

# Real Estate Investments in Your Retirement Plan

By Gary Case

Investing in real estate has long been a popular investment. There are IRS requirements for such investments, and below are important facts you need to know:

- You may not personally own property that you intend to purchase with retirement plan funds.
- Neither you, your spouse, nor your family members may have owned the property prior to its purchase by your retirement plan.
- Neither you nor your family members may live in or lease the property while it's in your retirement plan.
- Your business may not lease or be located in or on any part of the property while it's in your retirement plan.
- It is your sole responsibility to monitor when property taxes are due and authorize your trustee to make payment.
- If you invest in income producing property you should consider retaining the services of a property manager. The property manager will receive payments collecting rents, pay expenses (i.e., taxes, insurance, Home Owners Association dues), and manage the property (i.e., sign leases, eviction).
- Any expenses (property taxes, insurance, appraisals, etc.), as well as any improvement or repair costs must be paid for out of your retirement account. In addition, any expenses or costs must be paid directly by your trustee to the third party that performed the work. This means, you cannot pay for an expense or cost out of your own pocket and have your retirement account reimburse you.
- If you decide you want to have personal use of the property, you would need to withdraw the property from your account as an in-kind distribution (at the current market value) and pay any taxes, if your account is not a Roth, before you move in.

## How to Purchase Real Estate

- 1. Title:** When purchasing an asset for your retirement account it is imperative that it is properly titled in your retirement account's name, with the trustee listed on the title. Trustees will not accept any investments that are not properly titled.
- 2. Funding:** When purchasing an investment for your retirement account, funds must come directly from your retirement account.
- 3. Expenses:** All expenses must be paid by your retirement account.
- 4. Signatures:** Documents regarding retirement account investments must be signed by your trustee acting on behalf of your retirement account.

**Gary Case, CFP, ChFC, President, Cornerstone Financial Planning**, is a registered representative and investment advisor representative of Lincoln Financial Advisors Corp., 917 2nd Street South, Nampa, phone 466-1971 offering insurance through LFA, Limited Liability Company affiliates and other fine companies. This information should not be construed as legal or tax advice. You may want to consult a tax advisor regarding this information as it relates to your personal circumstances. CRN0307-4775