



# Partnering With Your Self-Directed Account

PARTNERING YOUR IRA, HSA, OR SOLO 401(K) WITH ANOTHER SOURCE OF FUNDS IS A POWERFUL TOOL.

## Partnering Rules

- ↗ The partners participate from the very beginning.
- ↗ The original participation percentages (the split) remain unchanged.
- ↗ The ratio (the split) is based on the actual dollar amounts invested. For example, if your IRA invested 62.3%, it will earn 62.3% of the benefits.



## FAQS

### WHAT HAPPENS IF THERE IS A NEED FOR ADDITIONAL INVESTMENT DOLLARS?

The need for additional funds is rare, especially if the investment is a rental property. If a need does come up, **maintain the ratio**. If your IRA originally invested 58%, then your IRA would invest 58% of the new capital.

### WHAT IS THE EASIEST WAY TO PARTNER AN IRA?

By far the easiest way to partner (on a rental property) is to engage a property management company. This will take the work out of your hands. The property management company finds the tenant and collects the rent, pays the bills, and sends each partner its prorated share of the revenue.

### WHY ISN'T THIS A PROHIBITED TRANSACTION?

This question is understandable. Most people know that an IRA cannot transact business with a disqualified person. However, partnering, even with a disqualified person, is not a prohibited transaction. This is because the IRA and the other party (even if the other party is yourself) are not transacting business with each other. Rather, they are each investing solely for their own benefit. Even if the two parties are investing in a common investment, each party is acting only for its own benefit. It makes no difference if the other investor is yourself, your spouse, or your child.

### MY IRA AND MY SPOUSE'S IRA WANT TO INVEST IN THE SAME OPPORTUNITY. IS THAT ALLOWED?

Yes! Because each IRA is investing only for its own benefit, each IRA will receive its proportionate share of the earnings. Your IRA is not disproportionately benefiting the other IRA and the other IRA is not disproportionately benefiting your IRA.

### CAN MY TRADITIONAL IRA AND MY ROTH IRA (EVEN MY SEP IRA) INVEST IN THE SAME OPPORTUNITY?

Yes. As long as you partner in the investment from the beginning and keep the benefit prorated to the dollar amounts invested. Remember: percentage in, percentage out.

If your Traditional IRA invests 50% and your Roth IRA invests 50%, you cannot have 90% of the earnings to be placed in the Roth. This is not allowed.

## A Sample Situation

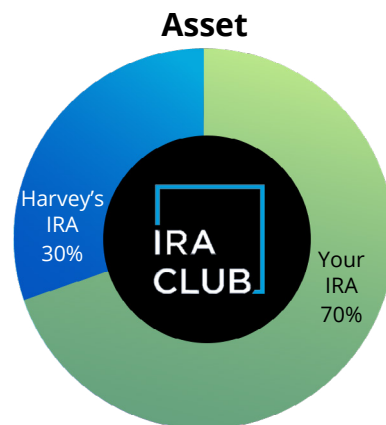
You just identified a great Real Estate investment opportunity. You've run all the numbers and know it will take \$100,000 to make this deal work. Your IRA has \$70,000 of investable capital. Because your IRA is \$30,000 shy of funds, you can feel this opportunity slipping away. Sad and discouraged, you walk into Starbucks to drown your frustrations in a giant cup of their most robust coffee. As you walk in, you see your friend Harvey. You join Harvey at his little round table to tell him how this opportunity will slip away because your IRA is \$30,000 short.

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### Scenario 1

Harvey says, "My IRA has \$30,000 of investable capital. Let's partner our IRAs!" Can this be done? Sure! The title to the property will clearly state that **your IRA owns 70% and Harvey's IRA owns 30%**.

- ✔ Your IRA will receive: 70% of the benefits (rent income/proceeds at sale/etc.) income tax-free or income tax-deferred.
- ✔ Your IRA will be responsible for: 70% of the costs.
- ✔ Harvey's IRA will receive: 30% of the benefits (rent income/proceeds at sale/etc.) income tax-free or income tax-deferred.
- ✔ Harvey's IRA will be responsible for: 30% of the costs.

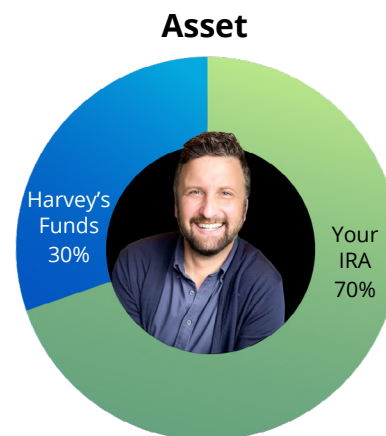


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### Scenario 2

Harvey says, "I don't have an IRA, however, I personally have \$30,000 of investable capital. Let's partner!" Can this be done? Sure! The title to the property will clearly state that **your IRA owns 70% and Harvey (an individual) owns 30%**.

- ✔ Your IRA will receive: 70% of the benefits (rent income/proceeds at sale/etc.) income tax-free or income tax-deferred.
- ✔ Your IRA will be responsible for: 70% of the costs.
- ✔ Harvey will receive: 30% of the benefits (rent income/proceeds at sale/etc.) That will be taxable income to Harvey.
- ✔ Harvey will be responsible for: 30% of the costs.



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### Scenario 3

Harvey says, "I don't have an IRA and I don't have any investable capital." First you think to yourself, "I need to get a better group of friends." Then you realize, "Wait a minute, I have \$30,000 of investable capital myself." Can your IRA and you (an individual) partner to buy the property? **Yes!** The title to the property will clearly state that **your IRA owns 70% and you (an individual) own 30%**.

- ✔ Your IRA will receive: 70% of the benefits (rent income/proceeds at sale/etc.) income tax-free or income tax-deferred.
- ✔ Your IRA will be responsible for: 70% of the costs.
- ✔ You (the individual) will receive: 30% of the benefits (rent income/proceeds at sale/etc.) that will be taxable income to you.
- ✔ You will be responsible for: 30% of the costs.

