

What are the benefits of a self-directed IRA?

Full disclosure – Central Ohio Real Estate Investment LLC uses self-directed IRA accounts to invest in real estate syndication investments.

Benefits of a self-directed IRA can be profitable, but there are various avenues for saving that one can use to save for their retirement. The **retirement avenues** include self-directed IRAs, *mutual funds*, **bonds** and *stocks* among others. If you are looking to have diversification and control when you invest your retirement funds, self-directed IRAs are the way to go.

What Makes a Self-Directed IRA an Attractive Option?

Most people have been putting money in their IRA and it is their biggest source of investment capital. In order to use your retirement funds for investment, it is important to look at the tax consequences. A 401(k) is great if you are planning to receive your distributions a little at a time, after retirement but if you consider withdrawing the whole amount or a large portion of it for investment, the tax consequences are big. An IRA, especially one that is self-directed, saves you from such tax liability and allows you to withdraw the amount you need for investment. You are able to select investments that will cause your retirement account to become more valuable. These IRA investments are what make this form of saving so attractive. A self-directed IRA allows for diversification in an investment portfolio. Also like the name says the investor chooses the investments not a money manager or your employer. Another benefit of a self-directed IRA account is the ability to receive monthly cashflow, as well as depreciation and operating expense deductions when investment is done right. Consult your tax professional for advice.

To speak to a professional about Self-Directed IRA Investments in Central Ohio [Click Here](#)

Self-directed IRA accounts provide far more benefits to the right investors, than any other retirement account out there in my opinion. There are two main reasons for this. To get a better understanding of what I mean read the article titled “Which is better self-directed IRA or a traditional IRA?” It was sent to you 3 days ago.

The first benefit is diversification. Every good money manager or investor knows diversification is the key to beating the lows of any investment market. The short list of mutual funds or ETF's that employers and financial intuitions provide is not any type of diversification. The investor is still invested in the same asset class. The stock market!

I know the experts will say that there is multiple sectors and the diversity is in the sectors. Tell that to the investors that lost their retirement savings during the .com bust, or more recent in the 2008 September melt down of the stock market.

The investors that had IRA investments with smart operators still saw the monthly return on investment; due to the operator switching to a buy – [discounted real estate, and make rent ready], rent – [at market rate] and hold – [I have some clients during this period that started out tenants, and are now home owners of the same property today] strategy.

I am not stating that real estate investing with a self-directed IRA is recession proof and without risk. Far from it, every investment carries some inherent risk, and you should consult a trusted

professional. What I am saying is that Central Ohio Real Estate Investment LLC self-directed IRA investing can be the most diversified, best backed –[due to hard asset lien], most predictable return on investment the right investor can have.

What are the challenges facing Self-Directed IRA?

Prior to going into any venture, it is prudent to evaluate the risks. There are several tax rules that govern these IRAs and making a mistake can have dire consequences. These 3 rules must be understood by anyone who is contemplating to use this investment vehicle:

1. You cannot invest your IRA Assets into a business where you hold more than 50% shares or where you are listed as one of the corporate officers. Additionally, you cannot use your assets to purchase a vacation home or use it for personal benefits.
2. If you are looking to purchase IRA investments and need financing, you cannot combine your IRA assets with personal assets.
3. Your investments should not generate a large amount of unrelated taxable income from the business. This is known as “Unrelated Business Income Tax” or “UBIT”. In the case of debt financed income or passive real estate investments using an IRA. It is the “Unrelated Debt Financed Income Tax”. It is a tax on the percentage of opportunity gains attributed to debt financing. Consult your tax professional for advice.

In the event that these rules are violated, you jeopardize the special status of your IRA as being tax-exempted, meaning that your retirement account can become taxable immediately and even become subject to various penalties. It is important that you get a professional to explain these provisions to you so that you understand them clearly. Before you start investing in this IRA, you will need to have a clear understanding of the investment you are getting into and ensure that it does not land you in trouble with these provisions. It has been Central Ohio Real Estate Investment LLC that our clients are receiving an internal rate of return equal to 10% to 13% after UBIT.

How can you keep your Self-Directed IRA safe?

[Schedule a 15min question and answer talk with a licensed Realtor CLICK HERE](#)

You will need to select a custodian or financial institution to be your IRA custodian. It is important that you carry out research on the said institution. Make sure that they are known for having integrity and that their charges are wallet friendly. If you have a 401(k) plan, you can roll over the money into a self-directed IRA and take advantage of it.

To receive a list of professional custodians, [CLICK HERE](#)

Self-directed IRA accounts provide far more benefits to the right investors, then any other retirement account out there. There are two main reasons for this. To get a better understanding of what I mean

read article 2 “Which is better self-directed IRA or a traditional IRA?” It was sent to you three days ago by email.

The first benefit is diversification. Every good money manager or investor knows diversification is the key to beating the lows of any market. The short list of mutual funds or ETF’s that employers and financial intuitions provide is not any type of diversification. The investor is still invested in the same asset class.

Self-directed IRA accounts allow the investor to truly diversify with several investment options over several different asset classes. Generally speaking, having a SDIRA account is extremely favorable for investors. The reason for that is the vehicle allows for tax-advantaged real estate investments. This drastically increases the rate at which the size off the IRA can grow.

The second reason that investors are attracted to self-directed IRA accounts is control. The employer retirement plans to include the 401k retirement plan has limited options. Most of them if not all in one asset class. Self-directed IRA accounts give you the control and ability to invest wisely according to the experts; by investing in different asset classes rather than one asset class and different sectors. Common sense tells us this is a better way of investing; rather than putting your retirement eggs all in one asset class basket.

In conclusion there isn’t one investment strategy that is great for all investors. Also, every investor should be diversified in asset classes not just sectors of the market. Roger Loesel with Ditter & Associates the Investment Realtor for Central Ohio Real Estate Investment LLC has provided this information as a guide to help educate SDIRA investor to make investments based on facts and research.

[Schedule a 15min question and answer talk with a licensed custodian CLICK HERE](#)