MIDLAND
SELF-DIRECTED IRAs & 1031s

Private Lending Investments in a Self-Directed IRA

The Basics

Private lending investments are one way self-directed IRA owners use their accounts to earn retirement income. In these transactions, the IRA lends funds to an individual or entity in the same manner a typical lending institution would. Borrowers may be seeking funds for a new home, vehicle, capital for their own investment, for business funding, and more. Self-directed retirement accounts can also participate in fractional ownership of notes and can purchase existing, discounted, or distressed notes.

The Benefits

- The IRA earns tax-sheltered income that flows directly into that account at rates that are generally higher than more traditional investments such as bonds, CDs, or mutual funds.
- The borrower is able to acquire income somewhat quickly and without suffering the hassle of today's restrictive lending requirements imposed by typical lending institutions.

Case Study

In 2009, Buddy buys a property in his IRA f or $50,000. In 2010, Buddy sells the property and offers seller financing. The contract price is $65,000 ($15,000 down from buyer) with a $50,000 five-year loan to buyer, secured with a mortgage.

The mortgage is paid in monthly, fully amortized payments of $1,014. In 2015, the loan is paid in full. Interest paid in the amount of $10,829 along with full principal of $50,000—all tax-sheltered gains within Buddy's IRA.

How It Works

- The IRA owner performs due diligence including fully vetting the borrower
- The IRA owner sets the terms of the loan terms such as the interest rate and life of the loan
- The loan can be secured by collateral (which the IRA claims ownership of in case of default) or unsecured with a higher interest rate

Contact Midland IRA to find out more about these assets and more that can build wealth and add diversity in your retirement portfolio.

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