

Self-Directed IRA Investment Possibilities

**Investment Creativity with
Security Trust Company**

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Self-Directed IRA Accounts

- What is a Self-directed IRA?
 - **You** may choose any allowable type of asset
 - Includes non-traditional assets like real estate
 - **You** manage your IRAs investments
 - **You** have control

Plans that can be Self-directed

- 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)



Benefits of Self-Direction

- True Diversification
 - Include non-traditional assets
 - real estate
 - mortgages & notes
 - private business
- You choose and control the deals
- Increase your buying power through leverage
- You may be able to experience a higher return on your investment

Guidelines for Self-Directing Your IRA

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



Guidelines for Self-Directing Your IRA

Prohibited assets:

- Life insurance contracts
- Collectibles
 - i.e. rugs, works of art, stamps, coins

Guidelines for Self-Directing Your IRA

Prohibited transactions:

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

Guidelines for Self-Directing Your IRA

Disqualified persons:

- “You”
- Certain family members
 - Ascendants
 - Descendants
 - Lateral family members are not disqualified
- Company if you own greater than 50% of stock
- Company if you are officer, director, HCE

Benefits of the IRA LLC Structure

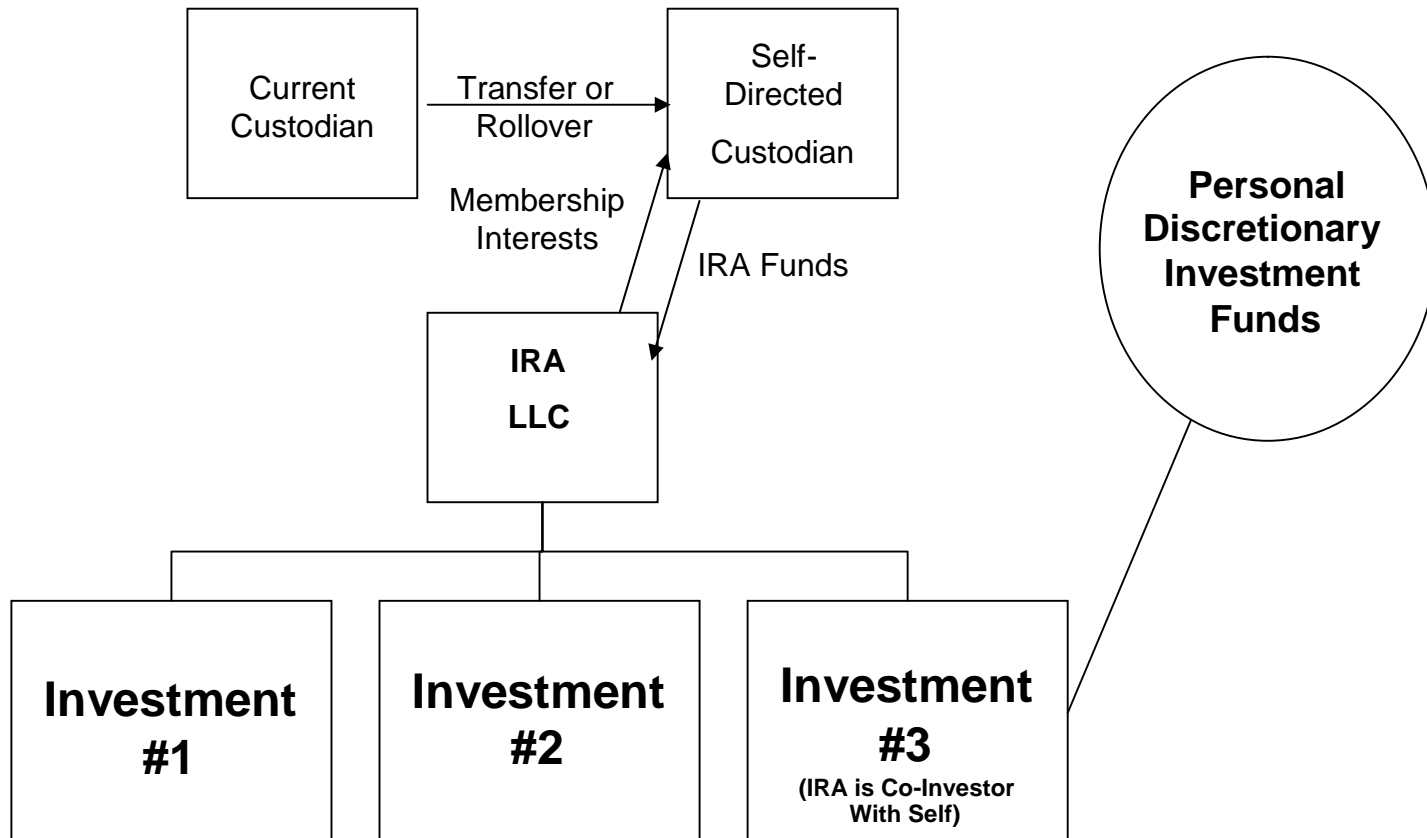
- Offers maximum flexibility
- Provides additional asset protection
- ‘Checkbook control’ over IRA funds
 - Immediate response to investment opportunities
- Simplifies asset titling
- Ease of pooling

Partnering with Others

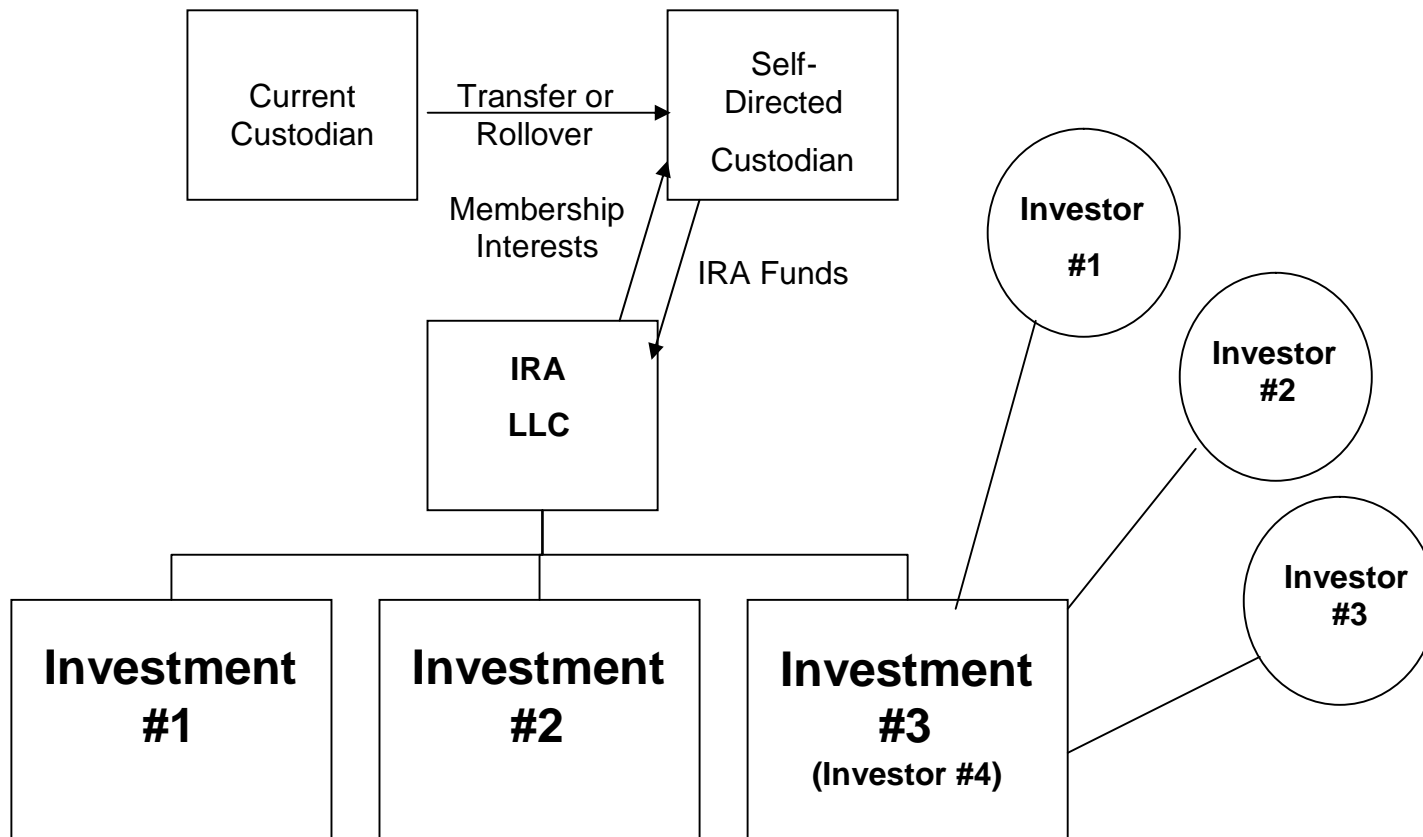
- o Self
- o Spouse
- o Family members
- o Colleagues
- o LLCs
- o Investment Syndications



IRA LLC Structure



IRA LLC Structure



Choosing an Investment

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

Client Investment Purchase & Rehab for Sale

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

Client Investment Rental Property

- Purchase Rentals for Appreciation
 - \$500K in IRA
 - Purchased 2 rental properties
 - Approx. \$500K down and remainder non-recourse loans
 - Renting for break-even+ cash flow
 - Holding property for appreciation

Investment Options

- o Real Estate in Foreign Countries
 - o Vacation condo in Costa Rica
 - o Land development opportunity in Mexico

Client Investment Purchase Building Lots-Resell

- Client had \$11,000 in a Roth account
- Purchased building lots for \$5-\$10k
- Marketed the properties & sold them
- In 18 months did ~ 9 transactions
- Increased IRA value to \$300,000+

Example Investment Purchase Building Lots

- Builder has 30 lot subdivision 50% complete
- Experiences financial difficulties
- Remaining lots for sale at \$30k
- You & four other investors pool \$100k each
- Hold lots for 3 yrs, then sell for \$60k each

Example Investment Purchase Building Lots (cont.)

- o Purchase price – 15 lots X \$30,000 = \$450,000 + \$50,000 to carry the lots
- o Sales price = 15 lots X \$60k = \$900k
- o \$900k-\$500k = \$400k over 3 yrs
- o \$400k/5 investors = \$80,000 increase per investor
- o 80% return over 3 years

Investment Example Contract for Sale

- IRA LLC with \$12,000 balance
- Pay \$5,000 for contract to purchase property for \$200,000 (\$25,000 below comps)
- Closing scheduled in four months
- Actively market contract for higher price
- Sell contract in three months for \$25k
- Net \$20,000

Client Investment Investor Guaranteed Loan

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

Client Investment Loan Pool

- Client 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 IRA quarterly

Client Investment Oil/Natural Gas Drilling

- o IRA invests ~ \$35,000 in a syndicated oil/natural gas drilling project
- o 5 drills
- o If a drill strikes, additional \$5,000-\$10,000 investment to cap the well
- o Investment lost if no oil/gas found
- o IRA receives royalties on producing wells
- o Strikes on first two drills

Example Investment 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

Example Investment Private Business

- Fund expansion of used furniture business
 - Neighbor has a very profitable store and wants to expand into a new market
 - Has good location leased in new market
 - Needs money for inventory and working capital
 - Your IRA invests \$50,000 for 33% profits interest in new store
 - Store makes \$100,000 per year providing your IRA with \$33,000 per year in income
 - Sell your interest back to your neighbor in year 5 for \$75,000
- Earnings of \$190,000 over 5 years
- Account value grows from \$50k to \$240k

Group Investment

- o Syndicator purchases properties throughout the country
- o Sets up LLCs or Partnerships with small groups to invest in the properties
- o Example: Mixed-use building
- o Invest \$100-\$120k
- o Allows IRA investor to buy multiple properties and diversify investments

Developer Investment

- Developer purchases high-rise buildings in metro areas
- Converts to the properties to condos
- Investor buys condo for rental
- Investment amount from \$200k-\$1million
- Has investment programs ranging from 18 months - 3 yrs

Loan Pool Investment

- o Affiliate pools investor funds to create a loan
- o Loan made to developer of raw land
- o Loan secured by the land

Security Trust's Full-Service Approach

- IRA 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

Checklist to set up Your Account

- ✓ Talk with your Security Trust representative
 - ✓ Review your current retirement accounts
 - ✓ Discuss your investment objectives

- ✓ Get your questions answered

- ✓ Complete client paperwork

How can Security Trust serve you?

Do you...

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

Security Trust Company

- Contact your Security Trust Company representative.
- Website: www.securitytrustcompany.com
- Corporate: 1-866-682-3683