



Self-Directed Retirement Plans & Getting Started as a Real Estate Investor

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Security Trust Company

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Self-Directed Retirement Accounts

● What is a Self-directed Account?

- You may choose any allowable type of asset
 - Includes non-traditional assets like real estate
 - Offers you true diversification
- You manage your retirement plan investments
- You have control

Types of Retirement Plans

- **Traditional IRA**
- **Roth IRA**
- **SEP/SARSEP/SIMPLE**
- **401 k – prior employer**
- **403 b – prior employer**
- **TSA – prior employer**
- **TSP – prior employer**
- **Keogh**
- **Solo 401(k)**
- **401(k) plans**



Some Investment Options

- **Single/Multi-family homes**
- **Vacation investment property**
- **Tax Liens**
- **Raw Land/Building Lots**
- **Commercial Buildings**
- **Real Estate Syndications**
- **Mortgages/Loans**
- **Private Business Investments**
- **Operating Businesses**
- **Foreign Currency/Options/Futures**
- **Stocks/Bonds/Mutual Funds**

Guidelines for Self-Directing

- **Administrative requirements**
 - Annual valuation of plan
 - Annual report to IRS (5498)
 - Books and records
 - State filings
 - Tax returns



Guidelines for Self-Directing

Prohibited Assets:

- **Life Insurance Contracts (except Solo 401(k))**
- **Collectibles (i.e. rugs, works of art, stamps, coins)**

Prohibited transactions:

- **Transactions not for the exclusive benefit of the account**
- **Can't borrow from Retirement Account**
- **Can't pledge Retirement Account assets to secure loan**
- **Can't utilize credit or guarantee to obtain loan for account**
- **Can't benefit any disqualified person**

Guidelines for Self-Directing

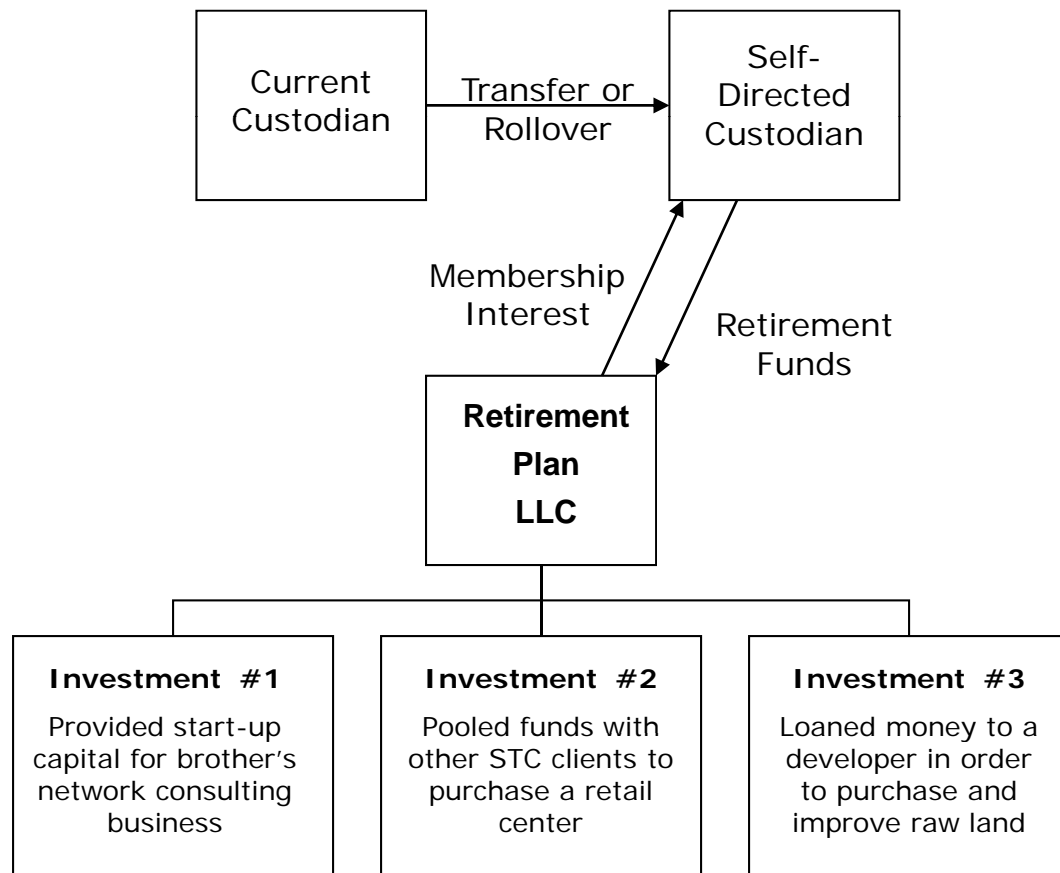
Disqualified persons:

- “You”
- **Certain family members**
 - Ascendants
 - Descendants
 - Lateral family members are not disqualified
- **Company if you are a majority shareholder**
- **Company if you are officer, director, HCE**

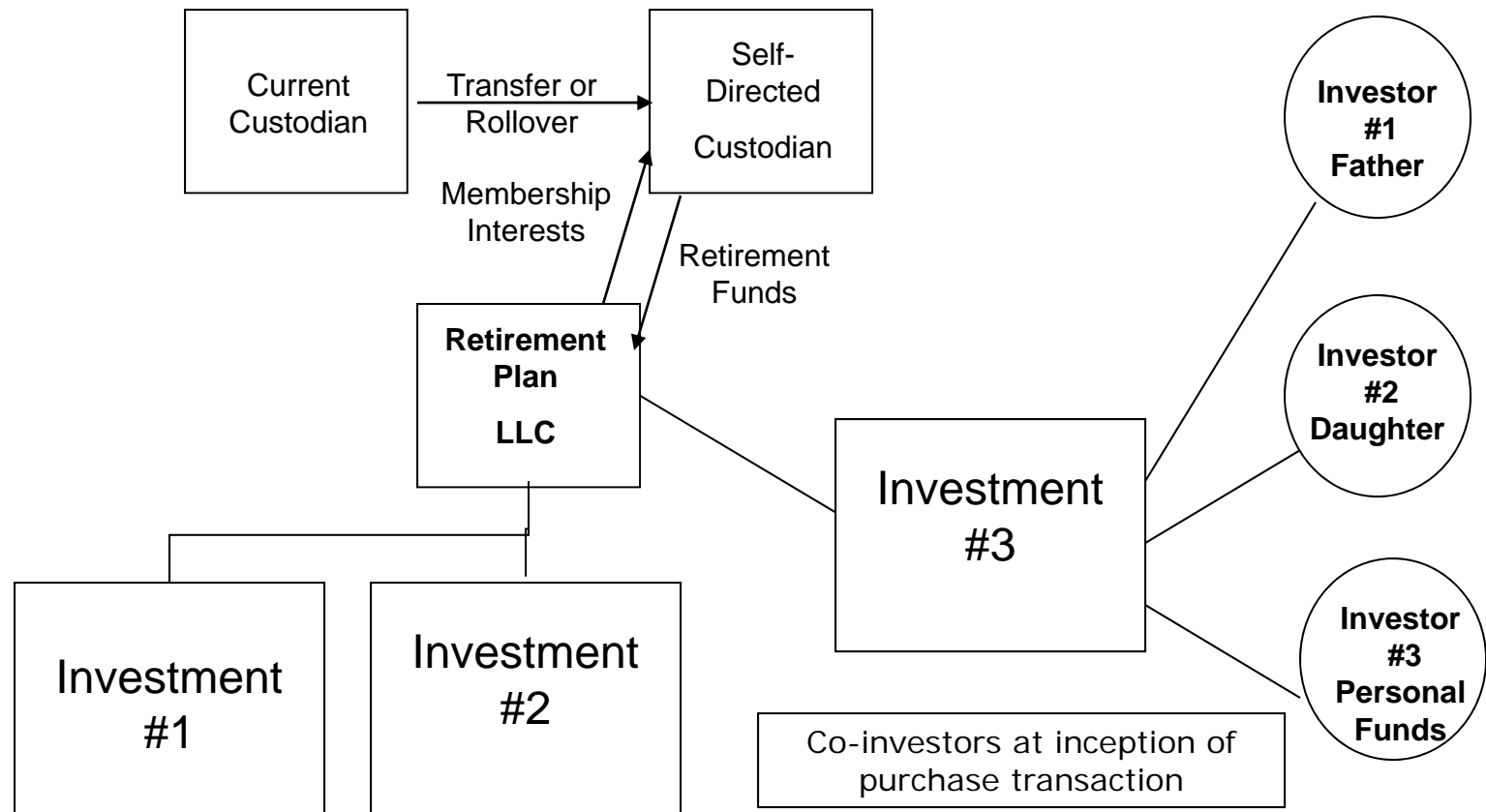
Benefits of the LLC Structure

- **Offers maximum flexibility**
- **Provides additional asset protection**
- **‘Checkbook control’ over retirement funds**
 - **Immediate response to investment opportunities**
- **Simplifies asset titling**
- **Ease of pooling**

IRA LLC Structure



Retirement Plan LLC Structure



Security Trust's Full-Service Approach

- Retirement Plan LLC structure setup
- Protected 'checkbook control'
- CPAs & attorneys to answer technical questions
- Guidance on transaction compliance
- Handle all the 'back office' support
- Maintain LLC financial statements
- Supervise regulatory reporting
- Oversee annual valuation

Getting Started as a Real Estate Investor

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Real Estate Investor Opportunities

1. Buying, repairing and selling into the homeowner market (rehabbers)
 - a. Great potential for high dollar value profits (\$25K to \$50K)
 - 1) Recent client rehab –
 - a) Purchase Price -- \$52,196
 - b) Renovation Costs -- \$36,000
 - c) Soft costs -- \$28,719
 - d) Profit - \$35,086
 - b. Relatively short-term investment (4 – 7 months)
 - c. Produces income only

Real Estate Investor Opportunities

2. Buying and Holding income producing properties (landlords)
 - a. True wealth building
 - b. Long-term investment
 - c. Monthly positive cash flow...
 - 1) Recent client rental – (2 unit duplex)
 - a) Purchase Price – \$52,000
 - b) Renovation Costs -- \$17,250
 - c) Appraised Value -- \$130,000
 - d) Monthly Gross Cash flow -- \$2,550
 - e) Monthly Net Cash flow -- > \$1,000

Private Lender Opportunities

1. Short-term funds (6 – 12 months) for rehabbers
 - a. Secured by property
 - b. Usually includes purchase and renovation funds
 - c. Typical investment ---
 - 1) 6 – 12 months
 - 2) \$100K to \$150K for purchase and renovation
 - 3) 3 – 5 points and 12% to 15% interest
 - 4) Yield over 6 months > 18%

Private Lender Opportunities

2. Long-term funds (1 – 5+ years or **longer**) for landlords
 - a. Secured by property and rents
 - b. Could support just purchase/renovation or longer term permanent funds
 - c. Typical investment –
 - 1) 1 – 5 years
 - 2) \$80K to > \$200K
 - 3) 1 – 3 points and 8% to 10% interest
 - 4) Annual yield > 11%

Why Get Started Now?

1. Economy showing signs of stabilizing
2. Housing price declines are leveling off
3. Rental vacancy rates are no longer climbing
4. Monthly rent rates are recovering
5. Foreclosures will continue through 2011 offering tremendous buying opportunities

Pitfalls to Avoid!

- Thinking that you know everything
- Getting started without a well thought out plan
- Buying the first property you see
- Buying courses...and then never using them
- Believing comparable or repair estimates from wholesalers

***An investor with money and no plan
will soon end up with neither!***

Steps to Get Started

1. Don't go it alone!
 - As a real estate investor, the market, while improving, still requires skill and expertise
 - As a private investor it is crucial that you understand the exit strategy and the market your money will be used in
2. Join your local Real Estate Investors Assn.
 - www.nationalreia.com

Steps to Get Started (cont.)

3. Recommended Online Communities

- www.BiggerPockets.com
- www.CREOnline.com

4. Professional Coach/Mentor – what to look for:

1. Expertise in building a real estate business (marketing, buying, financing renovations, landlording, selling)
2. Available for one-on-one or in-person discussions
3. Willing to be your real estate business consultant

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How can Security Trust serve you?

Do you...

- want to open a self-directed retirement account now?
- have clients or colleagues who would be interested in self-direction?
- need more information?

Security Trust Company

- **Contact your STC representative.**
- **Website: www.securitytrustcompany.com**
- **Corporate: 1-866-682-3683**