



**The Ultimate Guide to  
Using Retirement Accounts  
To Raise Capital**

For Financial Professionals

# The Ultimate Guide to Using Retirement Accounts To Raise Capital

## Raising capital has never been easier when you use retirement accounts.

Raising capital is hard work but we've worked with enough firms doing it that we've learned some important lessons. Our capital raise guide shares those lessons with you along with the benefits of sourcing IRA funds, the types of IRA accounts that an investor can use, and the benefits of using Midland as your only custodian.

To make it even easier, we've included some marketing language you can cut and paste to use in your efforts, an outline of our process so that you know what's involved for you and your investors, and common investor mistakes that we see everyday.

We know this guide will increase the success of your efforts and we look forward to working with your team. If you have any questions, feel free to reach out to a member of our team at (866) 839-0429.

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## Access the Largest Pool of Liquidity in the US

There are close to \$9 trillion dollars held in IRAs, representing more than 30% of all retirement assets in the U.S. Rollovers from employer plans continue to fuel the growth of traditional IRAs with more than half of traditional IRAs containing rollover funds from an employer sponsored plan. The average traditional IRA account value is slightly more than \$200,000, including an employer sponsored rollover, and averages about \$88,000 without the rollover.

## Benefits to Alternative Fund Sponsors

For many investors, their IRA is their single largest liquid asset. Offering them the opportunity to use those funds to invest allows them to participate in markets they know well and that they may not have access to otherwise. Many investors are unaware of their ability to invest in alternatives with an IRA and would welcome the opportunity to do so, doubling your opportunity with any one investor by adding on the retirement account option. IRAs also offer tax sheltered returns and could mean better returns for investors over the long term. IRAs are typically invested for the long-term and withdrawals are rare (only 5%) unless required. Funds using IRAs have an extremely high retention rate, allowing for predictable cash flow and stability.



My clients and I both use IRAs for investing because we're looking for assets that are high yielding, more income generating or have better returns than the standard investment options and Midland can custody those alternatives.

- **Thomas C.**  
*Real Estate company*



Allowing investors to use their IRAs was one of the smartest things I did because out of the gate, we raised more capital. IRAs allowed me to get the fund launched.

- **Ted P.**  
*Hedge Fund  
Manager*

## Benefits of Using Midland as Your Custodian

**Issue:** Capital raise firms use many custodians all with different processes and procedures when administering alternative assets in self-directed IRAs.

### The Midland Solution

By using just Midland for all of your self-directed IRA clients, you give your staff a consistent and familiar process and custodial staff to work with that they know and trust.

**Issue:** Fair Market Value is a hassle for investment providers and takes staff time.

### The Midland Solution

We give you one deadline, track down investors and ensure all paperwork is completed, thereby eliminating your hassle of tracking down FMVs for each client.

**Issue:** Income distributions require individual ACHs or wires for individual client accounts.

### The Midland Solution

We allocate any distributions with just one wire and instructions from you.

**Issue:** Every time you call a custodian, you need to reexplain your problem or issues because you always get someone new on the phone. Some custodians won't even speak with investment sponsors and others take steps to conceal their service representative's contact information so you cannot contact them directly.

### The Midland Solution

We do not use a call center so you will speak directly to your contact or a member of their team. Your firm will be handled by staff that knows you, your investment and your clients. Our process is transparent and we make sure you always know where your client(s) are in the funding process, enabling you to gauge cashflow.

**Issue:** Volumes of paperwork that take time to complete for you and your client, creating frustration and confusion for your clients.

### The Midland Solution

For some investments, clients can apply using Midland OnePath - the most powerful online investment tool in the industry. You send us your paperwork, we then set up your asset on our platform and clients complete the application and investment packet at the same time, thus simplifying the process for you and your clients.

# Midland OnePath Platform

## Efficiently Scale Investor Base and Raise More Capital

OnePath is Midland's exclusive platform designed for investment sponsors to on-board retirement funds from individual investors. OnePath offers investors a simple, convenient way to place retirement funds into your private offering.

### The Challenge

Fund managers often encounter a cumbersome process working with individual investors using capital from retirement accounts.

- ▶ Connecting investors to custodians that allow private investments
- ▶ Ensuring investor opened and funded the retirement account
- ▶ Supplying subscription documents to the investor
- ▶ Delivering required documentation to the plan custodian to make the investment
- ▶ Receiving status updates from the custodian relevant to the investment in the account

### The Solution

Midland's proprietary **OnePath** portal delivers a simple online process for fund managers and investors.

- ▶ Midland's "click to commit" technology provides fund managers a customized link to connect investors to their offerings on Midland's secure portal.
- ▶ Using **OnePath**, investors can open a retirement account, initiate the movement of their funds, and authorize an investment into the fund.
- ▶ **OnePath** technology populates investment documents based on a fund's unique details and the personal information entered by the investor.
- ▶ The investor simply clicks to electronically sign documents and approve the investment.



## What Our Capital Raise Partners Say About Us



I've gone through the nightmare with other custodians—Midland is worth their weight in gold.

- **Rachel M.**

I do business with Midland because they make it easy. I don't have to worry about anything, ever.

- **Ben H.**

Midland makes it all seamless. They do darn near all the work and they're easy to work with.

- **Libby G.**

Part of the reason I recommend Midland is because I'm a customer and I know the quality of their service, their responsiveness, and the way they manage their process.

- **Thomas C.**

Midland lets us send the equity distribution in one lump sum. We send one wire a month with a spreadsheet and they do the work.

- **Paula L.**

Midland understands how to deliver a positive customer service experience by being problem solvers for both the fund manager and our clients.

- **Julian S.**

Midland knows our product, which makes it easier. They're very hands on with our clients which is important because most of our clients are older and they need the hand holding.

- **Rachel M.**

Midland really differentiates itself in how it interacts with investment sponsors. They do an amazing job interacting and communicating with me as the head of the capital raise so I recommend Midland because they make my life easier.



- **Ted P.**

## Fee Comparison On Alternative Holdings

### One \$100,000 Alternative Holding

Fee	Midland	Midwest	East Coast	West Coast	Brokerage 401(k)
Account Set up Fee	\$50	\$50	\$50	\$50	None
Annual Asset Fee	\$325	\$350	\$450	\$650	None
Annual Account Fee	None	\$100	None	None	35-250 bps on total AUM
Transaction Fee	\$125	None	\$50	\$95	None
First Year Total**	\$475	\$500	\$550	\$795	\$350-\$1500+

+Provided the custodian will hold the asset the client is looking to purchase. Alternatives are frequently not held by large custodians because there is no commission involved in the sale or purchase of the asset.

\*\*Total does not include any late fees or the full termination fee or same day rush fee.

Last updated Jan. 2020

Fees can be paid by the account owner or by the investment sponsor and split in any way that makes sense for the client and investment sponsor.

## Helpful Tips In Marketing Language

### Tips

- ▶ Encouraging clients to use IRA funds is simple.
- ▶ Add the IRA language to your investment documents so that as clients complete them, they learn that they can increase their investment using IRA funds.
- ▶ Add a tagline to your email—like the one below—to inspire curiosity about IRAs.
- ▶ Reach out to current investors and ask if they can refer others to you that might be able to use IRA funds to invest.
- ▶ Schedule a seminar with Midland so your team can learn more about using IRAs and Midland OnePath, our tool to make investing with you easy.

### Email Tagline

You can invest with us using retirement funds. Contact me to learn how.

### Email Verbiage to Current Clients

Dear (Client Name),

...You can also invest in (insert fund name) using IRA funds. Most types of IRAs and 401(k)s can be rolled over to our self-directed IRA custodian, Midland IRA and used to invest. If you're interested in investing in (insert fund name) with a retirement account, please let us know.

### Follow-up Letter to Investors

Dear (Client Name),

Thank you for the trust you have placed in us by investing in (fund name). We wanted to let you know that it's also possible to invest in the fund using a retirement account.

Most IRAs are eligible, so if you are interested in using IRA funds, and have cash available now to do so, please contact us.

### Investment Sponsor Ideas on Educating Clients About Investing With IRAs

"We include a footer in emails about the fund encouraging clients to consider using IRA accounts."

"We always include verbiage about IRAs in our offering materials."

"It's more about attitude than technology. Midland understands that if he makes it easy for a firm like ours to promote IRAs, it makes it easier for both firms to grow the business. They work as hard as they can to remove friction and get funding done."



# Types of Accounts That Are Portable

In general, defined contribution plans are portable, defined benefit plans (pension plans) and flexible spending accounts are not. Many employers won't allow an account to be rolled over if the employee is still employed by the plan sponsor but there are exceptions so it is best to ask the plan sponsor.

## Rollover Individual Retirement Account (IRA)

If a client has a rollover IRA, it can be transferred to Midland to set up an account to fund alternative investments.

## 403(b) and 401(k)

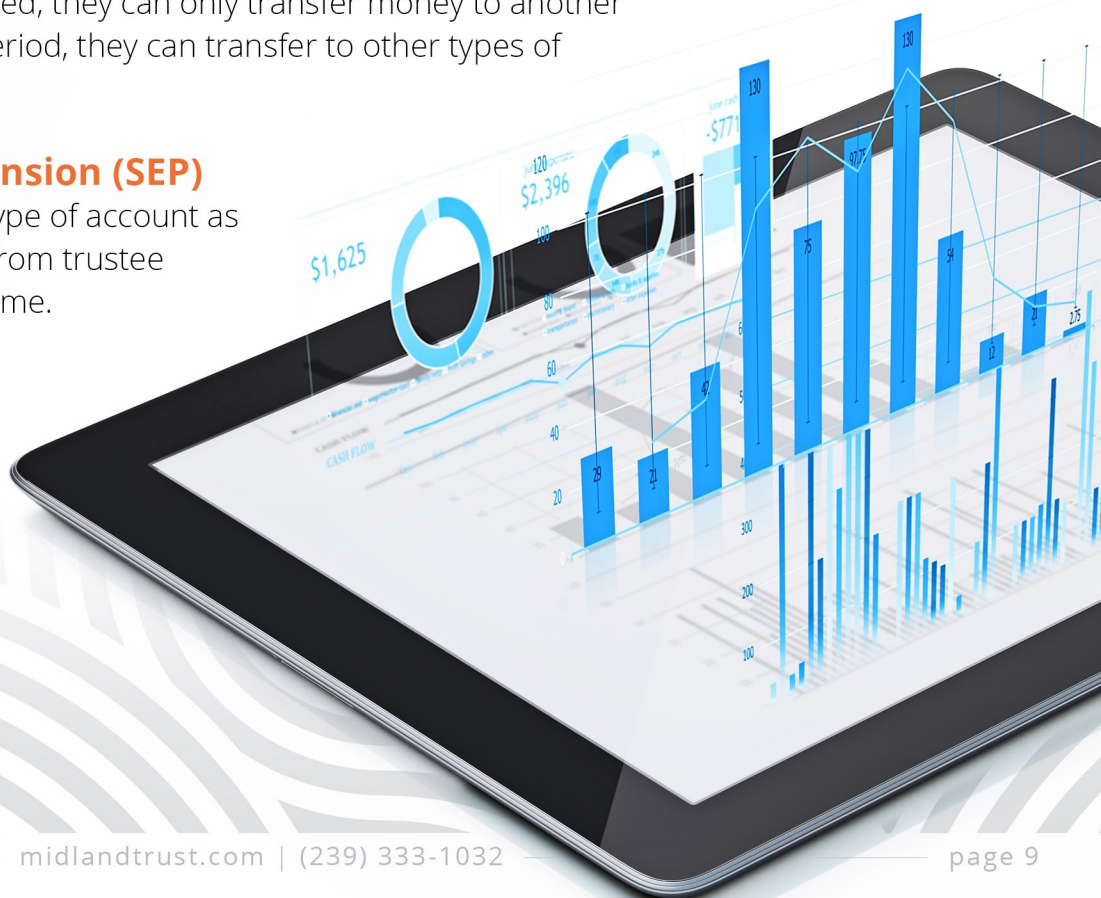
403(b) plans are like 401(k)s but they are offered by public schools and certain types of non-profit organizations (501(c)3s). Both can be rolled over into an IRA at Midland but often that depends on if the account owner is still employed by the plan sponsor. The account owner should check with the employer about rollovers if still employed by the provider.

## Savings Incentive Match Plan for Employees (SIMPLE)

SIMPLE plans allow contributions from the employer and the employee and can be rolled over, just not to a Roth IRA. However, during the 2-year period beginning when the owner first participated, they can only transfer money to another SIMPLE IRA. After the 2-year period, they can transfer to other types of non-Roth IRAs.

## Simplified Employee Pension (SEP)

A SEP is technically the same type of account as a traditional IRA, so a rollover from trustee to trustee can happen at any time.



# The Midland Process is Easy

## New Account

There is no cost to the investment sponsor to use Midland as the custodian; set up is done once for each fund; and the IRA owner pays fees unless the sponsor opts to do so on some level.

Action	Who Does it	How Long
Send Investment Paperwork	Capital Raiser	Minutes
Set Up Investment on Platform	Midland	One Day
Complete Account Application	Investor	One Day
Complete Transfer or Rollover Form	Client	Minutes
Transfer Funds	Midland	Variable
Fund Investment	Midland	24-48 Hours

## Additional Funding

Action	Who Does it	How Long
Complete Transfer or Rollover Form	Investor	Minutes
Transfer Funds	Midland	Variable
Fund Investment	Midland	24-48 Hours

## Answers to Common Questions



- 1.** Most often, the asset held is titled in the name of the account owner when it should be titled in Midland's name: Midland Trust Co FBO John Smith IRA #123456.
- 2.** Income, dividends, distributions and/or payoffs should be sent to Midland, on behalf of the IRA, not the account owner. All income and expenses for an investment held in an IRA must go back to the IRA.
- 3.** Sometimes, investment sponsors expect Midland to provide an endorsement, promotion, sales or distribution of their investment. As custodian and administrator, Midland cannot review, promote, distribute or endorse any investment.
- 4.** IRAs cannot do mandatory capital calls as they could result in a prohibited transaction. Any investment is at the account holder's discretion and must be directed by the account holder.
- 5.** Midland should be copied on all correspondence for capital calls.
- 6.** The investment sponsor must inform Midland if a prohibited transaction occurs and that includes IRA transactions with prohibited persons or transactions that benefit the IRA holder.
- 7.** The investment sponsor must notify Midland of any changes in contacts or company status with the investment.
- 8.** It's important to remember that Midland does not provide investment, legal or tax advice to IRA holders, investment sponsors, or providers.
- 9.** Funding is frequently held up when signatures are missing on documents from the investor or investment sponsor.
- 10.** No more than 25% of the total capital raised may be from ERISA regulated accounts. IRAs are considered benefit plan money, but are not covered under ERISA as long as there are no other ERISA funds in the investment pool. Once other ERISA funds are accepted, the IRA funds count towards the 25% limit. If you intend to accept any ERISA funds in your capital raise, consult with legal counsel on limitations and ERISA rules.



## Investor Mistakes That Slow the Process

- ▶ When the transfer process is started, the client does not liquidate enough money to cover funding the investment and the Midland account minimum balance (\$250) or they attempt to transfer non-liquid assets.
- ▶ The plan the client chooses to use for the investment is not portable to another custodian. Have the client confirm that a rollover of the account is possible.
- ▶ IRA investments may generate Unrelated Business Income Tax (UBIT) or Unrelated Debt-Financed Income (UDFI) for the investor, both of which require filing form 990-T with the IRS. Midland handles tax payments with the IRS as the custodian for the IRA but all taxes owed must be paid by the IRA, not the individual taxpayer, so funds must be available if UBIT or UDFI is expected.
- ▶ The investor needs accreditation to invest but is unsure of their status. An investor is considered accredited if their net worth exceeds \$1 million individually or jointly with a spouse and they have an annual income exceeding \$200,000 individually or \$300,000 jointly for the last two years with the expectation of earning the same in the current year. An investor's IRA has the same investor accreditation as they do.
- ▶ If an investor is starting to take Required Minimum Distributions (RMDs), they can take the entire RMD from one account allowing them to continue to hold longer term assets.

Midland IRA is not a fiduciary. 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 investment(s) for the account. 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.