



# BEGINNER'S GUIDE TO REAL ESTATE INVESTING



Can your IRA invest  
in Real Estate?  
At NDTCO, the answer is...

YES



# At a Glance

The IRS allows self-directed IRAs to acquire real estate as an asset without penalty and while keeping the tax benefits associated with that account type.

At NDTCO, your account can purchase any type of real estate, including residential, commercial, raw land, agricultural, and more. Real estate in an IRA provides the opportunity to generate income from rent, appreciation, fixing and flipping, and more.

You, the IRA holder, along with your real estate financial professional, select the property and negotiate the terms. New Direction Trust Company makes sure that the account is custodied correctly, and paperwork substantiates that the asset is part of your IRA and, thus, deserves the tax benefits associated with the account type.

**Any account offered by NDTCO can invest in real estate!**

## Important Things to Remember

- The retirement account is its own financial and legal entity, separate from your personal finances.
- As a separate legal entity, your account has its own name: NDTCO, as trustee, FBO Client First Last Name IRA.
- The account is the owner of the real estate, not the account holder. Therefore, purchase and maintenance.
- All legal documents (offer, closing documents, leases, etc.) related to an account-owned asset must be in the name of the account, not your personal name.
- Documents associated with your account's real estate acquisition need to be signed by New Direction Trust Company (as the administrator for that account) to be legal.

# The Benefits

## DIVERSIFICATION

*Whether it's a rental properties or a mineral rights, your self-directed account can own physical land and property.*

## OWNERSHIP

*With a self-directed plan, you can own actual, physical property as well as a Real Estate Investment Trust (REIT).*

## SECURITY

*Does your account lack the funds to buy an asset outright? No problem! An account can take out a non-recourse loan to finance the acquisition of a property or boost its purchasing power.*

## INDEPENDENCE

*Our world-class online service allows you to complete all necessary paperwork seamlessly through our online portal.*

OPEN ACCOUNT



# Popular Investment Types



Single Family & Multi-Unit Homes



Apartments and Condos



Commercial Properties



Raw Land



Mineral Rights



Fixer Uppers

# Possible Structures

## ► Hold title to real estate

A real estate contract is written between the IRA and the seller. Funds from the IRA are sent to closing for the purchase and the IRA takes title to the property directly.

## ► Private equity in an entity that invests in real estate

Your IRA can own a private equity percentage in an entity (LLC, land trust, LP, etc.) that invests in real estate. By partnering with an entity, you can also own real estate.

## ► Partner with yourself or others

If you're not keen to take out a loan, your plan can partner with other investors, their plans, and even yourself.

## ► Financing available

- Does your account lack the funds to buy an asset outright? No problem! An account can take out a non-recourse loan to finance the acquisition of a property or boost its purchasing power to purchase more.
- The loan must be a non-recourse loan, meaning personal finances of the IRA holder or another disqualified person cannot guarantee the loan. Non-recourse loans are typically made on income producing property and typically require 35-40% down payment.
- For a list of non-recourse lenders, [click here](#). NDTCO is always here for assistance however cannot recommend or endorse any specific non-recourse lenders.

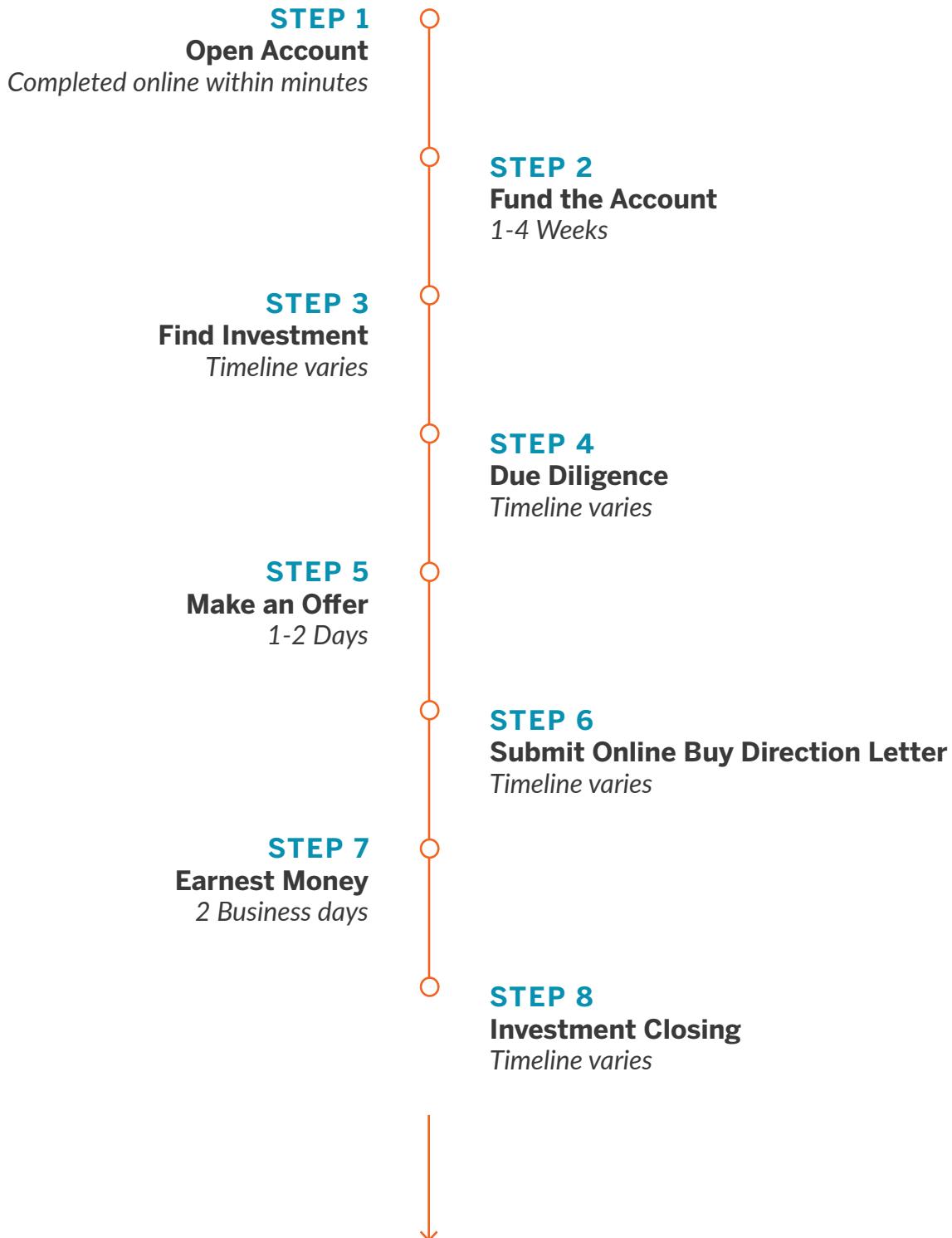
## ► Loan money to a borrower

You can think of your IRA as a private lender and loan money to a borrower who uses real estate as collateral. Your IRA can lend money to non-disqualified persons and secure the note with real estate holdings and/or other assets if you like. You and the borrower decide on the term, collateral, and the rate.



# The Investment Process

## Real Estate Investment Timeline



START INVESTING

# The Investment Process

## Make an Offer

Once you have opened and funded your account, you can work with a real estate agent to find a property and make an offer. Offers must use proper IRA titling to indicate the buyer. DO NOT put the contract in your personal name.

## Due Diligence

As the IRA holder, you are responsible for performing due diligence on your IRA's investments. Neither the IRS nor NDTCO researches or endorses the investments, properties, property managers, real estate agents, or title companies, involved in your IRA's transactions. A competent professional in the legal, financial advice or accounting fields can also be engaged if you need additional help deciding if the investment being considered is legitimate, meets your risk tolerance parameters, and is right for your investment goals.

## Titling

When investing with your retirement account, all paperwork for that investment must indicate the IRA as the buyer and NOT the IRA holder (you). The client can sign the offer/contract and anything PRIOR to closing or insurance docs.

► BUYER/OWNER NAME  
NDTCO, as trustee, FBO Client First Last Name IRA

## Titling For Partnerships

If you partner your IRA with a disqualified person or with another IRA, you must establish the percentage of ownership at the beginning of the investment. Those percentages will be used to divide up the incoming revenue and pay all expenses throughout the life of the investment, including earnest money.



# Disqualified Persons & Prohibited Transactions

All IRAs have a list of people who are disqualified from having certain interactions with that account. Below is list it of which persons are disqualified. Keep in mind that any entity that is owned or controlled by a disqualified person is also disqualified. Visit [this page](#) for everything you need to know about disqualified persons or prohibited transactions.

- Neither the IRA holder nor any other disqualified person to that IRA may live in or use the property.
- Disqualified persons cannot work on the property, for free or for pay. "Sweat equity" is not allowed. Any remodeling, repair, improvement, and even maintenance must be performed by a non-disqualified person or entity.
- Your IRA cannot purchase a property from you or any disqualified person, nor can your IRA sell a property to a disqualified person.
- Disqualified persons are not allowed to be paid by the IRA.

## NON-DISQUALIFIED PERSONS

- Brother
- Sister
- Brother-in-law
- Sister-in-law
- Niece
- Nephew
- Aunt
- Uncle
- Cousin

## DISQUALIFIED PERSONS & ENTITIES

- The account holder (you)
- The account holder's linear ascendants (parents, grandparents, etc.)
- The account holder's linear descendants (children, grandchildren, etc.) and their spouses
- Fiduciaries to the account (accountants, financial advisors, attorneys, etc.)
- Tax-advantaged savings accounts held by any of the aforementioned individuals
- Businesses or entities owned or controlled by any of the aforementioned individuals
- Spouse
- Children of spouse

REAL ESTATE

# Why NDTCO?



## DIGITAL INNOVATION

*We are relentless in our mission to modernize and digitize by building tools and platforms that make self direction easier, more streamlined, and more intuitive.*



## TIRELESS EDUCATION

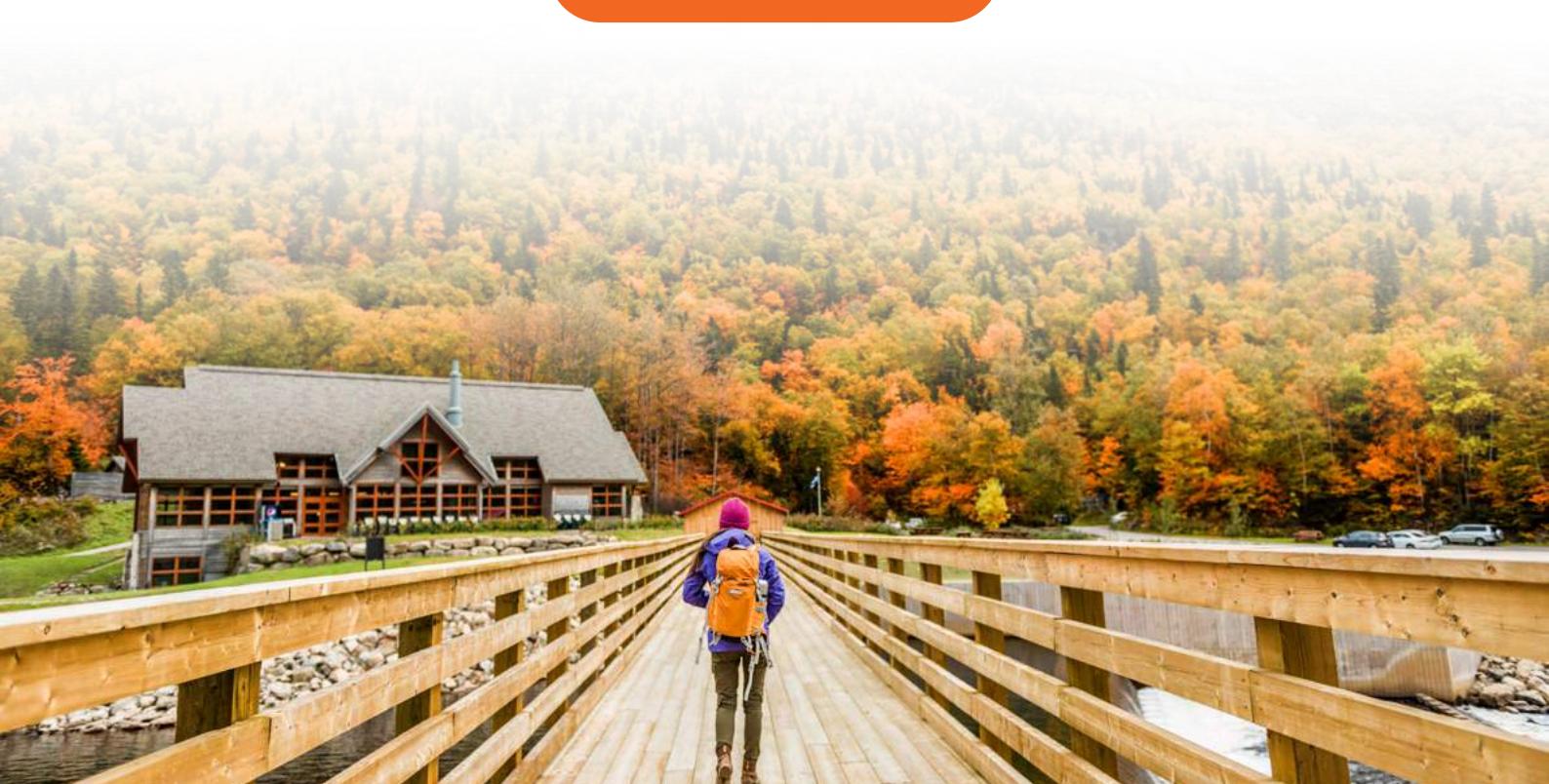
*Providing you with the knowledge and insight to succeed has always been our top priority. We continually host webinars, create resources, and develop educational tools that help empower and guide you.*



## DEDICATED CLIENT SERVICES

*A real person is always available to help with all of your account management needs. If you need assistance, a knowledgeable, educated person is here to help empower you.*

GET STARTED



# NDTCO Client Portal

Our online **Client Portal** combines human power and digital innovation, making it simple to view all your account information in one centralized location. Within the client portal, you have the ability to directly message our support team, review recent transactions, download account documents, and review a vast library of educational content easily and securely.

## Direct Messaging

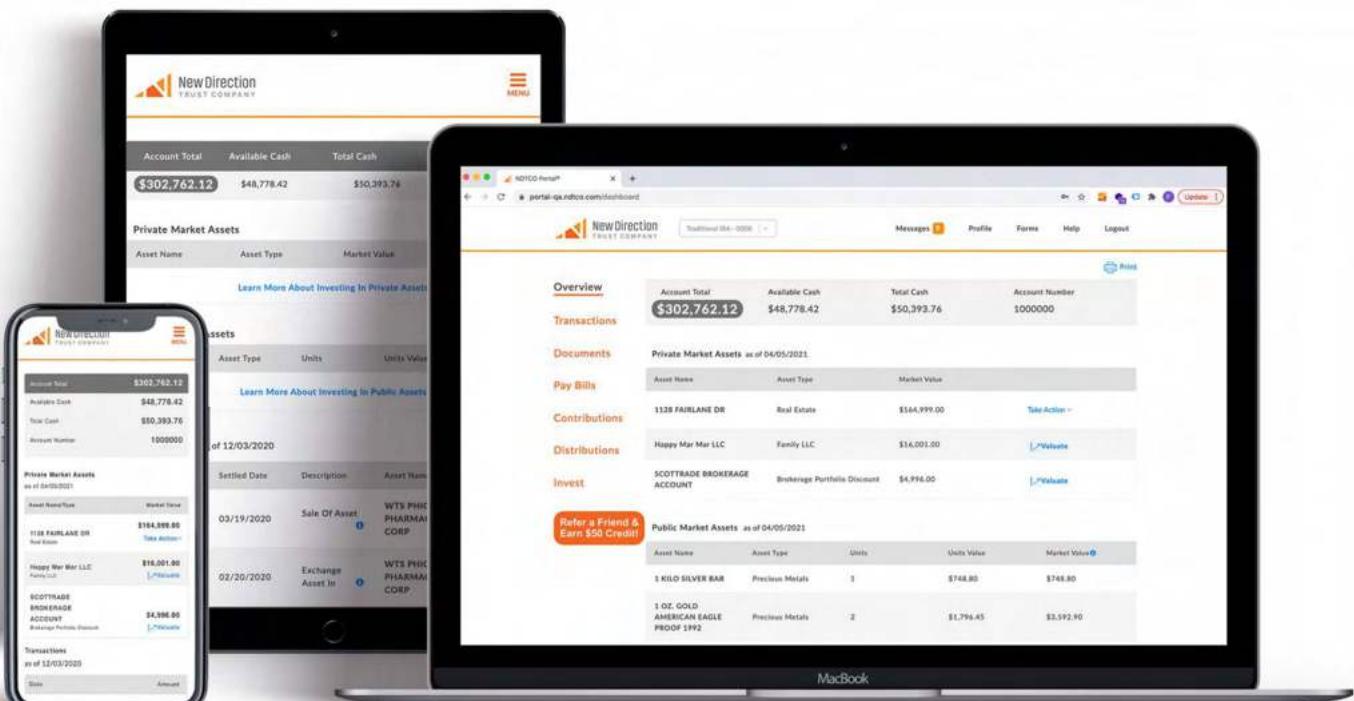
Communicate quickly and easily through the secure messaging center. Be confident in sending transaction and account-related documentation directly and safely to the NDTCO team.

## Bill Payment

Quickly and easily pay vendors or bills related to any of your assets. For example, set up scheduled payments for your HOA and/or mortgage, or simply make a one-time payment via check or ACH.

## 24/7 Management

Easily manage your account details anytime, from anywhere. Check your account balances and transactions, update your contact information, generate statements, and designate your beneficiaries easily and securely.



# The Answers (FAQ)

## **Can I buy real estate in my Retirement Plan?**

YES! The IRS has had this question so many times they answer it directly on their [website](#). In their retirement Q & A section they say “IRA law does not prohibit investing in real estate but trustees are not required to offer real estate as an option”. Therefore, to invest in real estate your IRA custodian must allow it. New Direction Trust Company handles real estate and many more alternative assets.

## **Which accounts are eligible?**

Any account offered by NDTCO can invest in real estate.

## **Why haven't I heard about real estate investment in IRAs before?**

Retirement investing has been dominated by the securities industry since 1974, but real estate has always been available to IRAs. Investing IRA funds directly in real estate is an option that many people are just learning about.

## **What about borrowing? Can my IRA get a mortgage?**

YES! The IRS requires that the loan be a non-recourse loan. The lender can be a bank or a private lender. IRA non-recourse loans tend to require a higher down payment than those for personally guaranteed loans.

## **I have a 401(k). Can I invest that in real estate?**

Your 401(k) plan may, at your direction, be invested in real estate if the investment provisions of the plan permit it. The employer establishes the plan for the benefit of the employees, and that employer will have language incorporated in the plan document which states what investment options are available to the employee. If you have a 401(k) from an employer for whom you no longer work, those funds can be rolled over to a Traditional IRA with no tax consequence. From there, you can invest in real estate.

## **What are the restrictions for the purchase?**

The primary requirement is that the purchase be for investment purposes only. The IRA owner, certain family members, and plan fiduciaries cannot use the property while the IRA owns it. Your IRA is not allowed to buy property you already own personally.

# The Answers (FAQ)

## **Where do I find an investment property?**

It's up to you and your real estate agent to find the property. There are no limitations or restrictions other than the property cannot be something you or any disqualified person currently own and NDTCO does not allow foreign properties to be held in an IRA with New Direction Trust Company.

## **Do I need to use a special broker and title company?**

No special broker or title company are required, you can use the same ones you used to buy your current home.

## **Can I repair the property myself?**

You may not personally do any work on the property and neither can any other disqualified persons or any company you or they own. Work can be done by anyone else and you still have control over what you want them to do. Basically, you can't personally put the paint on the walls but you can choose the painter and the paint.

## **Can I partner my IRA with my personal funds?**

If you cannot afford the investment property you are interested in you have many options. One option is to partner with yourself. For example your IRA can own 50% and you can personally own 50% (note: even if you personally own 99% of the property you are still prohibited from living in it or using the property.) You may also partner with someone else's personal or IRA funds. The disqualified persons rule does not apply here so you may partner with your spouse, parent, child, friend, or whomever. There is no limit to how many people you can partner with.

## **Do I have to pay capital gains taxes if I sell the property?**

Because the property is owned within a tax deferred (Traditional IRA) or tax free (ROTH IRA) plan, no capital gains taxes need to be paid as long as there is no outstanding debt leverage for 12 months prior to the sale. If there is outstanding debt leverage, UBIT may apply to the percentage of that leverage.

## **Can I take property as a distribution and then live in it?**

YES! After you reach 59.5 years of age you may choose to take the property as a distribution from your IRA. Once the property is 100% distributed, it is in your possession, and you are free to use the property as you wish.

# The Answers (FAQ)

## **Where does rent income go?**

Rental income from the investment goes directly into the IRA.

## **How are the expenses paid on an IRA-owned property handled?**

Expenses are to be paid directly from the IRA. If the IRA owns 100% of the property it is responsible for 100% of the expenses. If your IRA is a partner, it is responsible for its portion of the expenses. Because the IRA must pay the expenses it is important to make sure there are sufficient funds in the IRA to cover the expenses. When purchasing the property don't forget to take expenses into account.

## **How long must my IRA own a property before selling it?**

There are no time restrictions or limitations on buying or selling a property.

## **What exactly is UBIT?**

Unrelated Business Income Tax applies to debt financed property in IRAs and also applies to operating income received from companies owned by IRAs and qualified plans. Typically, the debt financed income is taxable under UBIT rules for the percentage of property that is debt-financed.

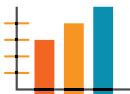


# Get Started With NDTCO



## STEP 1 Open An Account

Choose the account that's right for you, and complete an online application in 15 minutes or less.



## STEP 2 Fund Your Account

Prepare your self-directed account for launch by financing your account via contribution, transfer or rollover.



## STEP 3 Choose Your Investment

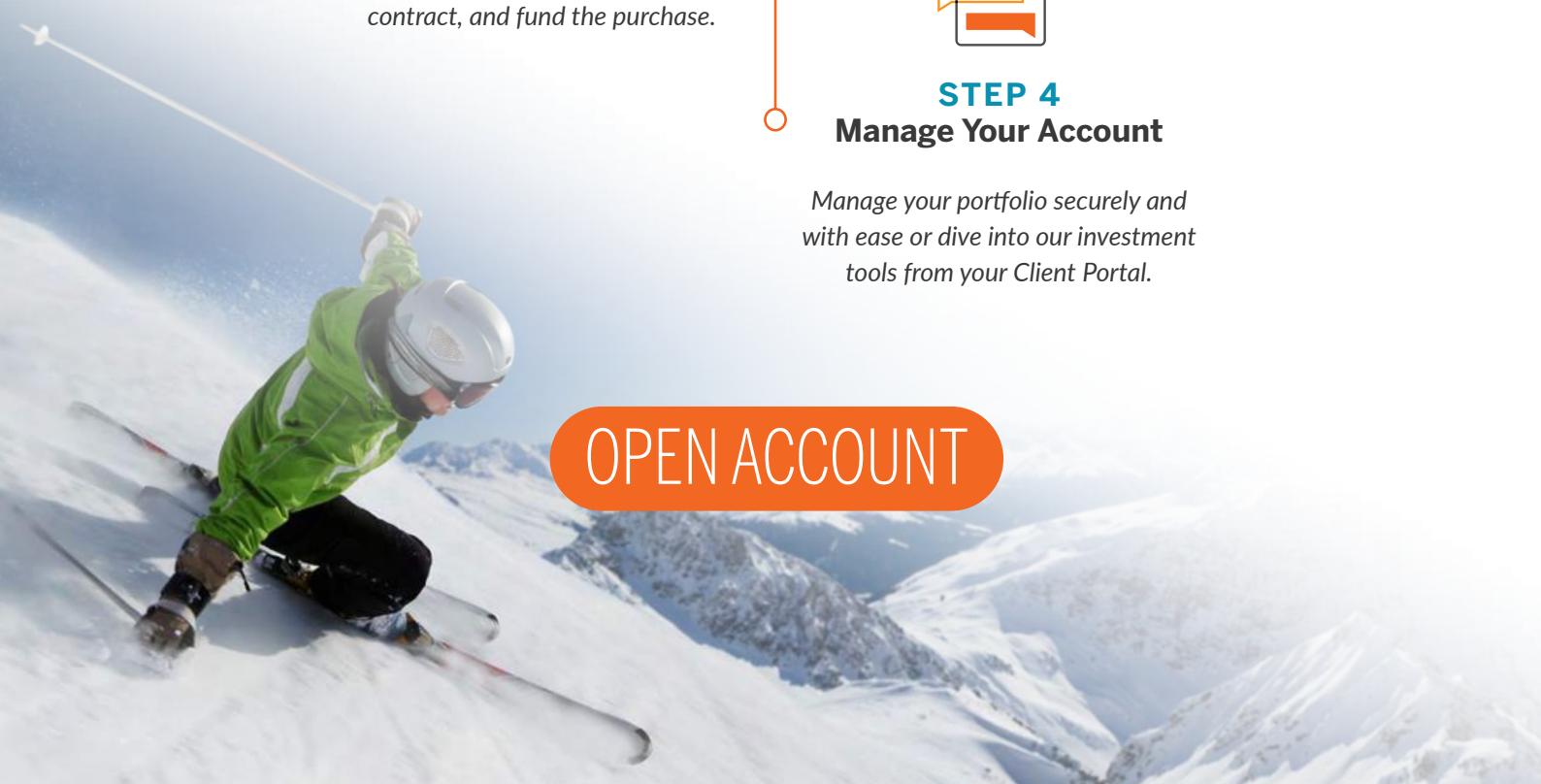
Once you've landed on a strategy, establish the terms of the transaction, draw up the contract, and fund the purchase.

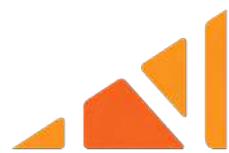


## STEP 4 Manage Your Account

Manage your portfolio securely and with ease or dive into our investment tools from your Client Portal.

OPEN ACCOUNT





New Direction  
TRUST COMPANY

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