



AN
EQUITY TRUST
COMPANY

REAL ESTATE IRAS

Discover the Income-Earning Potential

*Investing a self-directed IRA into **real estate** provides the tax-free benefit of rental income and value appreciation. Self-directed IRAs are an excellent source of alternative funds when considering investing in real estate.*



KNOW THE RULES

- 1** The property must be for investment use only.
- 2** All investment property qualifies. This includes: single and multi-family homes, rentals, commercial, townhomes, improved and unimproved land.
- 3** Investors cannot buy from, sell to, or rent to disqualified persons, which includes the investor, the investor's spouse, and lineal ascendants and descendants of the investor and spouse.
- 4** Property must be titled in the name of the IRA: Midland Trust Company as Custodian FBO Client's Name, Client's Account Number.

WHY CHOOSE MIDLAND?



Pay bills online using our Midland360 client portal.



Make updates to your online account 24/7.



Next business day processing on bill payments.



Set up auto debit for your rental tenants.



Midland services thousands of real estate clients every year.

Call today to learn more!

www.midlandtrust.com | 239.333.1032



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THE PROCESS

Establish an IRA with Midland by going to **apply.midlandira.com**



Fund the **IRA**

Submit offers using the IRA title as the buyer



Complete the Midland real estate purchase authorization form instructing Midland to **send funds** to the title company for closing on the real estate

After closing, the property is now **owned inside of the IRA**



THINGS TO KNOW ONCE THE PROPERTY IS IN THE IRA

- All expenses for the property must be paid directly from the IRA account. This includes: property taxes, HOA dues, utilities, repairs, and insurance.
- All income from the property must be deposited into the IRA. This includes rental income and sale proceeds.
- Rental checks must be made payable to the investor's IRA, "Midland Trust Company as Custodian FBO Client's Name, Client's Account Number."
- Improvements to the property must be completed by a non-disqualified third party. The account owner cannot make their own improvements.

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REAL ESTATE IRA FAQs

Are bills and expenses paid from my IRA taxable since funds are leaving my IRA? No. Paying bills and expenses with IRA funds is not taxable as it's maintaining an investment within the IRA.

Can I sell a property that I own personally to my IRA to tax shelter it? No, but you can still utilize a 1031 exchange to defer the tax bill upon sale. Ask Midland for more details.

Is Midland a property manager? Do I need a property manager? Midland is not a property manager. Clients monitor incoming rental payments by logging onto their Midland360 online account. If you elect to have a property manager, it should be a non-disqualified third party.

Can I vacation in the property owned by my self-directed IRA? What if only a percentage of my IRA owns the property? No. The property is for investment use only. It's not a primary, secondary, or vacation home. Even if the IRA owns 1% of the property, you cannot vacation in it.

Can I get a loan to buy real estate within my IRA? Though the majority of IRA purchases are made without leveraging, it is feasible to obtain a mortgage within an IRA. The loan must be non-recourse, meaning the IRA holder must not sign a personal guarantee to secure financing. Specialized lenders who provide such a product typically only lend on income producing properties, require more money down and generally have rates that are typically higher than standard rates.

Aside from a non-recourse loan, how else can the IRA purchase property? You can do a cash purchase (using 100% IRA funds), or, you can partner your IRA funds with funds from another source or with you personally.

What if I cannot wait to have Midland cut a check out of my IRA? Can I cut checks from my IRA to pay expenses associated with my IRA property or to bid on a property during an auction? Yes. IRAs can have checkbook control when the investor sets up a brand new checkbook control LLC that is owned by the IRA. Ask Midland for details.

Should I wait to set up the IRA until after I have an accepted contract? No, since the IRS will not allow the assignment of a contract from an account holder to their IRA, it's important to set up the IRA before submitting any offers. The buyer listed on the contract is the IRA, which has its own titling provided when the account is set up. We urge our real estate investors to open an IRA with us before looking for properties. It is acceptable to transfer funds once you have an accepted contract.

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