



CASE STUDIES

REAL ESTATE

Midland IRA's role as the administrator of self-directed retirement accounts is non-discretionary and/or administrative in nature. The account holder or his/her authorized representative must direct all investment transactions and choose the account's investment(s). Midland IRA has no responsibility or involvement in selecting or evaluating any investment. Nothing contained herein shall be construed as investment, legal, tax, or financial advice or as a guarantee, endorsement, or certification of any investments.



REAL ESTATE INVESTOR TAKES ADVANTAGE OF FAVORABLE NEW CONSTRUCTION COSTS

Jim, a real estate professional from North-Central Florida, has been able to utilize his Individual 401(k) account from Midland that allows him to self-direct and invest in what he knows best - real estate. Jim has taken advantage of the favorable new construction costs that have allowed him to achieve returns of over 20%.

From the Ground Up

A Midland client of seven years, Jim has held his fair share of self-directed assets in his Individual 401(k) plan, including: LLCs, Secured Notes, and Rehab properties. Most recently, Jim has been able to capitalize on the cost benefits of new construction over rehab.

"Currently, there are more (and better) opportunities with new construction than with rehab."

- Jim

The first step to any new construction investment is identifying the lot. Once Jim identifies a lot to purchase, he submits an offer in the name of his Individual 401(k). Once the offer is accepted, Midland assists with issuing an earnest money deposit from the 401(k). Midland then works with Jim and the closing agent to make sure that the closing documents properly list Jim's retirement account and to have the final balance paid by the 401(k) at closing.

Once the property is owned by the 401(k), Jim identifies a company to work with on the new construction. Construction agreements entered into, and all associated

costs are paid for by the 401(k). Once construction is complete, Jim lists the property for sale. All sale proceeds are returned to the retirement account tax-sheltered.

Taking Control With Self-Direction

Self-direction has allowed Jim to take control of his retirement instead of handing his money over to someone else and hoping they do the right thing. Jim is also grateful that self-direction allowed him to avoid the stock market during the recent economic downturn. "If [you] want to be involved and work at it, self-direction is the way to go," says Jim.

THE INVESTMENTS

1	{	Lot Purchase Amount:	\$2,777.98
		Construction Costs:	\$55,045.77
		Insurance/Additional Costs:	\$1,038.00
		Total Cost:	\$58,298.23
		Sales Proceeds:	\$70,791.38
		Length of Investment:	7 Months
		Calculated Return:	21.4%
2	{	Lot Purchase Amount:	\$7,352.46
		Construction Costs:	\$112,370.67
		Property Taxes:	\$83.95
		Insurance/Additional Costs:	\$998.95
		Total Cost:	\$120,806.03
		Sales Proceeds:	\$151,500.98
		Length of Investment:	7 Months
		Calculated Return:	34.8%

REAPING THE BENEFITS OF REAL ESTATE INVESTING WITHOUT THE HASSLE

Jeff, from South Florida, used his self-directed IRA to purchase interest in a Participation Agreement through a builder, allowing him to add a passive real estate investment to his portfolio.

An Opportunity in Passive Real Estate Investing

Self-directed retirement accounts offer a plethora of alternative ways to invest your retirement assets, including private lending. While more commonly seen as Secured or Unsecured loans directly between the IRA and borrower, another way to lend money from a retirement account is through a Participation Agreement. When Jeff was presented the opportunity to use his self-directed IRA to purchase interest in a Participation Agreement, it was an easy decision to make. "The principals were highly recommended and have a great history of success."

By investing through a Participation Agreement, Jeff was able to use his IRA to purchase an undivided 12.5% ownership interest in a larger existing loan that the builder had in place with the property owner. This loan was already secured by a mortgage on a 2,550 sq. ft. residence, as well as a lender's title policy.

Using an IRA to purchase an interest in an existing mortgage note is also one way to passively invest in real estate without worrying about maintaining the property or dealing with tenants. In Jeff's case, the lender also acted as the loan servicer, as outlined in the agreement's terms.

Self-Direction: The Key to a Balanced Portfolio

When asked how self-directing his retirement funds has allowed Jeff to reach his retirement goals, it's all about diversification. "The ability to diversify my retirement holdings with alternative/ non-publicly traded assets helps create the overall portfolio balance I sought for my holdings." This ability to further diversify outside of the market is also why Jeff would recommend self-direction to others.

For all of his self-directed needs, Jeff has turned to the Midland team. "The Midland team has provided prompt and pro-active service as needed."

THE INVESTMENT

Investment Amount:	\$42,000
Total Costs:	\$515
Total Income Received:	\$43,813
Length of Investment:	7 Months
Calculated Return:	9%*

**This figure was calculated by the IRA owner.*

OWNING REAL ESTATE IN A SELF-DIRECTED IRA IS EASY

Tom P. is a long-term real estate investor. In 2008, he purchased a rental home with his Midland self-directed Roth IRA. He still owns this home in his IRA, and it has substantially appreciated. Learn Tom's story below.

Purchasing Real Estate in a Self-Directed IRA

Real estate is the most popular asset purchased in a self-directed IRA. A vast number of investors use their IRAs to purchase different real estate assets, including lending money on secured notes.

The most common real estate purchased is a single-family home. Similar assets include Condominiums, Lots, Farm Land, and Vacation Rentals. Please note that there can be no personal use of an IRA-owned property. Personal use is considered a prohibited transaction. Also, the IRA owner cannot compensate him or herself for the management of the asset.

Tom purchased the rental house in 2008. It was a single-family house in Jacksonville, Florida. The home was relatively new when Tom purchased it for \$120,000. His monthly rental income started at \$1,200 per month and is currently at \$1,650 per month. The home's annual costs are approximately \$2,000 for insurance and \$1,500 for real estate taxes. The tenants pay all utilities/yard maintenance. As with any investment, there have been some maintenance costs. However, because the house was newer at the time of purchase, there have not been many significant repairs.

When purchasing a hard asset in an IRA, it must be titled in the name of the custodian. Tom's home is titled Midland Trust Company FBO Tom P. IRA Account #. All rent must be paid to the IRA and all expenses paid from the IRA. Midland has an easy online system to handle these deposits and expenses.

The main benefit of owning assets in your IRA is the tax-free nature of the assets' income or gain. Should Tom assume to sell this property, all proceeds will return to his Roth IRA tax-free. Midland made purchasing real estate in an IRA easy. Tom had also purchased investment real estate in the past and understood the nuances.

The second main benefit of Tom's scenario is that he had chosen to use a Roth IRA. Taxes are paid upfront in Roth accounts, so, when the house sells, and Tom decides to start taking distributions from his Roth IRA, they will be tax-free.

THE INVESTMENT

Investment Amount:	\$120,000
Total Costs:	\$3,540
Total Income Received:	\$113,760
Length of Investment:	12 Years
Annual Income Return:	10.375%*

**This figure was calculated by the IRA owner.*



ABOUT MIDLAND

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Midland specializes in administering Self-Directed IRAs that help clients purchase alternative assets. Get started today.

Please feel free to call Midland at (239) 333-1032, or [visit our website](#) to open an account today.

AVAILABLE SELF-DIRECTED IRA ASSETS

- Real Estate
- Single-Member LLCs
- Private Lending (Secured & Unsecured Notes)
- Private Placements (Private Equity/Stock)
- Closely-Held LLCs
- Hedge Funds
- Futures
- Forex
- Equities (Stocks, Bonds, & Mutual Funds)
- Precious Metals (Gold & Silver)

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Midland 1031's role as Qualified Intermediary is limited to acting as qualified intermediary within the meaning of Regulations section 1.1031(k)-1(g)(4) for Federal and state income tax purposes. In this regard, Midland 1031 is not providing other legal, investment, or due diligence services. The taxpayer/Exchanger must direct all investment transactions and choose the investment(s) for the exchange. Nothing contained herein shall be construed as investment, legal, tax or financial advice or as a guarantee, endorsement, or certification of any investments, legal effect or tax consequences of the transfer, conveyance and exchange of the Relinquished Property and/or the Replacement Property.