-Robin
 - Statutory Bidding Requirements
- **Contact County Treasurer's Office for specific process**

Precious Metals

- **1998 legislation now allows:**
 - **Gold, silver, platinum and palladium bullion meeting certain fineness standards**
- **STC accepts certain:**
 - **Gold coin & bullion**
 - **Silver coin & bullion**
 - **Platinum coin & bullion**



Purchasing Precious Metals

STC Investment Process:

- ✓ Place order with Precious Metals Broker/Dealer
- ✓ Receive Itemized Invoice
- ✓ Fax/Email Invoice & Request to Transfer Funds
- ✓ STC pays invoice & receives precious metals
for retirement account owner
- ✓ Stored in Bank Safe Deposit Box
- ✓ Offers secure safekeeping and easy access



Privately Held Businesses

- ❑ Fund partial or whole ownership of the business
- ❑ Pro rata share of net income flows into retirement account
- ❑ Ownership vs. Operation

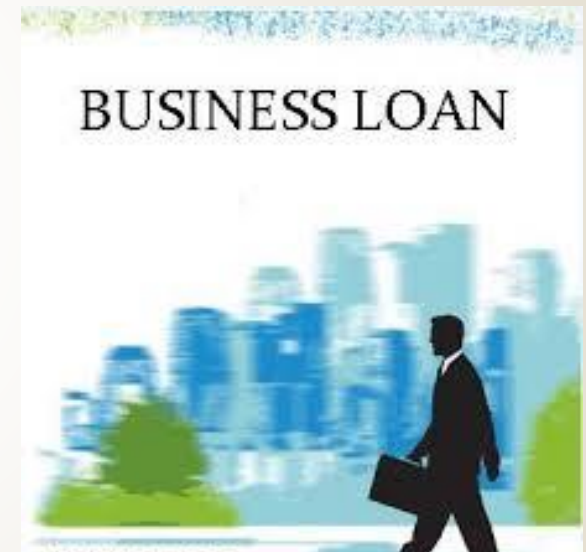


Investing in a Privately Held Business

- **Evaluating a business**
 - Consider working with a Business Broker with expertise
 - Risk vs. Reward
- **Leverage – seller financing**
- **Seek competent counsel on potential tax consequences:**
 - UBIT
 - At time of sale

Loan to a Business Owner

- **Loan to Business Owner:**
 - **Start-up working capital**
 - **Fund inventory purchases**
 - **You set terms of the loan**
 - **% interest or % of profits**



Investor Guaranteed Loan

- Retirement Account makes a Loan
 - Client transferred \$100k into a self-directed Retirement Account
 - Loaned money to an investor for a guaranteed return of 10%
 - Promissory note



Loan to Family Member

- Loan to cousin to purchase home
 - Recent divorce upsets her financial stability and she can't qualify for a loan. Needs 2 years to get back on track.
 - \$150,000 purchase price
 - 10% down from sale of prior home
 - Neighborhood experiencing good price appreciation
 - Interest only loan at 8.0%, principal due in two years
- Nearly \$11,000 interest/year
- Secured by real estate

Client Investment Loan Pool

- Client IRA contributes \$50K to a loan pool
- Company that lends money to professional rehabbers
- 1st position on the loan
- Secured by property
- Net earnings on loans paid to Retirement Account quarterly

Client Investment Oil/Natural Gas Drilling

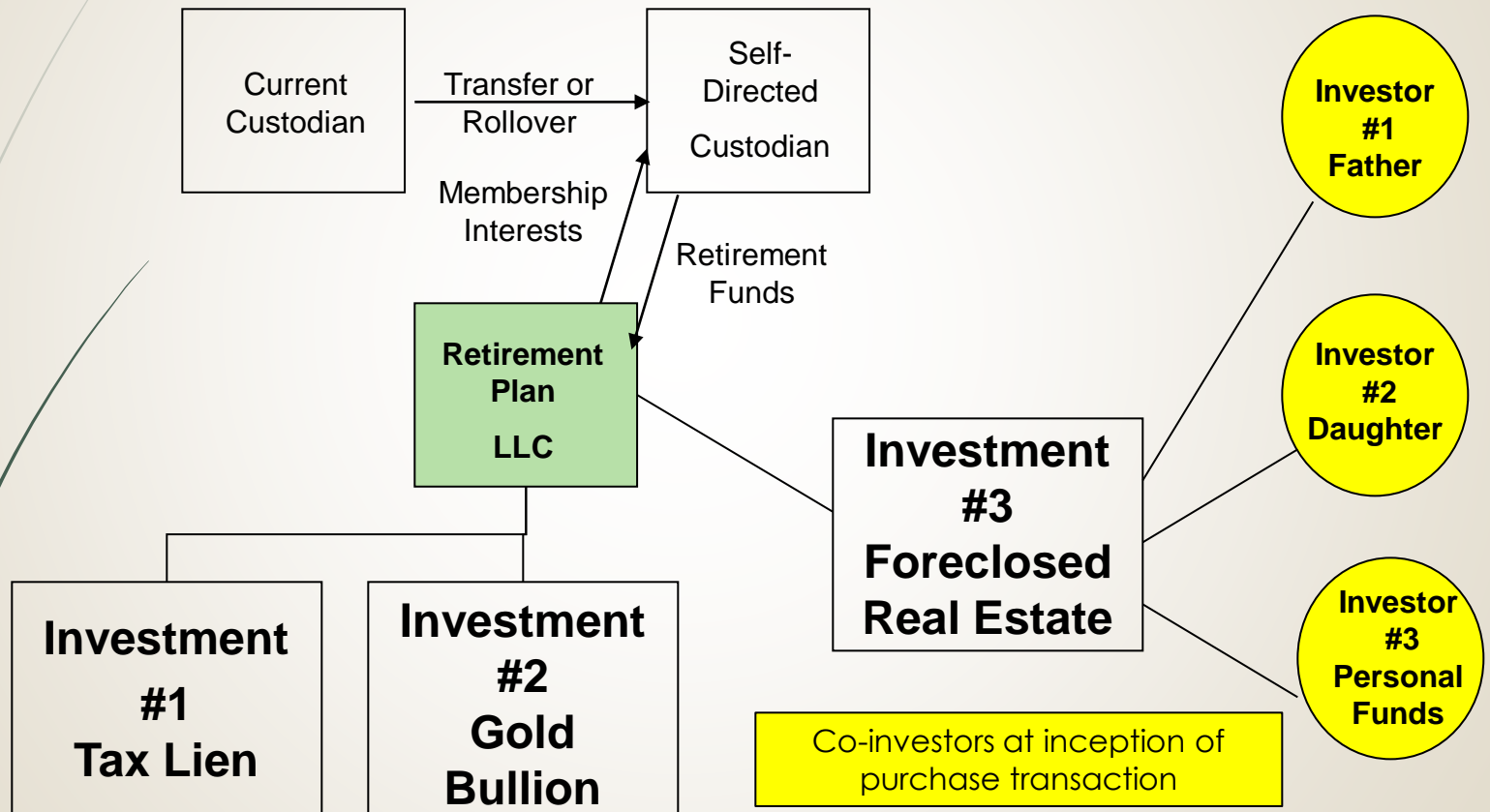
- Retirement Account invests ~ \$35,000 in a syndicated oil/natural gas drilling project
- 5 drills
- Additional \$5,000-\$10,000 investment to cap the well
- Investment lost if no oil/gas found
- Receive royalties on producing wells
- Strikes on first two drills



Group Investment

- **Syndicator purchases properties throughout the country**
- **Sets up LLCs or Partnerships with small groups to invest in the properties**
- **Example: Mixed-use building**
- **Invest for a share of property earnings**
- **Upon sale receive share of sale proceeds**

Retirement Plan LLC Structure



STC's Full-Service Approach

- ✓ Retirement Account 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



How can STC serve you?

Do you...

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



STC, Inc.

Website: www.stcira.com

Corporate Office: 866-682-3683

Jackee Knight: jknight@stcira.com



CONTACT US