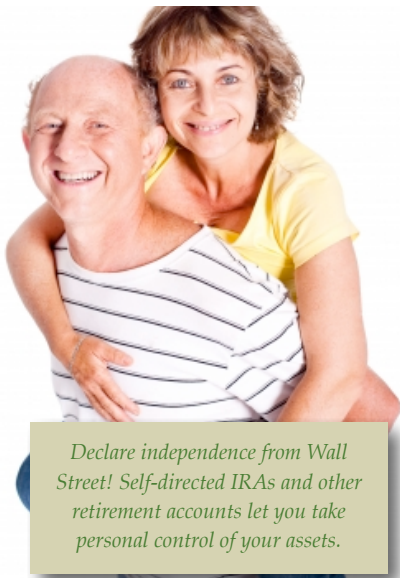


A Quick Guide to Real Estate IRAs



American IRA, LLC



Declare independence from Wall Street! Self-directed IRAs and other retirement accounts let you take personal control of your assets.



YES! You CAN Own Real Estate Within Your Retirement Account!

When most people think of what assets they can hold within an IRA, Roth IRA, 401(k), SEP or other retirement account, they limit their thinking to stocks, bonds, mutual funds and money markets. But if you love and appreciate real estate investing, we have good news: You can hold real estate within your IRA or other tax-advantaged retirement account.

That means you aren't confined to humdrum investment choices that so frequently lead to disappointing returns and unacceptable risk levels. You can combine the tax and asset-protection advantages of your IRA or 401(k)-type accounts with the leverage, tangibility, income potential and other advantages of real estate. How, by using a *self-directed IRA*.

Why Real Estate?

In many ways, real estate is an ideal vehicle for tax-advantaged retirement accounts: Here's why:

Income generation. Real estate is a proven income generator – which is precisely what most people need in retirement.

Growth potential. Real estate has the potential to generate both price appreciation and income growth over time. Bonds typically can't accomplish both of these benefits.

Flexibility. The IRS allows wide latitude when it comes to real estate investments. You can use your IRA to invest in the following property types:

- Raw land
- Single family homes
- Townhouses
- Condominiums
- Resorts
- Duplexes
- Apartment buildings
- Commercial property

Yes, You CAN Apply Leverage in Your IRA!

Many investors are unaware that their IRA has the ability to use leverage in a real estate transaction. You can't pledge your

IRA as collateral on any loan that will be used outside the IRA, but YOU CAN still use debt to finance property within the IRA, subject to certain restrictions. All loans in your IRA must be *non-recourse*.

Non-recourse means that in the event of a default, the lender can only claim the property it has loaned your IRA money for. The lender cannot hold you personally accountable and cannot seize the funds in your IRA account nor any other asset within the account. If your IRA profits from debt-financed investments, the IRS may assess unrelated business income tax (UBIT), or unrelated debt-financed income tax (UDFI) on any profits attributable to borrowed funds.

Advantages

Self-Direction allows you to exercise more direct control over the assets in your retirement accounts. You can potentially increase diversification of your overall portfolio, and focus more on fields where you have particular expertise.



Your retirement account isn't limited to residential real estate in the U.S. You can buy farms, ranches, raw land and even commercial property anywhere in the world!



Why Consider Self-Direction?

It's more important than ever to create retirement income that's independent of the government. Here are a few reasons why:

People are living longer. The number of centenarians is doubling every dozen years or so throughout the developed world. Chances are excellent that by the time you and your spouse reach your golden years, your retirement savings will need to provide 25 to 30 years worth of income. That's like making up for an entire career between the ages of 65 and 95!

Social Security is in trouble. Current projections forecast that the Social Security trust fund will be exhausted by 2036. To pay guaranteed benefits, Congress will need to draw more and more funding out of general revenue on the backs of a shrinking tax base. The funding needed to keep up current payouts simply isn't there; something has to give. Chances are excellent that Congress will eventually pass significant cuts, in one of two ways: raising the retirement age or means testing.

All of our clients need to be prepared; private savings in retirement accounts are critical.

Interest rates and dividend yields are near historic lows. Returns on investment in stocks and bonds – and by extension, mutual funds – is also way down. This makes accumulating retirement money with these conventional financial instruments much more difficult than it was a generation ago. Low interest rates and stock dividends mean it's tougher than ever to amass a sufficient nest egg with conventional IRA investments.

Pension plans are going the way of the dinosaur. The current workforce cannot rely on pension plans like previous generations. Fortunately, many investors have learned the advantages of investing in a self-directed retirement account! The process of purchasing and selling assets is the same inside and outside the IRA – the only difference is that an asset owned by an IRA must be vested in the IRA's name. The other advantage is that assets inside an IRA are tax-deferred or tax-free depending on the IRA type.

That's where self-direction comes in.

A self-directed IRA combines the advantages of tax deferral (and in the case of Roth IRAs, tax-free growth) with the entrepreneurial and alternative investment opportunities normally associated with fully taxable accounts.

With self-direction, *the choice is yours*: You are free to pursue your most lucrative opportunities in residential and commercial real estate, raw land, condominiums, small businesses, private equity, trust deeds, mortgages, foreign currencies, tax liens, and many other fields. Some of these investments allow you take advantage of leverage that is not available to you in traditional investment accounts. For example, you can hedge your retirement portfolio against inflation with exposure to gold and other precious metals. Self-direction allows you to focus on your area of expertise.



Adhering to these rules concerning prohibited transactions is critical. Failure to abide by them can result in your entire IRA being disallowed.



Prohibited Transactions

While IRAs are tremendously flexible vehicles, they do have limits. IRS rules place certain restrictions on the kinds of transactions you can make within IRAs and who you can make them with. In order to ensure the preservation of the preferential tax treatment your IRAs enjoy, it's critical to have experienced professionals on your side; otherwise you could inadvertently make a prohibited transaction or distribution - which could result in the loss of all the tax advantages of your retirement account and possible immediate tax liability:

Your IRA may not purchase/sell dwellings or other assets or entities from/to your parents, children, husbands or wives, nor any entities they own or control.

You may not invest in any assets prohibited by the IRS. For example, you can't own jewelry, art, collectibles, some forms of precious metals, life insurance or alcoholic beverages within your IRA, although most forms of real estate - even overseas real estate - are fine. You also cannot buy property that was previously owned by prohibited persons, as

specified above. This means you can't use a 'straw buyer' as an intermediary to create a 'back-door' prohibited transaction.

You may not own assets in an IRA for personal use. At all. You can't stay in the property, even overnight, even to work on the property. Nor can any professionals advising you on your IRA or self-directed retirement account.

Any income earned within the IRA must remain within the IRA until you make a distribution. If you take any money out, the IRS may consider that to be a taxable distribution, and based on your age and account type it could be subject to income taxes and penalties.

You must pay any asset expenses from funds within the IRA. You may not intervene with your own funds beyond the allowable contribution each year (please see our website for specific contribution amounts), plus any allowable rollovers from other accounts.

You may not profit at the expense of your IRA until you take a distribution. You cannot provide services to assets owned by your

IRA such as: managing the property, maintenance, etc.

You may not pledge your IRA as collateral for any loan outside of the IRA.

You may not place either your office or your place of business within properties your IRA owns. This applies even if you pay your IRA a fair market rent.

You may not deduct for depreciation, property tax payments, repairs, loan interest, points, nor any other deductions normally afforded to investment properties. Since IRAs generate no ordinary income tax until funds are distributed, there is no taxable income to deduct against.

You may not earn commissions from trades and transactions within your IRA.

You may not lend to or borrow from your IRA, nor may you buy or sell assets directly to or from it. The same holds true for your spouse and both of your ascendants and descendants, as well as your retirement advisors.

Note: When in doubt as to whether or not your investment is in compliance, You should always consult a professional before proceeding.



Getting started is easy. American IRA works with your existing advisors. You just tell us what you want to buy and sell and we execute!



How To Get Started

Suppose you've identified a quality residential rental property. The price looks right, and you want to hold it in your IRA. Here's how to make this happen:

Step 1. Open a self-directed IRA account.

To buy the property in your IRA, you would first open and fund an account with American IRA simply by executing a trustee-to-trustee transfer or rollover from your existing IRA or 401(k), 403(b), 457, DB, MP, PS account.

Step 2. Direct us to buy the property for your IRA.

You would then fill out an American IRA Buy Direction Letter, detailing the precise property and purchase price.

Upon receipt of all read and approved docs that are vested in the name of the IRA, American IRA would complete the transaction and accept the deed on behalf of your IRA. Note that it's your IRA that holds the deed rather than you personally. Your IRA is its own separate entity.

Step 3. Administer the asset in accordance with

applicable laws.

It's your responsibility to work with professionals so you can ensure that your investment is operating within IRS guidelines. The American IRA team will take care of your account's administration and provide you with education along the way. As a third party administrator, we do not provide advice nor perform any due diligence on any investment. You are responsible, along with your professionals, for your own due diligence and to ensure that you are operating within IRS guidelines

Other Options

You aren't limited to self-directing IRA accounts. See our other brochures in this series for information on how you can take personal control of the assets in your solo 401(k) plan, Roth IRA, SEP, SIMPLE IRA, and even in your Health Savings Account!

About American IRA

American IRA, LLC, with offices in Asheville and Charlotte, North Carolina, specializes in

providing third-party administrator (TPA) services for owners of self-directed retirement accounts, including IRAs, Solo 401(k)s, SEPs, SIMPLE IRAs and others. Founder James Hitt has decades of experience in real estate transactions and in self-directed retirement investing.

Our low set fees allow you to minimize expenses and maximize the overall returns in your self-directed IRA. We only charge for services that you actually use, rather than as a percentage of your total assets. All cash is deposited in an FDIC-insured account when not committed to other assets.

Once you partner with American IRA, LLC, you will be assigned a dedicated IRA administrator. That way, there is no need to reinvent the wheel with a new individual every time you call.

If you're ready to move beyond the humdrum world of mediocre returns offered by most mutual fund managers and stockbrokers, and you want to learn more, give us a call today, at 1-866-7500-IRA (472).

Self-Directing your IRA Investments gives you...

- More choices
- More diversification
- More control
- Leverage is an option
- It features the potential for higher returns than mutual funds, stocks, or bonds
- It features the ability to focus on your areas of expertise
- Stocks can become worthless overnight, but land will always have value!

Declare Independence from Wall Street!

To find out more, or for a detailed consultation, call us today at 1-866-7500-IRA (472).

Notice: American IRA, LLC is a third-party administrator and does not give legal, accounting, tax, investing or other specific advice. For information and advice specific to your individual situation, you should seek the services of qualified and licensed professionals practicing in your state.

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