

Advanta|IRA



**Invest for Success:
Real Estate in Your IRA**

About Advanta IRA

Advanta IRA is the first choice of investors who want unparalleled, one-on-one service for their self-directed retirement plans. As a leader in self-directed account administration with over \$1 billion in client assets under management, Advanta IRA delivers expert, professional service—with a personal touch.

What does this mean? *For the lifetime of your account with us, you work with a dedicated account manager.*

This level of service is unmatched in our industry. Your account manager knows not just your name, but is familiar with all of the details of your accounts, your investments, your hopes and dreams. Your account manager provides expert administration of your transactions and ensures compliance with IRS regulations. We handle your account details, so you can focus on finding investments.

What Our Clients Say About Us

“ I have been with Advanta IRA for five years. Not only is their entire staff friendly and helpful, their efficiency is second to none. They have incredible experience and knowledge regarding all of the rules and laws surrounding self-directed accounts. As far as getting deals done, they go above and beyond the call of duty to make sure they happen. Whether it is staying late or arriving early, no matter what the situation calls for they get it done. I highly recommend anyone looking to go the self-directed route stop right here.

Carl - Florida

“ Advanta IRA's employees have helped through every step of the process and what a pleasant experience it has been. They are a customer-centric organization and all my interactions have been pleasant and efficient. I am delighted to have them serve my financial needs.

Shankar - Pennsylvania

The Advanta IRA Advantage

- ▶ **Industry experts:** We have over 15 years of experience and success in our industry. Our staff is comprised of attorneys, CPAs, Certified IRA Services Professionals (CISP) and Self-Directed IRA Professionals (SDIP).
- ▶ **Unparalleled customer service:** Each client has a dedicated account manager to handle all aspects of their account throughout the investing process.
- ▶ **Cutting-edge educational platform:** We provide weekly seminars and webinars, blogs, case studies, and videos to help you maximize your retirement investments.
- ▶ **FDIC protection:** Cash deposits you make into your account are fully insured by the Federal Deposit Insurance Corporation.

Knowledge Is Power

- ▶ **Education and events:** We offer weekly, complimentary educational events for clients, investors, and industry professionals. You can attend interactive webinars, seminars, and workshops to learn about self-directed accounts, alternative investment opportunities, new regulations, and much more.
- ▶ **Innovative curriculum for individuals:** Our events feature expert guest speakers and up-to-date information designed to enlighten and empower individuals who want to choose their own investments.
- ▶ **Progressive learning for professionals:** Events include webinars and on-site workshops at your firm to show you how self-directed investing works to help grow your clients' investment portfolios.

For more information, please visit

www.AdvantaIRA.com

Or call us anytime with your questions.

Our consultations are always free.

800.425.0653

What Is a Self-Directed IRA?

Self-directed IRAs are powerful investment accounts that give owners complete control over their retirement funds and investing decisions.

These plans are not bound to the traditional stocks, bonds, and mutual funds like your typical IRA or employer-sponsored plan. Instead, self-directed accounts can hold a wide variety of alternative investments to grow tax-sheltered income. Alternatives include real estate, cryptocurrency, private equity, private lending, hedge funds, startups, and much more.

What Is a Real Estate IRA?

A real estate IRA is simply the common term for an IRA that invests in real estate. These are self-directed accounts, and they are governed by the same rules any retirement plan is in order to comply with IRS regulations. Account owners choose their own investments and rely on their own knowledge and expertise to do so.

Real estate has long been a favored asset of investors of all levels. Income opportunities include immediate gains produced by renovation projects, long-term monthly rental income, and buy-and-hold investments that capitalize on the appreciation in value of the property over time.

Income made by IRA-owned property flows into the account on a tax-sheltered basis, creating growth of capital to reinvest.

Investment Plans Options

- ▶ Traditional IRA
- ▶ Roth IRA
- ▶ Qualified Plan
- ▶ SEP IRA
- ▶ SIMPLE IRA
- ▶ Individual 401(k)
- ▶ Health Savings Account
- ▶ Education Savings Account





Popular Real Estate Investments

Multi-family homes include anything from duplexes to high-rise condominiums and can garner steady, monthly income in your IRA.

Residential and commercial property (single family homes, restaurants, malls, business buildings) earn income from monthly rental payments, property appreciation over time, and gains made when property is sold.

Rentals (vacation, short-term, and airbnbs) can turn a quick but consistent profit in your IRA if the locations are desirable and the prices are right.

Rehab and flips are popular investments to achieve quick profits provided the cost of renovations and initial purchase of property don't exceed the selling price.

Mortgage notes and peer-to-peer lending are popular ways investors grow income in IRAs through interest payments and other terms of these loans.

Improved or unimproved land can be lucrative assets, especially if you have an eye for land that has development potential.

Foreign property holds a lot of interest for those who understand how these properties work, along with the regulations different countries have in place for these investments.

Tax liens and deeds are quick, relatively inexpensive investments that receive returns based on the interest rates assigned to the property owners who've fallen behind on property taxes.

Tenant-in-common interests are created when partnerships are formed to purchase real estate. Income is based on your IRA's buy-in percentage, and expenses are distributed accordingly.

Top 3 Funding Options for Real Estate in Your IRA

Pay in full using cash from your IRA

Most real estate in an IRA is bought with funds from the account with no additional financing or mortgages assisting in the purchase. Your IRA must have enough capital after the acquisition to maintain the asset.

Partner your IRA funds with another investor

Your IRA can partner funds with friends, family, investors, other IRAs, and even with your personal funds to invest. Ownership of the asset is based on the percentage of each partner's buy-in.

Here's how it works: You are interested in a property that costs \$350,000, but your IRA only has \$175,000 to invest. Your IRA can partner with your sister, who buys the other half, making your IRA and your sister tenants in common. Income and expenses for the asset are distributed based on the percentage of ownership. In this case all income, applicable rents, and expenses are split 50/50 between your IRA and your sister.

Your IRA can fund part of the purchase using a loan

Non-recourse loans are used to leverage the purchasing power of your IRA. The IRA borrows funds to invest, using the property as collateral. You are unable to personally guarantee the loan because IRS rules don't allow the use of personal credit to benefit your IRA. In the case of default, you cannot be held personally responsible for the debt—foreclosing on the property is the lender's only recourse. It's important to note a non-recourse loan involves a more substantial down payment than your typical loan. An alternative is using seller financing, keeping in mind the IRA owner can't personally guarantee this transaction either.

NOTE: Financing a purchase in your IRA may subject your account to an annual tax called unrelated business income tax (UBIT). See the next section for more details. Seek professional advice from your financial advisor or CPA to determine tax liability and to ensure your account complies with IRS rules and proper payment if your IRA does owe UBIT.

Contact Advanta IRA to discover other funding options permissible in an IRA.



What are common assets in a real estate IRA?

Owning property outright is the most popular maneuver in an IRA for several reasons. One, real estate has a long history of rebounding from market and industry challenges. Also, property value tends to increase over time, which is the main attraction for many investors. So, residential and commercial property, renovation projects, rentals, and even improved and unimproved land are investments that can help grow retirement income in an IRA.

Private mortgages and peer-to-peer lending as a mortgage down-payment are also favorites. The property is used as collateral to protect the loan in case of default. Your IRA is the bank in these transactions and lends capital to borrowers personally vetted by you. You also set the terms including the interest rate and length of the loan. All payments are made to the IRA, providing tax-sheltered income to grow in the account. If the borrower defaults, the IRA takes possession of the property and can sell it to recover the balance of the loan—and, perhaps, additional profit from that sale!

How is the asset titled?

You do not own the property, your IRA does. So, all investments in an IRA are titled in the name of that account. An example of titling is: Advanta IRA FBO (for benefit of) Jane Doe IRA #12345.





Does property in my IRA have a tax liability?

Unrelated business income tax (UBIT) and unrelated debt-financed income (UDFI) tax relate to property purchased with the help of non-recourse loans. Per IRC 514, UDFI tax is owed based on the percentage of income earned on the leveraged portion of the real estate. (If you leveraged 40 percent through the loan, then 40 percent of the income generated is taxable.) Per IRC 598, UBIT comes into play for real estate that is leveraged and/or acquired using partnerships and other means, like an LLC.

How do capital gains from property sales work?

The sale of investment property owned by the account is not subject to capital gains tax. All income is deposited into the IRA and can be reinvested in real estate or other assets. Also, the IRA is not subject to a holding period before selling real estate.

How does an IRA LLC work to invest in real estate?

A single-member LLC, or checkbook IRA, is a powerful investing tool preferred by individuals who invest in multiple assets and labor-intensive real estate like rental properties. These accounts give the owner checkbook control of their investing funds, making it easy to invest quickly and to pay bills related to the investments. An LLC is formed, assigning the IRA as its sole member. Appoint yourself as manager of the LLC, open a bank account in the name of the LLC and fund it with capital from the IRA. You can then write checks directly from the account to make timely investments, pay bills, and more.

Single-member LLCs are intricate entities that require extensive accounting and the maintenance of complete and accurate records. There are additional costs to set up an LLC and the entity is governed by a different set of rules than the IRA. We recommend you seek appropriate advice from your CPA, attorney or other financial professional to decide if investing with an IRA LLC is a good move for you.



How are income and expenses handled in an IRA?

To maintain its tax-sheltered status, all income and expenses must flow directly into and out of the IRA. You cannot deposit rental checks in your personal account or pay a bill for any IRA-owned asset with personal funds. As your account administrator, Advanta IRA receives income and deposits it into your IRA, and we pay any related expenses from your IRA funds.

Who performs repairs or maintenance on property in my IRA?

Per the IRS, you are not allowed to perform repairs or maintenance of property owned by your IRA. This is considered “sweat equity” by the IRS and is strictly prohibited as a value cannot be placed on your work. The IRS only allows cash contributions to your IRA. So, you must hire a third party for these duties, ensure they are not a disqualified person, and pay fair market rates for their work.

Can I manage the property in my IRA?

As the IRA owner, you can manage the property, provided you do not perform sweat equity in doing so. You cannot pay for expenses out of your own pocket, either. A safe choice is to hire a third-party property manager, ensuring your IRA pays for this and all expenses.





Wealth-Building Tips for Your Retirement:

Knowledge is power.

Invest in what you know and gain the potential to maximize the returns in your IRA to achieve financial success in retirement.

Control is key.

Choose your own assets to grow income instead of relying on a third party to do so. After all, who is better equipped to make these choices than you?

Diversity is essential.

Protect your hard-earned wealth. There are hundreds of alternative assets you can use to grow income and offset any stock market losses of traditional holdings.

With Advanta IRA as the administrator of your retirement account, you leverage all of the above. Put your own knowledge to work for you and invest in any alternative asset you choose to build and protect your retirement wealth.

Beware of Prohibited Transactions

Real estate IRAs allow investors great flexibility and control over their investing decisions. But, there are prohibited transactions and dealings with disqualified persons you must avoid in order to comply with IRS rules. IRC 4975 outlines these transactions in detail. Failure to comply can result in your IRA incurring penalties, taxation, and even disqualification of its tax-sheltered status.

Your IRA may not:

- ▶ Exchange or sell a property to you or a disqualified person
- ▶ Buy or lease property from you or a disqualified person
- ▶ Pay you or a disqualified person for managing or performing maintenance
- ▶ Lend you or disqualified persons money
- ▶ Transfer income or assets in the plan to a disqualified person

You and/or disqualified persons may not:

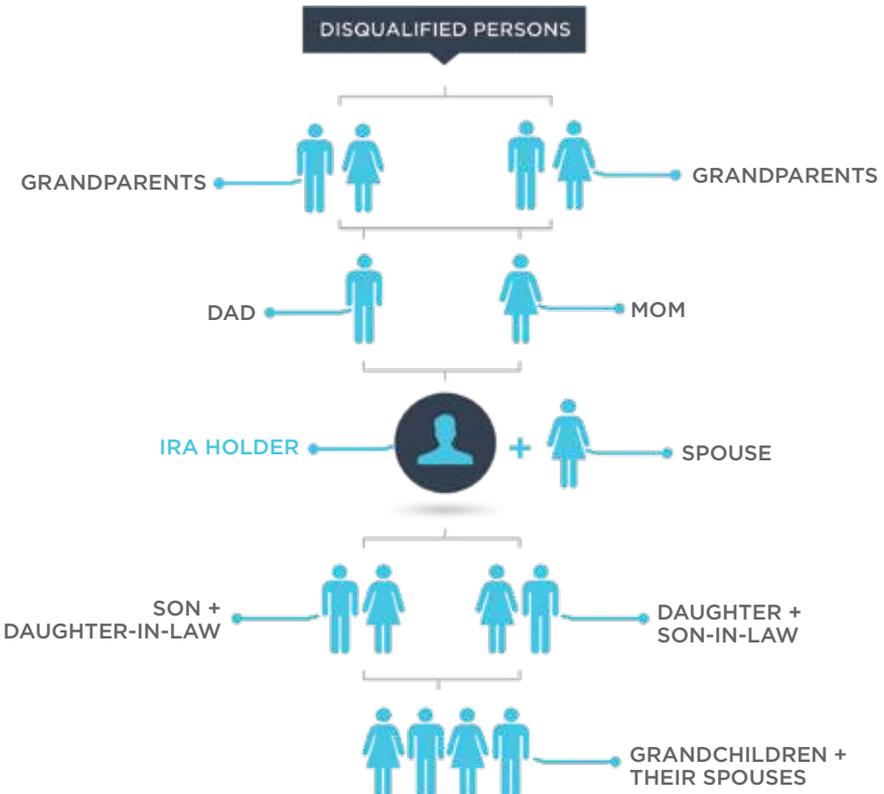
- ▶ Use IRA-owned property for vacation or any other purpose
- ▶ Use IRA-owned property as security for a loan
- ▶ Receive goods, services, or facilities from the IRA
- ▶ Allow fiduciaries to use the plan's income or assets for their own interests

Note: It is possible to partner funds with a disqualified person to invest. Contact Advanta IRA for details.

Avoid Disqualified Persons?

Disqualified persons for an IRA include:

- ▶ The IRA holder and his or her spouse
- ▶ The IRA holder's lineal ascendants, lineal descendants, and spouses of lineal descendants
- ▶ Investment advisors and managers
- ▶ Corporations, trusts, estates, or partnerships where the disqualified person is a president, manager, etc.
- ▶ Anyone providing services to the IRA (a trustee, custodian, etc.)



Documentation for Investing

Real estate assets

Contracts are listed in the name of your IRA, and the contract and title include the name of Advanta IRA. For example, “Advanta IRA FBO John Doe, IRA #12345” illustrates how a title might look. The IRA owner is required to read and approve all closing documents, but Advanta IRA signs the documents on the IRA’s behalf.

Notes, mortgages, and other loans

The IRA owner is required to review and approve notes, along with any mortgage, loan, or other arrangement to secure collateral. Advanta IRA must review all loan documents where the lender’s name is listed as the IRA account (Advanta IRA FBO John Doe IRA #12345). In transactions where the loan is not being facilitated through an escrow agent, Advanta IRA must have possession of the original, signed note before funding.

Other investments

For any real estate investments not outlined above, Advanta IRA must possess paperwork or documentation showing proof that the IRA owns the asset in question. If you have any unique investments, situations or questions, contact Advanta IRA to make sure the asset is titled properly.



How do I get started?

Open an account

Fill out a 401(k) plan application and submit the originals to Advanta IRA. Application documents can be found on our website or you can contact us and we will send you the paperwork.

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02

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Fund the account

Transfer funds from an existing 401(k) or rollover funds from a former employer's plan. If you are eligible, you can also make an annual contribution to your 401(k).

Start investing

Send Advanta IRA a purchase authorization after an investment has been identified.

Once an account is opened, we can immediately begin working with you on the investment paperwork.

Advanta IRA Locations

Serving clients nationwide

Give yourself the freedom to control your investments
and maximize the potential wealth of your IRA.

13191 Starkey Road, Suite 2
Largo, FL 33773
800.425.0653
727.581.9853
866.385.6045 fax

3525 Piedmont Road NE
Building 8, Suite 101
Atlanta, GA 30305
800.416.8736
866.300.0292 fax

For more information, please visit

www.AdvantaIRA.com

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