

# Real Estate IRAs

DISCOVER THE INCOME-EARNING POTENTIAL

**Investing a self-directed IRA into real estate grows retirement income by achieving both rental income and value appreciation, tax-free. Self-directed IRA are an excellent source of alternative funds when considering investing in real estate.**

## Why Midland IRA?

- Pay bills online using Midland360.com
- Make updates to your online account 24/7
- Next business day processing on bill payments
- Set-up auto debit for your rental tenants
- Services accounts for over a thousand real estate clients a year



## Know the Rules

1

The property must be for investment use only.

2

All investment property qualifies: 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 and the investor's lineal ascendants and descendants.

4

Property is titled in the name of the IRA: Midland Trust Company as Custodian FBO Client's Name, Client's Account Number.

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### The Process



Establish an IRA with Midland IRA by going to [apply.midlandira.com](https://apply.midlandira.com)

**Fund** the IRA.

**Submit offers** using IRA title as the buyer.

Complete the Midland IRA real estate purchase authorization form instructing Midland IRA 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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### 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 IRA for more details.

#### Is Midland IRA a property manager? Do I need a property manager?

Midland IRA 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.



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### Aside from a non-recourse loan, how else can the IRA purchase a property?

Cash purchase (using 100% IRA funds) or partner IRA funds with funds from another source or yourself 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 contracts is the IRA, which has its own titling provided when the account is setup. 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.

You can set up an account by going to [apply.midlandira.com](https://apply.midlandira.com).

