



**SECURITY TRUST**  
**COMPANY** *Unleash the Power of Your IRA*

Use your IRA to Invest in Real Estate

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## IRA Facts

- \$4 trillion invested through IRA's
- Growing by \$200,000,000,000 per year
- 4,000 rollovers to IRAs each day
- First Baby Boomers reached retirement age last year
- Boomer rollovers will add trillions more to IRAs.
- 44% of U.S. individual wealth is in real estate.
- Only 2% of IRA assets are invested in real estate.

## Industry Facts...

- What is a Self-directed IRA?
  - **Self-directed** means that the IRA owner chooses the IRA's investments.
  - (For example, choosing to invest in **non-traditional** assets like Real Estate)
  - **Self-directed** means **YOU** manage your IRA's investments.
- Did you know?
  - The Self-directed industry is growing at 40% annually.

## Typical Brokerage Allocation



## History...

- Is this legal?
  - Employee Retirement Income Security Act
    - ERISA enacted in 1974
    - Created IRA's and investment parameters
    - **Self-direction** allowed from the beginning
- Why haven't I heard about this before?
  - Brokerage community & mutual funds
  - 98% of all IRA assets in products that Wall Street sells
  - Bull market

## How About This?

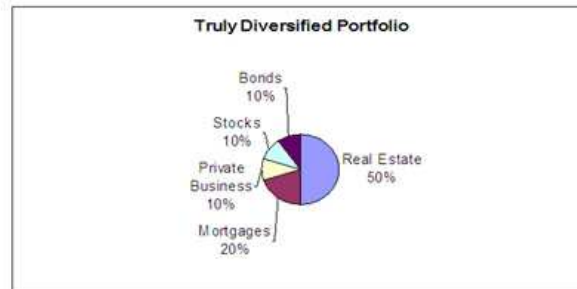
Why Not This Allocation?



## Diversification

- Diversification is NOT simply investing in multiple versions of the same assets.
- True Diversification allows you to invest in different assets such as:
  - Real Estate
  - Mortgages & Notes
  - Private Businesses
  - Brokerage Account

## Truly Diversified Portfolio



## Benefit: Include Real Estate

- Why include real estate in your IRA?
  - Excellent long-term investment
  - Combines income with appreciation
  - Potential for increased returns using leverage
  - True portfolio diversification
  - Contrarian asset; real estate not correlated with the stock market
  - Real estate has outperformed S&P 500 index from 1973 to first half of 2005

## Benefit: You control the deals

- You are the expert!
  - You know the market, the neighborhoods, the values, and the opportunities.
- Control – in a real estate deal, you:
  - Examine the neighborhood, set your price, determine your deal structure, decide to renovate, decide to rent or sell, interview tenants, set rental rates, set a sales price

## Benefit: Increase buying power

- Leverage your retirement account
  - **Increase buying power** of your IRA through non-recourse loans
  - \$75,000 of IRA cash can buy \$175,000 property

## Recap Benefits of Self-Direction

- True Diversification - allows you to include real estate and other non-traditional assets
- 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

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

## Guidelines

- Prohibited assets
  - Life insurance contracts
  - Collectibles (rugs, works of art, stamps, coins)
- Prohibited transactions
  - IRAs meant to provide benefit only at retirement
  - 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

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## Who is Security Trust Company?

As a **full service** retirement plan administrator, we

- Establish self-directed structure
- Navigate complex rules and regulations
- Supervise regulatory reporting
- Oversee annual valuation
- Provide continuing education
- Offer a Simple fee structure

## Security Trust Company

- Set up self-directed IRA LLC

Advantages of using LLC structure

- Structure offers maximum flexibility
- Provides asset protection that IRA doesn't
- "Checkbook" Control over IRA funds
- Immediate response to investment opportunities
- Simplifies asset titling
- Ease of pooling

## Review

- Facts and history about IRAs and the self-directed industry
- Benefits of self-direction
  - control
  - diversification (include real estate and other assets)
  - leverage
- Guidelines
- Security Trust Company

## Investment Example #1

- Property rehabilitation and sale
  - Purchase price \$250,000
    - Property titled in LLC name
    - \$125,000 cash, \$125,000 finance
    - \$50,000 cash paid to contractor for renovation costs
  - Net \$100,000 on sale in 9 months
  - 57% return in 9 months, 73% annual return

## Investment Example #2

- Pooling to purchase apartment building
  - Purchase price \$2,000,000; 100% cash
  - \$200,000 each from 10 people
    - IRA money of \$100,000 each
    - Own money of \$100,000 each
  - Form new LLC with 20 members, each member owning 5% of the LLC
  - Rent paid to LLC, expenses paid by LLC, net distributed to members

## Investment Example #3

- Contract for sale
  - IRA LLC with \$12,000 balance
  - Pay \$5,000 for contract to purchase property for \$200,000 (\$25,000 below comps) with closing scheduled in four months
  - Actively market the property for higher price
  - Sell contract in three months and net \$20,000



## What's Next

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- Most people are interested in one of the following:
  - I understand the benefits of the Self-Directed IRA and want to transfer my account to start investing in real estate today.
  - I want to share information with my clients.
  - I would like to set up additional seminars.
  - I need more information.