

CHAPTER 5

YES!

YOU CAN INVEST IN REAL ESTATE WITH YOUR IRA!

**THE OFFICIAL
SELF-DIRECTED IRA INVESTORS GUIDE**

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CHAPTER

HOW TO OPEN YOUR SELF-DIRECTED IRA TO INVEST IN REAL ESTATE

Ready to officially open your self-directed IRA? It's not hard— and we're here to help if you have questions. This chapter outlines what you'll need to open your self-directed IRA with IRAR in order to buy real estate. We'll also provide tips to streamline the process from the team that will open your account.



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Introduction

Once you've identified the right retirement account for your investment strategy, you'll need to open a self-directed IRA with IRAR, the process is easy. See the [previous chapter](#) for more details on accounts.

If you already have a retirement account and you want to move to a self-directed IRA, we cover how to do that in the next chapter, [“Funding Your Self-Directed IRA”](#). If you need additional assistance, we'll be glad to help.

NOTE: You need to be careful about opening the right kind of IRA for your existing account. Certain accounts have special rules about what, how, and when transfers can occur between accounts.

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Account Types

What type of retirement account you open makes a difference. They come with different rules and restrictions, so it's important to make the right choice for your types of investments. See the [previous chapter, Self-Directed IRA Account Types](#), for in-depth information on each type of self-directed IRA.

The accounts offered at IRAR are:

- Traditional IRA
- SEP IRA
- Roth IRA
- SIMPLE IRA

Each account has slightly different rules, deadlines, and contribution limits. The type of IRA you have impacts how you file your taxes, whether you can deduct your contributions, and if you have to start taking Required Minimum Distributions (RMD). So, keep that in mind when opening your self-directed IRA.

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Restrictions When Moving Retirement Funds Between Account Types


Not only does each type of account have its own rules, but retirement accounts have rules about what accounts they can transfer into.

For example, the two most common types of IRAs—Roth and Traditional—can't transfer into one another. A Roth IRA must transfer to a Roth IRA, and a Traditional IRA must transfer to a Traditional IRA (unless you're doing a Roth Conversion).

So, you can see why it's important to make sure you're opening the right account before you start. If you're unsure what type of account you have, we recommend talking to the financial institution where you have your account. If you don't have an account, talk to a financial professional that can assess your tax situation.

This chart shows the IRS compatibility and portability rules for moving retirement accounts:

ROLLOVER CHART

		Roll To							
		Roth IRA	Traditional IRA	SIMPLE IRA	SEP-IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roll From	Roth IRA	Yes ²	No	No	No	No	No	No	No
	Traditional IRA	Yes ³	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	SIMPLE IRA	Yes ³ , after two years	Yes ² , after two years	Yes ²	Yes ² , after two years	Yes ⁴ , after two years	Yes, after two years	Yes, after two years	No
	SEP-IRA	Yes ³	Yes ²	Yes ^{2,7} , after two years	Yes ²	Yes ⁴	Yes	Yes	No
	Governmental 457(b)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes	Yes	Yes	Yes ^{3,5}
	Qualified Plan ¹ (pre-tax)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes ⁴	Yes	Yes	Yes ^{3,5}
	403(b) (pre-tax)	Yes ³	Yes	Yes ⁷ , after two years	Yes	Yes ⁴	Yes	Yes	Yes ^{3,5}
	Designated Roth Account (401(k), 403(b) or 457(b))	Yes	No	No	No	No	No	No	Yes ⁶

¹Qualified plans include, for example, profit-sharing, 401(k), money purchase, and defined benefit plans.

² [Only one rollover](#) in any 12-month period.

³Must include in income.

⁴Must have separate accounts.

⁵Must be an in-plan rollover.

⁶Any nontaxable amounts distributed must be rolled over by direct trustee-to-trustee transfer.

⁷Applies to rollover contributions after December 18, 2015. For more information regarding retirement plans and [rollovers](#), visit [Tax Information for Retirement Plans](#).



TIP:

If you are a real estate investor, make sure to open the self-directed IRA as soon as possible to avoid missing out on a deal.

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How to Open Your Self-Directed IRA

To open an IRAR Trust Company self-directed account, you need to complete, sign, and submit an **Account Application**.

We'll need you to provide a copy of your government-issued, non-expired identification (like a driver's license or passport). The copy must be legible, show a clear photo and your signature. If your signature is on the back of the ID or driver's license, we require a copy of the back as well. If the address on your ID is not current, you can attach a copy of a current utility bill to verify residency.

Be sure to include accurate and up-to-date information at every step of the application, or there may be delays in opening your account.

Required Documents

- IRAR Account Application
- Copy of Government-Issued ID



Account Application Tips

When filling out your application, make sure all the information is correct and the application is complete. We ask for this information because we need it. Although it may seem like some of these options, such as sections for payment of fees or your beneficiaries, don't seem like they can have a big impact, they can. Think over each choice carefully, and make sure it fits with your financial and retirement goals.

Signature & Acknowledgements

One of the biggest things that holds up new account applications is the application signature. We can't process the application without your signature.

Through your signature, you acknowledge and agree that:

- You're appointing IRAR as custodian for your IRA
 - The account is a "self-directed" account, and IRAR is acting under your direction. You are responsible for conducting due diligence on the investments and making investment decisions.
 - IRAR is acting solely as a passive custodian (not as an advisor or investment provider) and is not a fiduciary to your IRA.
- You're taking responsibility for any tax liabilities related to contributions to, transactions with, and distributions from your IRA.
 - Since your IRA is self-directed, you need to be aware of the tax consequences of your retirement directives.
- You're promising you are who you say you are and the social security number on your application is your valid social security number.
- You're acknowledging the assets you're investing in are not prohibited.
- You're agreeing to pay for any services or requests as listed in the fee schedule prior to IRAR completing the task or service.
- Lastly, you're assuring us that the information on your application is true and accurate to the best of your knowledge.

We need you to acknowledge this with your signature and date, or else we can't open your account.

Email Address

You'll also need an email address to open your account. This is required.

Each applicant must have his or her own email address. If the email address on your application is already being used for another account, we'll need a different email address to open the account. If you don't have one or you share an email address, there are many free resources online to create a personalized address.

However, if you have more than one IRA (for example, if you have both a Roth and a Traditional IRA), the same email may be used for both.

We understand that sometimes spouses share an email address. However, most software systems use email as an individual identifier, and IRAR's systems work this way too. Sharing an email address can cause issues with accessing your account online or receiving communication about your IRA. Even if you use a shared account for day-to-day use, we highly recommend that you have your own for account security purposes.

Fee Disclosure

This fee disclosure is included in your application kit and outlines the costs for your self-directed IRA. Read this agreement fully, as it applies to all charges on your account. By signing and submitting your account application, you are agreeing to pay these fees in a timely manner. You're also telling us how you want us to charge the fees (either through a provided credit card or directly from the account).



Beneficiaries

When opening your account, you aren't required to designate any beneficiaries, but we will notify you if you haven't. It won't delay the opening of your account if you don't fill out this section of your application, but we do have to let you know. You can update or add this information at any time by filling out a Beneficiary Designation Form.

Even if you already have a will or trust, it's worth it to set up your IRA beneficiaries officially. This way you're ensuring your intended heirs are inheriting as soon as possible (so the IRA isn't stuck in probate) and you're giving them an additional option to use these savings in their tax-advantaged state.

Consider filling out the paperwork. It only takes a moment.



TIP:

Save more in your IRA! Pay your IRAR fees with a credit card (instead of deducting them from your IRA).

You're limited in how much you can contribute to your retirement account, and once the funds are out of the account, they can't go back. Keep this in mind when deciding how to pay the fees for your IRA.



Government-Issued Identification

We need a copy of your government-issued identification front and back, to open your account. Make sure it's fully legible, including a clear picture with a visible signature. The address needs to match your account application. If your current address is different than your identification, we'll need a copy of a recent utility bill showing your current address.

Examples of Acceptable Identification:

- A Personal or Commercial Driver's License
- A Government-Issued State Identification Card
- A Government-Issued Passport





In a Nutshell

The process to open a self-directed IRA with IRAR is simple. Just be sure to complete each portion of your application fully and accurately. Be sure to open the account with a unique email address, note how you want your fees paid, and sign your paperwork as required. If you have any questions along the way, we'd be happy to help. Just give one of our Certified IRA Specialist Professionals (CISP) a call or email.

Have any questions? IRAR is ready to assist.

For any tax or legal concerns, please consult a financial advisor.

CHAPTER

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FUNDING YOUR SELF-DIRECTED IRA

If you've already been saving for retirement, or if you've been in the workforce a few years, you probably have an existing retirement fund somewhere. You can move that money to a self-directed IRA to invest in real estate. Even if you don't have existing savings, it's still not too late to start. You can start contributing and investing right away.

READY FOR THE NEXT CHAPTER?

CHAPTER 6: Funding Your Self-Directed IRA