

# REAL ESTATE IN SELF-DIRECTED IRAs

DISCOVER POSSIBILITIES BEYOND THE TRADITIONAL

## OVERVIEW

Investing in real estate for the purpose of growing IRA wealth or turning retirement wealth into income has been growing in popularity as individuals learn that real estate is, in fact, a permitted investment option that can be held in their self-directed individual retirement accounts. A critical element of self-directing investments in alternative assets, such as real estate, is finding a knowledgeable IRA custodian and administrator who has the expertise to assist with the investment transaction, the ability to custody the asset as well as provide the necessary administrative and reporting services.

Millennium Trust Company is committed to providing the highest level of administrative expertise as well as exceptional service and support to those individuals wishing to self direct a portion of their retirement funds in alternative assets such as real estate.

## REAL ESTATE IRAs

Investors have identified a wide range of real property that can be held in a self-directed individual retirement accounts, sometimes known as 'Real Estate IRAs' and the type of property chosen is usually based on location, previous experience or cash flow analysis. Examples of real estate-related investments made by individuals self directing their individual retirement accounts include:

- Raw land
- Farms
- Resort property
- Residential property
- Condominiums
- Multi-family units
- Commercial property
- Pre-construction investments
- Private real estate investment funds
- Real estate development companies

It is always recommended to 'do the math' first when considering an investment in real estate using retirement funds. Internal Revenue Code requires that any expense related to an IRA-funded real estate investment must be paid directly by the individual retirement account. Expenses related to the real estate investment include, but are not limited to, closing costs, annual real estate taxes, fees, insurance, utilities, maintenance, repairs and possibly renovations. An individual investor must also determine the best investment approach: direct purchase of the property by the individual retirement account; as a tenant in common with other investors or possibly leveraging the investment through a non-recourse loan.

## LEARN THE RULES

When it comes to using IRA funds to invest in real estate it is critical that the investor understand the current rules and regulations in order to avoid prohibited transactions with disqualified persons that could lead to immediate distribution of the IRA with taxes and penalties incurred. A prohibited transaction is any improper use of the IRA account by the account owner, beneficiary or any disqualified person (spouse, ancestor, lineal descendent and any spouse of a lineal descendant). Examples of prohibited transactions include borrowing money from it, selling property to it, using it as security for a loan or buying property for personal use. Investors should educate themselves by reviewing IRS Publication 590 and Internal Revenue Code Section 4975, consulting with their trusted advisors or visiting our website.



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## BUILD A TEAM OF EXPERTS

When using IRA funds to invest in real estate, or any other alternative asset, self-directed investors have learned the value of working with a **team** of professionals, each with their own specialty and value.

- A **financial advisor** can help with determining suitability of the investment and asset re-allocation.
- A **CPA** can provide guidance on potential tax issues and IRS reporting requirements.
- An **attorney** can review the real estate contract, create lease agreements for income-producing properties or help establish an entity.
- A **realtor** can help locate and analyze the investment property, a task that is especially important when considering income producing properties or leveraging of the IRA investment.
- A **non-recourse lender** can determine if a non-recourse loan is appropriate based on their lending requirements which include property type, loan-to-value and debt-service coverage ratio.
- A **property manager** can assist with tenant services and other issues surrounding income-producing properties.
- The investor will also need a **custodian and administrator** they have trust and confidence in to provide administrative expertise and cost-effective custodial and administrative services.

## ALTERNATIVE ASSETS BEYOND REAL ESTATE

For sophisticated investors and their advisors, Millennium Trust Company is their choice for custodial and administrative services for a wide range of alternative assets including: real estate, futures, hedge funds, limited partnerships, private equity, mortgages and deeds of trust, foreign currencies, life settlement contracts, precious metals and promissory notes.

Millennium Trust is led by a seasoned management team with a reputation for honesty and integrity and its client services teams have the knowledge and experience necessary to help individuals and professionals navigate traditional and alternative investments within self-directed IRAs, Solo 401(k) plans and Health Savings Accounts.

Whether you are an individual investor, a professional or investment sponsor, Millennium Trust Company has the knowledge, expertise and commitment to providing exceptional services and solutions to meet your every need. We pride ourselves on our ability to employ leading edge technology and customized operational support services to provide cost-effective specialized services.

**CONTACT US TODAY  
TO LEARN HOW YOU CAN EXPAND YOUR  
INVESTMENT OPTIONS TO INCLUDE REAL ESTATE**

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## COMPANY PROFILE

Millennium Trust Company is an industry leader in administrative and custodial services. Millennium custodies alternative and traditional assets in IRAs, Solo 401(k)s and custody accounts, offers private fund custody services, customized Automatic Rollover programs, provides integrated Health Savings Account solutions and designs unique trading platforms for Investment Advisors.

Millennium Trust performs the duties of a custodian and, as such, does not provide investment advice or sell investments, nor offer any tax or legal advice.