

Financing with an IRA

If you're thinking about how best to finance your recreational property purchase, you may not realize that you can buy an investment property through a self-directed individual retirement account (IRA).



With this type of IRA, which is often funded by rolling over money from a 401(k) account, you decide where investments are made. And if you invest in property, says Bryan Calderon of Accuplan Benefits Services in Irvine, Calif., there are no immediate tax consequences if you make income from the property.

“This can provide a way to diversify your portfolio,” Calderon says, “and since the IRA is the owner of the property, there can be significant advantages from a tax and fee perspective.”

Bear in mind that property bought in this manner cannot be used directly by the IRA owner, or by the owner's spouse, parents, children or grandchildren. That said, we see people using this method for a passive investment, or they may buy property and allow friends, cousins or siblings to use it.

Calderon, who works with property buyers around the nation, is seeing this type of purchase being done for investments in farms, buildings and recreational property. Since rules don't allow someone to use 401(k) funds for property purchases, by using funds from a self-directed 401(k) to fund an IRA, and then making the purchase through the IRA, a property investment is possible.

And after the property is purchased, the land can continue to provide deferral of income and gains inside the 401(k). “Certainly, this type of investment isn't for everyone, but it is worth looking at as you are considering ways to purchase property,” Calderon says.

If you are wondering about other financing options available, a good place to start in getting more information is with a [Potlatch Preferred Broker](#), who will have relationships with lenders that can help