

Supercharge your IRA returns with real estate investments.

After seeing so much wealth disappear in the stock market over the last few years, many people are looking at real estate as an investment alternative. The U.S. stock and bond markets, hindered by political and economic uncertainty and the war against terrorism, combined with corporate scandals and corruption (i.e. Enron, Worldcom etc.), resulted in many investors seeing their retirement accounts cut in half. While stocks were going nowhere after tanking in 2000, real estate prices logged their biggest rise on record between 2001 and 2005, with an average annual gain of 19%, according to the National Association of Realtors.

Compare the return you have received on your stock/bond investments over the same period to the gains produced in real estate. Who hasn't seen a real estate investment you could have bought for pennies "back then" and can't afford to buy now? How can you be satisfied with mutual funds breaking even or being slightly profitable when real estate can easily provide you with double-digit returns?

After completing a successful real estate transaction, do you ever wish the profits weren't taxable, giving you more money to do the next deal? How many more deals could you do if you didn't have to give away a portion of your profits to the tax man?

A little known option for investing in real estate is using your Individual Retirement Account. So how do you do it? You simply complete a tax-free rollover of your existing IRA from your current retirement account custodian to an IRS approved custodian that allows you to have a Self-Directed IRA. These custodians are commonly called "Self Directed IRA Administrators"

Investing in real estate within an IRA is not a new concept. In fact, there are more than \$7 trillion dollars held in retirement accounts with 3% of those retirement accounts currently in Self-Directed IRA's with real estate holdings. Real estate investment within your IRA is a viable, productive alternative to mutual funds, stocks, bonds and your typical brokerage accounts. Which do you know more about: stocks or real estate? If you answered real estate, then consider using your expertise to boost your retirement funds.

Are you asking, "Why haven't I heard of this before?" Who would tell you, your stock broker? They will only let you invest your IRA in investments their firm offers. The traditional investment community has control of over 97% of retirement accounts, and they have been making a great living off your accounts. Why would they want to let you know about alternatives that they would not be able to charge for? They make commissions, brokerage fees, management fees and account administration fees handling your stock, bond and mutual fund investments.

What types of retirement accounts can be moved into a Self-Directed IRA? That's easy; traditional IRA's, SEP IRA's, Roth IRA's, 401K's, 403B's, Coverdell Education Savings, Qualified annuities, profit sharing plans, money purchase plans, Keoghs, government eligible deferred compensation plans. In other words, virtually any and every retirement account! Once you have opened your Self-Directed IRA, you are free to use those funds to purchase raw land, improved real estate or a variety of investments previously unavailable to you with your traditional retirement accounts. The rules governing allowable investments by Self-Directed IRA's preclude an IRA's investment in life insurance, collectibles (artwork, antiques, coins, gems etc.) and S-Corporations. Virtually, all other types of investments are permitted, and thus the range of possible investment choice is nearly unlimited. Consequently, your Self-Directed IRA can purchase any form of real estate.

As to be expected, there are important rules and regulations to follow. However, they are very simple and reasonable. Some of the most notable are: 1) the real estate must be an investment property, not a personal residence for you or family members. 2) You are not allowed to personally guarantee a loan for your Self-Directed IRA; you can however use a commercial non-recourse loan. 3) When you buy real estate the seller cannot be a disqualified person. A disqualified person is yourself, your spouse, your children, your parents or a corporation in which you or any other disqualified person owns a 50% or greater beneficial interest. 4) The Self-Directed IRA is responsible for all expenses related to the asset for the life of the investment, additionally, any income generated by the asset must be received by the Self-Directed IRA. Although some additional rules apply, the aforementioned are the most pertinent. Not to worry however, a good Self-Directed IRA Custodian will ensure that you are always in compliance with IRS rules and regulations.

Some additional features of a Self-Directed IRA include the ability to partner with other individuals, their IRA's, any other qualified or disqualified individual, and even yourself (with your personal non-retirement funds). The Self-Directed IRA is responsible for all expenses related to its asset for the life of the investment.

If your Self-Directed IRA is partnering with another investor, each bill must be paid according to the initial established ownership ratio. As previously stated, it is acceptable for your Self-Directed IRA to partner with personal funds or disqualified persons. However, it is extremely important to remember that the ownership percentages must be kept constant throughout the deal and all expenses as well as income must be split according to that ratio. It is also important that the dollar amounts be proportional to percent ownership among all qualified and disqualified persons. Because all property expenses, including taxes, insurance and repairs, must be paid from funds in your Self-Directed IRA, you'll need liquid funds available in your account. All income generated from the property will be deposited in your Self-Directed IRA account so you can use that money to cover costs. Additionally, you can make annual contributions to your Self-Directed IRA according to federal guidelines.

Investments in your Self-Directed IRA are NOT just limited to individual parcels of land and improved real property. You can even purchase shares of a Limited Partnership, Land Trust, C-Corporation, Limited Liability Company, TIC (tenant in common interest), REIT's and more! For the long term investors out there, you will be happy to know that you can even choose to withdraw real estate from your Self-Directed IRA and use it as a residence or second home when you reach retirement age. At that time, you can elect either to have the Self-Directed IRA sell the property, or take an in-kind distribution of the property. Under that arrangement, your Self-Directed IRA custodian assigns the property title to you. You will then have to pay income taxes on the current value of the property (at your then current tax rate, presumably much lower than during your working years). These taxes are just as you would pay for any distribution from an IRA, regardless of whether the asset is real estate, cash, stocks, bonds or mutual funds. However, if the property was held in a Self-Directed Roth IRA, you won't own taxes at all! This makes a Self-Directed Roth IRA extremely attractive if you anticipate that your real estate investments may one day become your retire home.

Most IRA's are neglected and left to languish at the direction of others. The typical individual makes his or her annual \$4000 tax-deductible contribution, leaves it to their stockbroker to invest and then complains at the end of the year about the poor returns. You have the power to take control of your retirement, to direct your IRA to the level of

risk/return that fits your comfort zone and to make it grow at a rate that will cause it to be self-sustaining in your retirement years.

In addition, investing in real estate for your retirement may serve as a means to diversify your retirement portfolio. You now have a way to hedge against the cyclical changes in the stock market, bonds, the economy, and bank and government based investments. Land and property are loosely correlated to the stock market; the value of real estate tends to rise when stocks are going down. Real estate is the ultimate hard asset. There are no corporate and accounting scandals. It is a tangible asset, and not just a paper certificate. There is great downside protection because real estate inherently maintains value, as contrasted with stocks, where the entire investment could go to zero!

Now consider all of these factors, the current domestic and economic data, the Baby Boomer demographics and the need to diversify out of the falling dollar and into appreciating hard assets. The choice is clear. Investing in the right international real estate is a smart way to diversify your retirement portfolio! And, investing in Costa Rican real estate is your best option!