



REAL ESTATE IRA ASSETS

CONGRATULATIONS, YOUR ACCOUNT BOUGHT REAL ESTATE!

SUBMIT EXPENSE REQUEST FORMS TO

EMAIL

expenses@iraclub.org

MAIL

67 E. Madison St.
Suite 1510
Chicago, IL 60603

FAX

312-283-2615

IMPORTANT REMINDERS

Do not pay IRA real estate expenses out of your own pocket.

The IRS prohibits personal use of the property under IRS IRC 4975.

A 3rd party must do repairs – you may not put in any “sweat equity.”

BENEFITS OF OWNING REAL ESTATE IN AN IRA

- The IRA receives all income generated by the property.
- In most cases - the income is 100% Income Tax-Deferred or 100% Income Tax-Free in a ROTH IRA.
- Income accumulates so your IRA can make future investments. This allows your IRA to grow and compound in size much quicker than if you made the earnings with non-IRA funds.

ONGOING MAINTENANCE OF THE PROPERTY

- In general, you can perform “administrative” functions to manage the IRA investment property.
- You or a family member may not invest “labor” into the property. Sometimes, this is referred to as “no sweat equity.” If work needs to be done, call your property manager or a local handyperson or professional.
- To pay an expense, please complete and sign an Expense Request Form (found on our website.)
- It is the IRA owner’s responsibility to monitor any expenses due.
- Send all rental income to your IRA Club self-directed IRA account.

PROHIBITED TRANSACTIONS

- A family member or any other disqualified person may not live in the house. The IRS states the investment must be for the exclusive benefit of the IRA and not for the current benefit.
- A third party must complete maintenance on the property.
- Do not pay IRA real estate expenses out of your own pocket. Make sure to maintain enough cash in the IRA account to cover these costs.
- For more information, see IRC Section 4975 and the IRS Publication 590-B.





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INCOME

Remember, one of the key advantages of an IRA owning real estate is that it gets to deposit the income! This includes rent, profits from a flip, etc. It is important to not collect or deposit these funds to personal accounts. Always have real estate income deposited to your IRA Club account. This allows your IRA to grow and compound in size much quicker than if the earnings were made outside the IRA account.

RENTAL INCOME *

Your tenant will make checks payable to your IRA (not you personally). IRA Club does allow you to collect the rent, but you will need to forward it to IRA Club for deposit.

Checks should be made payable to your IRA as follows:

Diagram of a check stub with the following fields:

- Date _____
- PAY TO THE ORDER OF IRA CLUB FBO (YOUR NAME) IRA (ACCT#) \$
- _____ DOLLARS
- FOR _____

If your IRA has partnered with another IRA or individual, make sure the income is split pro rate to the original percentage of ownership.

ONGOING MAINTENANCE & EXPENSES

In general, you can perform “administrative” functions to manage the IRA investment property. You or a family member may not invest “labor” into the property. Sometimes, this is referred to as “no sweat equity”. If repairs or other work needs to be done, simply call a local handyman or other professional.

Common IRA Real Estate Expenses include:

- Property Tax
- Insurance
- Water, Electricity, and Trash Removal
- Landscaping
- Upgrades and Improvements

Do not make personal payments for IRA real estate expenses. The IRS strongly discourages account owners from reimbursing themselves with IRA funds. Play it safe so you don't accidentally trigger a taxable event or distribution.

If your IRA has partnered with another IRA or individual, make sure the expense payments are also split pro rate to the original percentage of ownership.

