



Quick Facts on Real Estate Investments with Your Self-Directed IRA

Did you know you can buy real estate with your IRA? You can! Is it a complicated process? It's not! What do you need to know to get started? A few terms to understand, which type of property you want to buy, and how you're going to buy it.

Let's get started!

Why Buy Real Estate with Your IRA?

Of the many investment choices you have within your Self-Directed IRA, real estate is a popular option for these reasons:

1. Real estate never reaches a value of \$0.
2. Real estate provides diversification into an asset class that is not correlated with the stock market, which means you are less likely to feel the volatility that can come with the traditional market.
3. Real estate can provide the tax benefit of investing in tax-deferred instruments that are not subject to capital gains taxes when purchased with a Roth IRA.
4. Real estate can produce a steady stream of revenue with rental income.

Key Terms

You may already be familiar with some of the real estate lingo you encountered when you purchased your first home. For the most part, that language is the same but there may be certain terms that you are not familiar with when using your Self-Directed IRA.

- **Contract of Sale.** A contract of sale is a contract between a buyer and seller of real property to convey title after certain conditions have been met and payments have been made. In the case of a Self-Directed IRA, your IRA would be the buyer.
- **Non-Recourse Loan.** A type of loan secured by collateral, usually real estate.
- **Lender.** A lender is a financial institution, agency or individual that loans your IRA money.

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What Types of Real Estate Can You Buy with Your IRA?

You likely have different reasons guiding the type of real estate you want to purchase. Maybe you want to hold it long-term, or maybe you want to spruce it up and sell it right away. Of these options, the three most popular are listed below.

- **Fix-and-Flip.** This type of property is purchased with the intent to fix it up and sell it within 30-60 days.
- **Buy-and-Hold.** If you plan to keep the property you buy and hold it under the custody of your IRA until you become legal age (59.5 years old) to custody it under yourself, it is considered a buy-and-hold property. This property can be used as a rental property and provide you a steady stream of income.
- **Real Estate Investment Trust (REIT).** A REIT is a private fund that controls different underlying assets across a range of property sectors. These assets trade primarily on major stock exchanges, but the REIT itself does not.

How Can You Purchase Real Estate with Your IRA?

When considering real estate for your Self-Directed IRA, you need to think about how to fund your investment. Perhaps you don't have a large enough balance to purchase the asset out right; or you want to partner with someone to make the investment. Here are the most common ways in which you can invest in real estate with your Self-Directed IRA.

1. Purchase directly with the funds (cash) within your IRA.
2. Co-invest with another person, IRA, or entity to purchase the property.
3. Acquire a non-recourse loan to obtain the real estate investment.

How Does the Purchase Process Work?

Purchasing real estate with your Self-Directed IRA is, for the most part, the same process as if you were to purchase the property personally. First, you find a property you want to buy. Second, you choose a title company. Third, that title company works with your Self-Directed IRA provider (us here at Vantage) to purchase the property on behalf of your IRA.

We Are Here to Help

Depending on your investment appetite, your desire to diversify your retirement portfolio or level of comfort level you have with real estate, our Team at Vantage is here to guide you through the process. If you are interested in opening a Self-Directed IRA and exploring the real estate investment world, call our office today!

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