



# Capital IRA

YOUR SELF DIRECTED IRA EXPERTS

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## 9 Reasons Why

You Should Invest in Real Estate With Your IRA

**Diversification:** You cannot guarantee a secure and successful retirement relying only on the traditional stock market. Your retirement portfolio should be well diversified, giving you protection against downturn in one or more of your investments. Diversification does not occur if you simply buy shares in different stocks. The volatility in the market has proven to be widespread.



*The bursting dotcom bubble of the late 1990s was a lesson to all of us. Reports state that some \$1.7 trillion was lost in retirement accounts from 2000 to 2004. You need other options for investments that are independent of the ups and downs of the stock market. Companies go under and disappear. Real estate is here to stay.*

*Diversification of your investments is critical. Varying the investments in your retirement portfolio protects you against huge fluctuations and drops in the stock market, bad management of your portfolio by others, poor investment returns and changes in the rules. Buying real estate is one way to diversify a portfolio from stocks, bonds and mutual funds, providing a solid and dependable alternative to the stock market.*

**Dependability:** Despite the fluctuations in the real estate market, history has proven that real estate is among the most dependable investments you can ever make. Stock market indices fluctuate wildly and dramatically. In the long term, real estate has a very reliable and steady rate of return, and a smart real estate investor can usually beat the numbers easily.

**Control:** No one cares as much about your money as you do. If you control it, you decide where it goes and what it does once it gets there. You can rely on your own knowledge, research and expertise to control your IRA investments, not the knowledge and interest of others or the cyclical ups and downs of the stock market.

*With control comes power. The power to direct your hard-earned money into something you choose puts your future in your hands.*

**Tax Benefits:** Our government wants us to invest in real estate. Real estate investors enjoy tremendous tax benefits. In a real estate IRA, gains from real estate accrue on a tax-deferred or even tax-free basis in your IRA, whether they come about through increase in asset value or actual transactions. Capital gains do not get taxed at the time of sale as long as the proceeds of the sale remain in the IRA.

**Income and Appreciation:** The real estate owned by your IRA can generate positive tax-deferred or even non-taxable income to you. Positive cash flow is a wonderful way to grow your IRA assets, especially considering the incredible tax benefits. Remember that all income generated from IRA-owned real estate flows into your IRA, allowing it to grow even after you have made your maximum contributions for a particular year. Other investments grow largely on paper. Income from a self-directed real estate IRA is actual cash flow into your retirement future.

*Many people want to purchase income-producing property, but don't feel they have adequate disposable income to invest. With your IRA, you may have a sizeable account at your disposal that can be used to enhance your investment portfolio through real estate ownership. Finally, in addition to income, there is the extra bonus of appreciation of the real estate owned by your IRA. As your property appreciates, the value of your IRA will skyrocket.*

**Estate and Asset Protection Planning:** IRAs can pass to your beneficiaries without going through the probate process. Real estate owned by your IRA is a terrific way to make sure your heirs receive the benefit of your IRA investment.

*Also, remember that IRA assets are generally exempt from claims of creditors. In 2005, the U.S. Supreme Court ruled unanimously that IRA assets are protected from creditors in bankruptcy proceedings. So, your future retirement home can sit safely in your IRA until you are ready to use it.*

**No Time Limit or Identification Issues on Exchanges:**

Investment properties can be purchased and sold on a tax-deferred basis without regard to time limitations, such as with a 1031 exchange. In a 1031 exchange, which allows the tax on the gain of the sale of investment property to be deferred until you sell your last property, you are required to comply with several timing rules. For example, you must identify the "replacement property" that you are buying with the proceeds from the sale of the "relinquished property" within 45 days of the sale, and must close within 180 days. If you purchase and sell real estate in your IRA, there is no time limitation on identification or closing, and the tax deferral or exemption of your gain is the same.

*The properties being exchanged in a 1031 transaction must be "like kind." So, for example, you must exchange real estate for real estate. You would not be able to, for example, exchange the sale of a promissory note with the purchase of real estate. There are no such limitations on the use of your IRA money for these investments.*

**Note:** *If your IRA-owned real estate is leveraged UBIT (Unrelated Business Investment Tax) may be applicable.*



**Fees:** At Capital IRA, your self-directed IRA account fees are typically much lower than they would be for a traditional IRA. Our annual account fees average less than 1% of your account value per year, and decrease even further after the first year. For a traditional IRA account, although custodial and other fees may appear to be low, you can expect to pay significantly higher annual fees, because there are charges that are more difficult to see and understand. Traditional IRA account fees can vary widely, but generally range from 2% to 4% of your account value (if you use a full service financial firm or stockbroker). Capital IRA account fees are reasonable and very competitive within the self-directed IRA market.

*There may be costs associated with your purchase of a particular piece of real estate, such as closing costs, real estate transfer tax, title insurance, etc., but these are one-time fees that do not recur.*

**Touch Your Investment:** Your traditional IRA investments appear to you on paper. Sure, you can see what they're worth at any given day, but they really only exist on paper. Real estate owned by your IRA is a tangible, physical asset. You can touch and see what your hard work has accomplished for you.

*You can buy any type of investment property with your IRA, such as residential, commercial or industrial properties, or even vacant land. While you can't live in a home owned by your IRA before you retire, you can buy it at today's prices and hold onto it. Once you retire, you will not be faced with purchasing an unaffordable home at prices higher than they are today. And, while you're waiting to retire, the property can be rented to certain family members, friends or to just about any other tenant, giving you income while your asset grows.*



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