

# Retire Rich

## ***Get Out Of The Volatile Financial Markets And Supercharge Your IRA or Retirement Account Using Discounted Real Estate!***

Rent or Flip - Using your IRA or 401k to the fullest. Know the Right Time to Use Your Retirement Account and Get the Most From Your Real Estate Investments.

Written By Joshua Sharp  
Self Directed IRA and 401k Expert

With Larry Goins  
Real Estate Author, Trainer and Investor

Introduction by Larry Goins;

I have known Joshua for several years now and I first met him by contacting him about helping me with my self directed Retirement Account. I had a self-directed account but I had only done a couple of deals in it since it was such a hassle. Joshua opened my eyes to the possibilities that a TRUE Self Directed Check Book Retirement Account can do for me. I now do many real estate deals in my retirement accounts and couldn't be happier. Joshua and I have since become good friends and I try to share his information with everyone I can. The information you are about to read is priceless and can help you to create more wealth than you could imagine, but the information will be useless unless you take action. Read this report and schedule your initial consultation with Joshua. Like me, you will be glad that you did.

Thanks and enjoy,

*Larry Goins*

**Disclaimer:** This publication is for informational purposes only. The authors do not engage in any legal advice. We are not responsible for any claims or losses resulting from action or inaction after viewing this publication. Please seek advice from your own professional before acting on any investment or strategies.

## **Real Estate Offers Investors Better Control**

Real, boots-on-the-ground, control that can't happen with mutual funds. Most people would like to get into real estate but the bulk of their savings are tied up in their retirement accounts (IRA, SEP, old 401k or 403b plans and similar).

Over the past decade investing in property with your retirement account has gotten much easier; giving you the chance to earn profit in real estate without income or capital gains tax.

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This report will educate you on the advantages and disadvantages of investing in real estate with your retirement account. We'll go over taxation, loans, opportunities, and limitations.

It is the result of countless hours of research, consultation with the DOL and IRS, and real life experience working with and creating these accounts. **We've watched competitors charge to attend seminars covering this information plus what we cover in our free consultations for \$2,000** (to be fair, they had very nice brochures).

## **All We Ask In Return Is That You Take Action**

Make a choice to work with us, work with someone else, or learn to love the stock market. But make a choice and move boldly.

At the end of this report you will have a better knowledge base than 90% of real estate investors out there; let alone the public at large. And when you (or one of your advisors) would like to go over something at a technical level or walk through a situation we'll be happy to serve. **Get us the information you can; we'll get you the answers you need.**

Enjoy this report - and use the information to confidently follow the path that's right for you. **There Are Two Main Ways of Generating Profits From Real Estate**

- Rental Income
- Capital Gains

Each approach has its own merits, and most people will seek some of both. By adding the proper retirement account structure you gain flexibility and new advantages with either method – but there are a couple possible drawbacks to consider.

### **What's The Main Disadvantage To Turning A Property Quickly?**

*Short term capital gains tax.* If you can turn a property in a matter of months and take five years rental profits why not do it? Well, if between state and federal taxes you're going to give up 30 or 40%+ of that profit it takes a lot of the appeal away... why not wait at least a year? That could lower the tax bill by more than half. But now we're talking about leaving it vacant or finding a renter... neither option is pleasant to many sale-focused property owners.

### **The Solution Is To Buy It In Your Retirement Account**

Flipping properties in your 401k/IRA will generate **zero** short term capital gains tax. *None.* A disadvantage? You can only do this about three times a year. More than that and it could be considered an active business, which is taxable. Still – That's three transactions where you keep every penny of profit to reinvest. How much did you pay in taxes on your last three flips combined? On your next three keep it all.

As an aside, if you want to do more transactions tax free, it may be possible with a degree of extra planning and expense. Our experts can assist if you would like a higher level of activity.

Whatever your average deal nets in profit *before taxes* you could, without adding risk, add to your bottom line each year in tax savings over three sales. It's like doing an extra flip each year without any of the work. If you flip homes; you need to explore this option.

There's no better tool for short-term-hold real estate investors.

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## What If You Invest In Rental Properties?

Buying property with the confidence you'll benefit from future appreciation while collecting a rent check each month along the way is a very appealing proposition – especially at current prices. The US is literally on sale; and even if real estate prices don't recover right away the home can still be generating a check.

One of the greatest parts of US tax code is the amount of real property deductions. Whatever income a person gets from a property; they can likely deduct a healthy portion of it. And one day, when they go to sell, they can 1031 the property and not pay capital gains then either.

*Clearly, owning property in the US for rental income is a fairly tax efficient thing to do.*

## When Would You Buy A Rental Property In Your Retirement Account?

- 1) *When you're concerned about future tax rates being higher than current ones.*
- 2) *When your capital is in a retirement account and you want to invest in real estate.*

Let's say you buy a property now with the goal of collecting a rent check from it, or other properties, until the day you die. For roughly 20 years (and climbing) after retirement age you'll be collecting rental checks. For most people, even with deductions and expenses it'd be fair to assume a combined tax rate of at least 20%.

Let's say you're able to collect \$5,000 a month in rental income from properties in retirement. In your Roth IRA or 401k, that's an extra \$1,000 a month in your pocket instead of in taxes *each month*. No more risk. No changes at all... you just keep each and every dollar. Even if your account was a 'taxable' traditional account, you can still benefit from the protective tax-free, multi-decade, compounding of rents and sales.

Come distribution time there are methods available to reduce the total tax bill to something much more manageable as well. If your plan is a long term one, the math favors a retirement account owning the property... be that a Traditional account or a Roth.

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That said, our historically low tax rates could fall even more, or your income could be lower than expected. If so, the work of setting up your retirement account would be wasted. There are cases on both sides of the 'rental in a retirement account'; but it's a much better choice than most people realize. Taking time to evaluate the option will serve you well.

What if your retirement funds are Traditional right now? Conversion efficiency is complex enough to be a topic for its own report. It is a very situational matter that considers your total funds, time line, and professional support. Our experts can talk to you and your advisors about if, when, or how, to best convert retirement funds from Traditional to Roth for maximum benefit. Just email or call and see what can be saved in taxes by doing things in a planned way.

### **Are There Advantages To Buying Rental Properties Outside Your Retirement Account?**

- 1) *Financing is definitely easier and faster as a direct buyer.*
- 2) *You can work on it yourself.*

You can have a high degree of leverage if you own the property personally often investment properties are allowed to go to 80% LTV (loan-to-value). In a retirement account you'll be very hard pressed to get an LTV over 50% without an unsatisfactory interest rate coming into play... That can be fine if you're flipping; it's not good if you're developing a highly leveraged portfolio.

Some investors want to do the work themselves on their rental properties. If you have the time and skills, that's a very real advantage and well worth doing. You're not legally allowed to do this work if your retirement account owns the property. You may handle administration of the property (paying the bills, interviewing prospective tenants, etc). Doing things like wiring a new socket or fixing a toilet is out of bounds (generally speaking, physical labor is not allowed).

If you don't plan to swing any hammers personally anyway, and you like buying either with cash or a large down payment, then neither of these advantages matter. Go with the biggest tax advantage to maximize your gain.

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## **What's The Story On The Taxes, Loan Issues, And Penalties That Come Up?**

There's all manner of confusion being spread... Let's clarify a couple points and terms so you're better informed and understand the unique challenges found with these structures before you start.

### **Loans**

Retirement accounts can't get regular loans. They can only get 'non-recourse' loans. Your retirement account can only accept cash contributions from you. All other contributions are prohibited by law. ...In the case of a loan, if the retirement account used your credit score, or had you guarantee it, the law would be breached, and in the case of an IRA, the entire account would be distributed. Not good.

If you've ever tried to sell short in your retirement account you may have been told 'it's not allowed' by your brokerage. The reason is the above restriction. It's fine for your account to do those things... but the brokerage's ability to get repaid if things fell apart would be very limited.

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*You must be very careful* since neither brokerages nor banks are familiar with these rules in general... and it's your account, not theirs, at stake.

Banks that make larger commercial loans are often comfortable with non-recourse loans; but to buy just a home or a small apartment complex is going to take effort. There are banks and other lenders that do them regularly. We provide guidance to the best sources for our clients.

An advantage is that your personal credit and income are not a factor... the loan happens (or doesn't happen) on the merit of the property (or properties) in question. The importance of this can hardly be overstated for those with all the mortgages allowed from traditional lenders or people with a BK. This type of loan can be your golden ticket back into real estate.

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## **Taxes**

*Retirement accounts can still be subject to taxes.* The full matter is complex enough to fill a small book. That said; the basics below will give you a better understanding than most.

**UBIT (“Unrelated Business Income Tax”) is a section of taxation related to active business income that impacts both 401k and IRA funds. It has a subsection, UDFI (“Unrelated Debt Financed Income” also just called DFI) that only impacts IRA funds... and that makes all the difference in the world to investors working with debt (and negates a mountain of bad information out there).**

UBIT was created so non-profit organizations wouldn't run businesses. It's difficult to compete against someone who doesn't pay taxes and municipalities didn't like missing revenue either. What UBIT did was say that if a non-profit wanted to operate a business they could; but they'd basically pay the highest taxes possible if they did.

Thanks to the recycling of tax code UBIT also takes all the fun out of buying a Subway franchise in your IRA (or 401k) since it would pay more in taxes on that income than you... and of course you'll still pay taxes on traditional distributions come retirement. Not good. Not good at all.

*UDFI is a different beast. It is a subset of UBIT that doesn't impact 401k dollars... just IRA ones. UDFI, in a nutshell, makes profit associated with current debt taxable at UBIT rates for IRAs.*

If you have a rental properties that earn \$100,000 in rental income each year (after all your deductions and such have been applied to make the math easier), even in a Roth IRA, if half the properties' value is mortgaged, then you'd have to give up roughly \$25,000 in taxes.

The 990-T may be the most hated tax form in the US as a result.

The tax only applies to highest amount of debt in the past 12 months however. This means that if you can pay off the property and hold it for a year before selling; your capital gains will be tax free. You also get all the regular real estate depreciation and other advantages to reduce the bill. That said; it can be a real burden to any short term IRA buy/sell activity using debt.

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The good news: UDFI doesn't apply to 401k plans. So for anyone wanting to invest in property with debt; converting from an IRA to a Solo 401k is likely a very good idea. There are a couple rules to keep in mind (we cover the ins and out of IRAs and 401ks in another report) but, generally speaking, it is an outstanding option and worth doing even before considering the impacts of UDFI on an IRA's earnings. If this advantage applies to your situation you should absolutely get more information about what a Solo 401k could do for you.

More money in your account with no added risk or effort is a very good thing.

### **Taking It All In – What Do We See?**

*Tools.* Your retirement account can be safer, and grow faster, than you ever knew was possible. The secret is structuring it in a way that gives you the control you need to succeed while keeping all the tax benefits intact. In the case of real estate you gain some significant advantages:

- The ability to invest the money in assets you can see, touch, and select wisely.
- The ability to leverage the money if you desire.
- The ability to time when you sell... without having to pay for (or find) a 1031 exchange.
- The ability to flip properties and pay nothing in taxes.
- The ability to collect rents tax free during retirement with a Roth 401k or IRA.

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### **What Next?**

We've developed a Free Self Directed Retirement Question and Feasibility Consultation to help you answer that fully. This is conducted over the telephone with you and Joshua personally. Here's what we'll accomplish together in this session:

### **Your Current Questions Answered**

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One or two unknowns can confuse and clutter a situation making it more complicated than it needs to be. Let's quickly and easily clear up any lingering questions and provide a sound picture for you. Once we've walked through all your questions you'll immediately have a better idea what works, and what doesn't, to meet your goals.

### **Cost Savings Without Hassle**

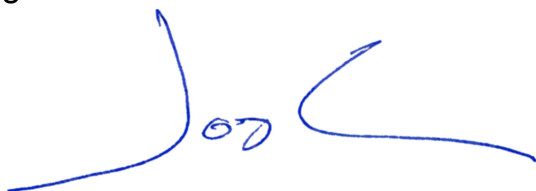
You're all too familiar with how easily taxes and financial service fees can eat away at your earnings and spending power. We'll review four key areas related to retirement accounts that most people and advisors miss that can add thousands to your retirement income.

Your Free Self Directed Retirement Question and Feasibility Consultation will be conducted by the principal of our company, Joshua Sharp, who has reviewed hundreds of high net worth individuals situations and more than a thousand retirement accounts personally during his tenure. He is uniquely qualified to answer your questions and give you options in a clear and complete fashion.

This consultation will consist of the best intelligence Mr. Sharp can supply. There is no charge for this call, however please keep in mind the value of Mr. Sharp's time. Upon request, the call can be recorded and a copy sent to you so you don't have to worry about taking notes – just concentrate on the discussion.

We'll have the consultation within 1-2 days of your call. **To secure a time, please visit [www.LarryGoins.com/ira](http://www.LarryGoins.com/ira) and fill out the consultation request form** and Joshua will personally contact you to find a time that best fits your schedule to have your free consultation. They'll also provide you with a pre-consultation questionnaire that will prepare you to get maximum value in the shortest amount of time.

Thank you. The next move is yours. Make it and it'll make all the difference. We guarantee it.

A handwritten signature in blue ink, appearing to be 'Joshua Sharp', written in a cursive style.