

IRA & 401(k) Insights

The Leading Industry Newsletter on Self-Directed Retirement Plans and Investments

About: IRA & 401(k) Insights

IRA & 401(k) Insights is a monthly publication for anyone interested in self-directing their retirement funds and investing in nontraditional assets.

Nothing in this publication is intended as tax, legal or investment advice. Entrust does not sell securities or other investment products. The deadline for article consideration is the 15th of each month. To subscribe, call (888) 340-8977 or email: editor@TheEntrustGroup.com

Letter from the Editor

Welcome to the July edition of the IRA Insights Newsletter. Our newsletter is just one of the educational resources available from Entrust to help you control your self-directed retirement investments.

Entrust is the only self-directed IRA administrator that serves you right in your community. Entrust affiliate offices are staffed with experts in law, finance and business, all with first-hand experience in self-directed accounts.

Entrust's local offices also provide educational seminars on self-direction to help clients and professionals understand the broad spectrum of investment options and the benefits of self-direction. Explore all of the educational opportunities by visiting our web site www.TheEntrustGroup.com.

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Wise Women Self-Direct

By: Jaime Raskulinecz, CPM

No surprise here – Hartford Financial Services Group reports that women are more worried than men (64% of women and 46% of men) about outliving their retirement assets. More women (83%) than men (69%) are worried about inflation's effect on their retirement savings.

This could stem from the fact that, typically, women work 12 years less than men and wind up with a median retirement income that is just about 58% of men's.

This study came out a bit before the current economic conditions. We would add that women live longer than men on average and have to factor that into their retirement planning. Most studies also show that, on average, women are less aggressive investors than men as well and therefore have a lower rate of return.

Our typical client for self-directed accounts is a male in his 50's. This study should

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prompt more women to get more involved in planning for their retirement and looking into self-directed plans so they can get more control over their returns.

There are numerous resources available that help us to become more educated in the myriad investment options available. Investment real estate is just one example of the non-traditional investments that interest our clients. Loans, including mortgages, undeveloped land, and interests in start-up companies are just a few of the other possibilities. There are groups around the country where both novice and experienced investors can come together to network and learn from each others' experience.

Self-directed retirement plans aren't for everyone. But if you're willing to take the time and effort to take control of the investments in your retirement plan, you may have more of a chance of increasing your returns to create a more secure retirement.

Many women have left a job in order to take time to raise a family. This means that they may have 401(k) plans from these previous employers, which can easily be rolled over to a self-directed IRA. Additionally, many of our clients, both men and women alike, do not realize they are eligible to contribute to an IRA on behalf of a stay-at-home spouse. Just because a woman may be out of the work place for family reasons does not mean that her retirement planning has to be put on hold.

Not only can you use a self-directed retirement plan to help your own future financial situation, but you could also help another woman to achieve her financial goals. We have several clients who have done just that in a number of creative ways. One woman used her IRA to lend money to a friend who was purchasing her first home. The new homeowner makes her monthly payments to the IRA and the loan is secured by a mortgage on the property so the IRA has the right to foreclose on the property in the event of default.

Another client used her Roth IRA to arrange a joint venture with an entrepreneurial friend who was looking for capital to start a business. As this new business is growing, the Roth IRA is sharing in the profits, tax-free. We know two women who both opened self-directed IRAs and rolled over balances from previous employers' 401(k)s. They have partnered those accounts to purchase a piece of commercial real estate and the IRAs are collecting regular rental income from the property.

For family oriented women, a Coverdell Education Savings Account may also be self-directed. These plans may be set up for any child under the age of 18 and they are not restricted to biological descendants. These accounts are used to save for future educational expenses, such as tuition and supplies. You may contribute up to \$2,000 per child, per year. The funds are contributed on an after tax basis (like a Roth IRA), and may be withdrawn tax free for qualified educational expenses.

These savvy ladies have all taken control of their retirement funds by self-



directing, and are reaping both financial and emotional rewards. They have all told us how great it feels to be in control of their own financial futures and to be helping someone else along the way. We also regularly get calls from friends and acquaintances of these women, who want to get more information about how they too can take control of their futures.

As a woman-owned company, we at Entrust Northeast look forward to the day when women's financial knowledge and success is equal to that of a man's. Spreading the word about self-directing retirement plans is one way that women are helping each other to achieve financial independence and success.

If you are interested in getting more information about self-directing or would like to one of our free info sessions, please call (888) 857-8058 or visit us at www.EntrustNortheast.com.

Jaime Raskulinecz, CPM is the CEO of Entrust Northeast, LLC, a NJ licensed Real Estate Broker and CEO and principal of Rainbow Property Management, LLC, AMO. Entrust Northeast, LLC is a locally owned and operated office that is part of The Entrust Group, the largest and oldest administrator of self-directed retirement plans in the country. Entrust Northeast has become one of the first and only area companies to enable investors to harness their IRA assets to purchase a wide array of nontraditional investments such as real estate, notes, private placements, accounts receivables, limited partnerships, gold, as well as stocks, bonds, mutual funds, and certificates of deposit. Ms. Raskulinecz has been a successful real estate investor herself for more than 20 years. For more information or to schedule a workshop or presentation, contact the office at 888-857-8058 or Info@EntrustNortheast.com.

Recalibrate Your Retirement

By: Lisa Moren Bromma

Do you have plans of financial freedom? Or are they now just wishful thinking?

Many of us in our 50's and 60's looked forward to those lazy, crazy, hazy days of summer and song. To the golden parachute of a pension that will carry us well into our old age.

Unfortunately, things are not necessarily turning out as we planned. We have had to get a reality check. Not only do we need to recalibrate our thoughts of what we will do in retirement, we have to get creative in order to grow that nest egg (again) into something that will last.

I don't know about you, but I sure don't want to have my eyes glued to CNN or CNBC worrying about what the market did today or where my next dollar is coming from. We have a responsibility to ourselves to plan for income, cash flow, taxes, (which let's face it will only get higher), and for appreciation or growth as a hedge against inflation when it comes.

If you agree with me, keep reading...

One way to do this is by investing in hard assets. Many of us have used our personal savings to invest in the stock market, but did you know you can use your IRA or 401(k) plan to invest in great assets with the opportunity to achieve your desired financial goals?

With a self-directed retirement account, you have the ability to invest the funds in your retirement account into assets that you are knowledgeable about and that you want to have in your portfolio. Investments such as real estate, gold and foreign currencies along with traditional investments such as stocks and bonds that you may already have are all allowed in an IRA or 401(k) plan.

What is self-direction? It's definitely NOT is investing through a major brokerage house or mutual fund company that tells you that you are self-directing. While you may think you are, you are only "self-directing" your investments into their family of funds. *The bottom line is you don't get to choose!*

True self-direction is when you identify the investment. You work with an administrator who specializes in self-directed accounts, a firm who is an expert at processing and facilitating the transaction on behalf of your plan.

In turn, the income received goes back into your IRA. Any profit from the sale of that investment comes back into your IRA on a tax-deferred or tax-free basis (depending on whether the account is a Traditional IRA, Roth IRA, or Individual (k)) helping to solve the tax issue of growth that you would not necessarily have with personal funds.

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Tip of the Month

Rule of 72:

Want to know how long it will take to double your money at a 4% annual rate of return? How about at 10%? How about at 15%?

A fairly quick way to make an estimate is to divide the interest rate into 72. At 4% it will take about 18 years to double your money. At 12% you'll double it in six.



College Education?

I am sure by now you've realized that college education costs for your child or grandchildren are skyrocketing. It has gotten to a point where every little bit helps.

Here are some options are:

- Your state's 529 plan – However these only provide education for post high school only
- Coverdell Education Savings Accounts – Provide for education savings expenses for college, high school or below. However, contributions are limited to \$2,000 per year.

What many individuals choose to do is fund \$2,000 into the Coverdell Education Savings Account. Then if additional funds are available, fund their state's 529 plan. For more information please contact an Entrust office near you.

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This may sound complicated to some of you but it is a relatively simple concept. Think of your IRA as another identity. An identity you cannot tap into until you reach the ripe-old retirement age that allows you to have access to your cash penalty-free and in time to meet those retirement objectives.

There is so much negative news and uncertainty about the economy and financial markets. Investing in assets that can create cash flow or in some cases assets that bring you security and peace of mind makes sense as part of a financial strategy.

To fully understand how truly self-direction in an IRA works talk to Entrust. Entrust has the largest network of local offices in the United States. Visit www.theentrustgroup.com to locate an office near you and to learn more about how to take a more positive, pro-active role in investing for your retirement.

Make it your personal goal to help yourself by utilizing tax-enhanced tools to compound wealth. Re-calibrating your retirement, both in time and dollars, gives you the satisfaction of saying "I am in control. I get to choose where and how to invest my hard earned dollars today for the financial freedom of tomorrow!"

Lisa Moren Bromma has been a real estate investor since 1978, a note investor since 1998 and has worked with some of the top private mortgage institutional buyers. She is an advisor to The Entrust Group, the nation's largest network of self-directed IRA administrators, and the author of Real Estate Investing for the Utterly Confused, and Wise Women Invest in Real Estate. Visit her web sites at www.wisewomeninvestor.com or www.theentrustgroup.com.

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Interesting Insight

As summer is here, this is a great time to begin to think about your retirement options as an employer or self-employed individual. October 1 is your cutoff for establishing a SIMPLE for 2007, so to keep all options open to you – SEP, SIMPLE or Individual(k) plan for 2007, now is the time to research and act.



Question of the Month

Question:

When you don't have enough IRA funds for the entire purchase how hard is it to find a lender for the balance of the purchase price? How much down payment is typically required?

Answer:

You do have many options when it comes to financing a transaction if you're short of funds. You may partner with someone else, partner with your personal money or partner with another person's retirement assets. You may also find a "Hard Money" lender through a non-recourse loan. Check with your local Entrust office for additional options.



What Can I Do With My Small IRA?

By: Glen Mather

As the director of Entrust Administration Services, – serving central and east Florida – I have the unique opportunity of speaking in front of scores of CPAs, attorneys, Financial Planners, Real Estate brokers and agents – as well as just plain investors about the power and prohibitions of IRA self-direction. One of the most common questions I get is – “I only have a small IRA – what are my choices for self-direction and how could I get started?”

As most investor’s frame of reference is the stock market – it can be intimidating to the small investor when the entire menu of IRA self-direction choices is available. As third-party administrator, we never provide investment advice to our clients, yet we certainly can share with our audiences the types of investments our clients make – especially those with relative modest balances.

Five Self-Directed Choices that Don’t Require a Large Bankroll

- **Lend your IRA** - This can be a 90-day loan secured by automobile paper, a second mortgage on real property, or an unsecured note. Keep in mind that the borrower and the IRA holder determine the rates and terms of the loan – and all payments are made directly to Entrust for the benefit of the IRA.
- **Buy an Option** - The IRA can purchase an option to buy a parcel of real estate before a prescribed date for a fixed purchase price. Later, if the terms of the option permit and the value of the property is greater than the optioned purchase price, the option can be resold and all the proceeds and profits are returned to the IRA, without tax ramifications.
- **Tax Liens** - Many clients like to buy tax liens at the county courthouse as they generally provide a higher level of safety than other types of investments. The liens may be removed and the interest paid in as little as ten days, or as long as six months or more. In rare instances, if the property taxes are not paid by the landowner – the tax lien holder (the IRA) may end up with title to the property.
- **Partner with others** - Partnering is a powerful tool to empower a small IRA holder to get a piece of a larger investment. This can be accomplished within an LLC, private stock, or simply with fractional ownership at titling. For example, an IRA can own an undivided 5% interest in investment property – and would participate in all profits and expenses derived from the property



at the 5% proportion.

- **Leverage your IRA** - Yes, you can indeed have your IRA borrow funds in certain situations. The loan must be non-recourse (secured only by the IRA owned property) and be paid by the IRA, thus you would normally only use this device if your IRA owned revenue producing property. Be aware there also may be additional taxes within your IRA for gains on the leveraged portion of the investment.

Yes, all the investment choices that we administer can lead to overload – and it’s important that you surround yourself with good advisors that can assist you in making your investment decisions. Whether you start with a \$10,000 IRA or a \$500,000 deferred retirement plan, as our clients would attest, there are opportunities for everyone.

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