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Your guide to IRA Real Estate Fund Investment

Information is provided by New Direction Trust Company

Contents

Introduction

The IRS allows an IRA, Individual 401(k), HSA, or ESA to acquire private equity (an ownership interest in a private company or fund) as an asset without penalty, and while keeping the tax benefits associated with that account type.

An IRA can purchase many types of private equity, including Funds, Limited Partnerships, Limited Liability Companies, Pre-IPO companies, C-Corps, Limited Liability Partnserships, Land Trusts, and much more.

Unlike publicly traded securities, private equity does not have public disclosure laws associated with it. Therefore, the investor can use her or his personal knowledge and experience when investing in private companies or investing in private equity funds through a self-directed IRA.

It has been possible to participate in private equity since the inception of IRAs. What has not always been easy is finding an IRA provider who was willing to service this type of investment. The IRS requires an authorized IRA provider for all IRAs. Not all IRA providers handle this asset type, but New Direction Trust Company (NDTCO) does.

You, the IRA holder, along with your financial professional, select the company or fund of your choice. New Direction Trust Company makes sure that the paperwork substantiates that the asset is part of your IRA and, thus, deserves the tax benefits associated with the account type.

This report will give you detailed information on private equity IRA investing.

Tax-deferred/Tax-free Plans Eligible for Self-Direction

1.Traditional IRA	4. SIMPLE IRA
2. Roth IRA	5. 401(k) Plan
3. SEP IRA	6. HSA – Health Savings Accounts

What are the Benefits of Having Private Equity in an IRA?

- Private equity is an asset that allows you to put your personal knowledge to work for your IRA.
- Investing in private equity allows true diversification of your retirement account.
- You can apply your personal knowledge and expertise of the private equity
- You can buy, sell, and exchange equity without tax consequence.
- You can choose the companies/entities in which to invest your IRA funds.

Important Things to Know

- An IRA is its own financial and legal entity, separate from your personal finances.
- As a separate legal entity, your IRA has its own name:
  New Direction Trust Company FBO client name, IRA
- The IRA is the owner of the equity, not the IRA holder. Therefore, purchase and maintenance costs are paid by the IRA and all income (e.g. divends) goes back to the IRA.
- All legal documents (subscription/purchace agreement) related to an IRA-owned asset must be in the name of the IRA, not your personal name.
- Documents associated with your IRA's equity acquisition need to be signed by New Direction Trust Company (as the custodian for that account) to be legal.

Before You Invest

Investing in a privately run business or entity with your IRA is completely legal. This idea may sound unfamiliar though, since most IRA providers only allow stocks, bonds, and other publicly traded securities as investments. New Direction Trust Company (NDTCO) specializes in IRA administration and recordkeeping for alternative assets like private equity.

Investing in private equity can take many forms. Below are several investment entities commonly used by IRA investors:

Limited Partnerships

Limited Liability Companies

Real Estate Fund

C-Corps

Limited Liability Partnership

Land Trusts

Franchise Businesses

Start Ups (banks or companies)

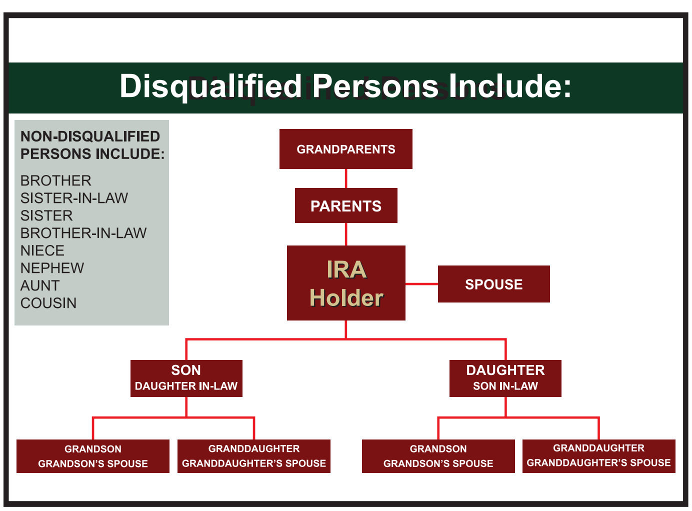
(An IRA can't invest in an S-Corp, nor can it be a General Partner in a GP.)

Due Diligence

As the IRA holder, you are responsible for performing due diligence on all investments. Neither the IRS nor NDTCO researches nor endorses the investments. Visit our website for more information on due diligence and ways to protect yourself from investment scams. A competent professional in the legal, financial advice or accounting fields can also be engaged if you need additional help deciding if the investment being considered is legitimate, meets your risk tolerance parameters, and is right for your investment goals.

IRC Section 4975 Considerations

For any given IRA, certain individuals are considered Disqualified Persons by the IRS. This means that they have some limitations on the interaction that they can have with the IRA's assets. Disqualified persons include you as the IRA holder, your spouse, all direct lineal ascendants and descendants (parents, children and their spouses, grandparents, grandchildren and their spouses), and certain fiduciaries (CPAs, Attorneys, Financial Planners, etc.). Entities owned or controlled by disqualified persons are also limited when dealing with an IRA. The diagram below shows disqualified persons. Please note that non-lineal relatives are considered non-disqualified persons.



A prohibited transaction is any transaction that takes place between an IRA and any DQP or entity.

You cannot invest your IRA in an entity owned, operated, or controlled by you or another Disqualified Person. Your client representative can give you further clarification.

Under no circumstances can you pay for or cover an IRA expense or capital call with personal funds.

If you have questions regarding prohibited transactions or would like to run a scenario by one of our client representatives, please call our office. Our staff is familiar with IRC Section 4975 and will be happy to share it with you. While we can share IRS rules with you, NDTCO does not give tax, legal or investment advice so you may be referred to your financial or legal representative for further details or a possible solution.

Step-by-Step Instructions

Step 1 – Open your self-directed IRA and fund it with a rollover, transfer, and/or contribution.

Step 2 – Choose the private fund of your choice and gather the investment documentation.

- **Required Documents:**
  - Buy Direction Letter (NDTCO Form)
  - Private Equity Disclaimer and Indemnity Agreement (NDTCO Form)
  - Subscription Agreement provided by investment entity or their legal team titled in the name of the IRA, signed as "Read and Approved" below signature lines
    BUYER / INVESTOR NAME: ***New Direction Trust Company** FBO **Client Name,** IRA*
  - Payment/Wire instructions

– New Direction Trust Company can fund the investment within 3 business days of receiving correct and complete paperwork.

Step 3 – After the investment.

- **Fair Market Valuations**

NDTCO's IRA Plan Agreement and Disclosure (IRS Form 5305) requires that you provide an annual fair market value for each asset. Each year you will request a market value (or a statement as to the value of your asset if sold on the open market today) and supporting documentation from the entity's manager. It is important for the integrity of your account that your assets have an up to date valuation.

Capital Calls and Additional Fundings

A capital call, installment or additional funding is very similar to the initial purchase process. Required forms for an additional funding are:

- buy Direction Letter – Reflecting the new amount to be funded
- Payment/Wire Instructions
- Capital Call Letter - This should be signed as "Read and Approved" by you.