



Self Directed IRA – The Buying Process

--- Steps to Buying Real Estate in a Self Directed IRA ---

(Source: [The Entrust Group](#))

1. If financing is required, secure a local or national lender who will loan your IRA the necessary funds on a non-recourse basis. "[North American Savings Bank](#)" is one of the nations largest.
2. Locate the desired investment property or properties with your Realtor.
3. Determine what your down payment will be. Be sure to include all closing costs in your calculation, unless you are able to include them in the loan.
4. Calculate anticipated Cash Flows. Consider maintaining additional reserve funds in your account in the event of vacancies and/or any other miscellaneous expenses.
5. Submit the offer through your Realtor, preferably in the name of your IRA.
6. Complete a "Buy Direction Letter for Real Estate" and send it to your IRA Administrator. This letter describes all of the details of the transaction and will let the administrator know who to work with to complete the purchase on behalf of your IRA. It will also stipulate who the Lender is so that loan payments can be made accordingly.
7. Open escrow and provide them with a list of "Documents Required Prior to Funding". You read & approve all Title and Escrow documents prior to the Administrator signing on behalf of your IRA.
8. The purchase is funded and closed in the name of your IRA. Some examples are: Your Administrator FBO "Your Name" IRA or Your Administrator FBO IRA Account Number #123456.
9. All existing and/or new renters need to be instructed to make checks payable to your IRA at your administrator's address. You may collect rents personally, but the checks must be forwarded intact to your administrator.
10. Payments for mortgage, utilities, and all other expenses will be made on your IRA's behalf by your administrator.
11. You may also elect to contract with a third party property manager to collect rents and make disbursements. This arrangement must be between your IRA and that manager.
12. If the property is debt financed (mortgaged), the portion financed may be subject to Unrelated Debt Financed Income Tax (UDFI). This tax return is prepared by you or your tax preparer and sent to your administrator for signature. (Note: The Entrust website has details on how to file, deductions and other information.) Should there be any tax owing by your IRA, your administrator will pay this from your IRA, as required by the Internal Revenue Code.
13. Income grows tax free in a Roth and tax deferred in traditional IRAs. As cash collects, you may consider other self directed investments in which to participate. This may include other rental properties, notes, private placements, property to rehabilitate and sell, and more. Just advise your administrator accordingly.

Now YOU have Control of YOUR Financial Future!