



Earn 50% More on Investments, While Securing Your Retirement

Learn How to Benefit from the Power of Self-Directed IRAs

EQUITY TRUST COMPANY®

Can you earn tax-free profits investing in real estate? Yes, you can. You don't have to pay 20% to 50% in taxes to the IRS after every investment deal.

Today, many investors just like you are successfully investing in real estate and other alternative assets – as well as traditional assets like stocks and bonds – and they're not paying taxes on the profits. Not paying taxes on profits means more money for retirement.

With impending funding issues for Social Security and the dramatic reduction in company pensions, it's imperative to begin saving for your retirement today. Don't get stuck working until you're 70, 75 or 80 years old because you weren't prepared for retirement.

Nationwide, a growing number of people are utilizing government-sponsored retirement plans (IRAs) to realize tax-free and tax-deferred profits on all of their investments. A combination of emerging trends has made this possible.

First, the knowledge that IRA benefits (tax-free and tax-deferred profits/tax-deductions) apply to all types of investment possibilities – like real estate, private placements, mortgage notes, deeds of trust, and even livestock – not just traditional assets such as stocks, bonds and mutual funds.

Second, the existence of a self-directed IRA custodian like Equity Trust Company – an organization that's dedicated to administering IRAs with both traditional (stocks and bonds) and non-traditional assets (real estate and private placements).

Many people are preparing for retirement investing in stocks, bonds and mutual funds. But, if you're not a stock market expert and are more familiar with real estate investments or other alternative assets, then a self-directed IRA is an ideal option.

In addition to not paying taxes on your real estate profits, a truly self-directed IRA allows you to invest in assets you're most familiar with to secure your financial future.

On the following pages, you'll learn how taxes can devour your hard-earned profits and how tax-free real estate investing with a self-directed IRA can help. You'll also learn what types of IRAs are right for you to maximize your investment and save you the most money. After you discover which plan fits your needs the best, you can start experiencing the benefits of compounding interest and tax-free profits.

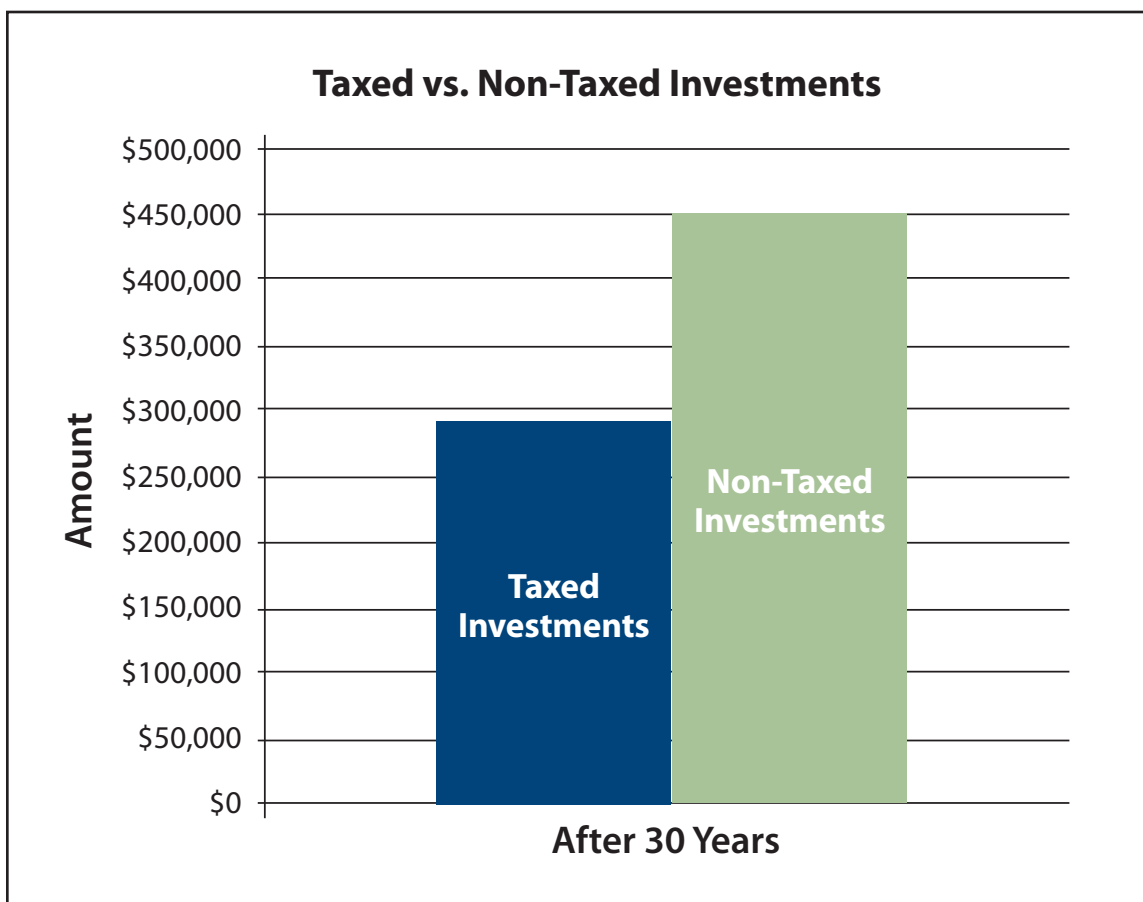
The Effect of Taxes on Your Money

If you're an active investor, or even just a beginner, you probably are aware that the biggest nemesis to making money is the effect of taxes. Let's look at a simple example that illustrates something you probably already know – taxes eat away at your hard-earned profits.

If you were to contribute \$4,000 a year to an IRA and assume an 8% rate of return for 30 years, your self-directed IRA would be worth \$449,133 at the end of year 30.

If you made the same investment in a non-tax sheltered environment, assuming a 31% tax rate, it would be worth \$286,752 instead of \$449,133.

That's 43% less, a difference of \$162,381 (as shown in the chart below).



As you can see, taxes cut your earning potential by 43%.

But don't despair. There's an answer to taxes draining your real estate profits. It's the combination of compound interest and IRAs.

The Secret to Tax-Free or Tax-Deferred Real Estate Profits— Why You Never Have To Pay Income Taxes Again!

*“The most powerful
force on Earth is
compounding interest.”*

- Albert Einstein

One of an IRA’s greatest features is that it allows you to enjoy the true power of tax-deferred compounding interest. Compound interest occurs when interest is earned on a principal sum along with any accumulated interest on that sum. In other words, you’re earning interest not only on your original investment money, but also on the interest earned from the original money.

Compound interest can occur with any investment you make, but the “true” power of compounding interest is obtained when you make an investment in a tax-deferred environment, like an IRA.

By taking advantage of an IRA’s tax-deferred status, you don’t have to pay tax immediately on your earnings (like the sale of a property or rent collected). You’re able to enjoy the power of compounding on ALL of your profits, not just what’s left after taxes. Depending on the type of IRA you select, you may never have to pay income taxes on the profits again – that’s right, tax-free profits for life!

Now apply those benefits to your real estate or alternative asset investing. Tax-deferred profits on your real estate transactions allows you greater flexibility to make more investments quickly or to just sit back and watch your real estate investment grow in value without worrying about taxes.

To illustrate the power of compounding interest, we’ll use an example of two cousins, Joe and Susie. Joe works in manufacturing and Susie works in retail. Due to their age difference, Joe invested \$10,000 from his savings account in his IRA in 1985 right after he started his manufacturing job. Susie received a \$15,000 bonus in 1995, which she invested. Both never contributed to their accounts after the initial investment, but each earned 8% annually after-tax on the investment.

Even though Susie’s initial investment was greater (\$5,000 more), over time, Joe’s money will earn \$66,305 more than Susie’s money due to the power of compounding investment as shown in the graph below.

The Power of Compound Interest

	Balance in 1985	Balance 1995	Balance 2025	Net Gain
Joe’s IRA	\$10,000	\$21,589	\$217,245	\$217,245
Susie’s IRA		\$15,000	\$150,940	\$135,940

Everything Sounds Great, But is This Legal?

When learning about self-directed IRAs, people often become skeptical and think it might be too good to be true. Not paying taxes on real estate deals for the rest of your life does sound pretty good.

Well, it's not too good to be true. In fact, since the IRA was created in 1974, investing in real estate and other alternative assets has been legal. IRS Publication 590 (dealing with IRAs) states which investments are prohibited. These investments include artwork, stamps, rugs, antiques, and gems. All other investments, including stocks, bonds, mutual funds, real estate, mortgages, private placements, or even livestock are perfectly acceptable as long as IRS rules governing retirement plans are followed.

Most investors haven't heard of this opportunity because most IRA custodians don't offer truly self-directed IRAs that allow you to invest in real estate and other non-traditional investments.

Often, when you ask a custodian/trustee, "Can I invest in real estate with an IRA?" they'll say, "I've never heard of that" or, "No, you can't do that." What they really mean is that you can't do this at their company because they only offer stocks, mutual funds, bonds, or CD products.

If your retirement nest egg is dependent on your investment knowledge, then you should be able to invest in what you know – whether it's real estate, tax liens, mortgage notes, or stocks and bonds.

Only a truly self-directed IRA custodian will allow you to invest in all forms of real estate or any other investments not prohibited by the IRS with an IRA.

An established self-directed IRA custodian like Equity Trust Company will have a variety of plans for traditional and non-traditional assets. It's simply a matter of finding which plan is right for you.

Not only will a self-directed IRA with Equity Trust save you tens of thousands of dollars on the deals you're doing now, but it can also help secure your family's future.

Will You Be Able to Retire at 65...at 70...at 75?

Will you have enough money to keep your current lifestyle in retirement?

Will you have enough money to live better in retirement?

Will you have enough money to retire when you want to?

Will you have enough money to last throughout retirement?

You should be asking yourself these very questions and if you don't have answers, consider doing something right now to find them.

With potential Social Security shortfalls on the horizon, your retirement future is squarely in your own hands. And ironically enough, while our government has difficulty keeping its own retirement finances in order, it's created wonderful individual retirement plans that will help secure your financial future. But as the compounding interest example shows, you can't afford to wait any longer to do something about it.

Investors have many IRA plans to choose from, but to maximize the tax-savings (and increase your investment profits) for today and the future, you need to pick the right plan for your situation.

What IRA Plan Will Fit My Needs?

When you're ready to jump in and take advantage of tax-free profits on your real estate deals, you'll have many different IRAs to choose from – both individual and small business plans (and you'll find out later, that as a real estate investor, you most likely qualify for the small business as well as individual plans).

The most popular individual plans are the **traditional IRA** and the **Roth IRA**. Both plans offer tax advantages to help you save money for retirement, but they differ in a few ways.

Traditional vs. Roth

By asking one simple question, most people have a better idea which plan is right for them. Do you want to pay taxes on the seed or the crop?

In both plans your investment profits are growing tax-free, but the differences are when you receive the tax-advantages to the principal investment and yearly contributions. With a Roth IRA you don't receive a tax deduction on your yearly contributions, but when you take your money out of the account you don't have to pay any taxes. A traditional IRA gives a tax deduction every year based on your contribution, but you'll have to pay income tax when you take your money out of the account.

Why should I enroll in this plan?

If you prefer to get deductions over the years as your investment grows, then a traditional IRA is probably your best choice. If you don't want to pay taxes when you take your money out (the distribution), then the Roth IRA (and its tax-free distribution) is right for you.

The Roth IRA has a special qualifying income requirement, though. For 2011, you may only contribute to a Roth IRA if you have taxable compensation and your modified adjusted gross income (MAGI) is less than \$122,000 (\$179,000 if you're married and file a joint return, and \$10,000 if you're married, lived with your spouse and file a separate return).

Don't worry if you don't qualify for the Roth IRA, later in this chapter you'll discover a plan (Roth Individual(k)) that has Roth advantages without the income limits.

2010 Law Changes Roth IRA Eligibility Rules

As of January 1, 2010, every American is permitted to convert to a Roth IRA regardless of their income. In May of 2006, President George W. Bush signed a tax-cut bill that allows individuals with a traditional IRA, even high-income taxpayers, to convert their IRA into a Roth IRA, which allows tax-free withdrawals. The new tax bill suspends the \$100,000 MAGI income limit previously imposed on Roth conversions.

Equity Trust can help if you want to convert a retirement account to a Roth IRA. Although there's a tax the year of the conversion, for many people, the savings growth prevails over the one-year conversion tax.

The table on the following page highlights the differences between the Roth and traditional IRA, helping you decide which plan is right for you.

If you have any questions about this section or self-directed investing in general, please contact an Equity Trust Retirement Plan Specialist at **1-888-ETC-IRAS** (888-382-4727). Equity Trust will help you decide the right plan for your future.

Comparison of Traditional and Roth IRA Plans

	Traditional IRA	Roth IRA
Description	Government savings plan that offers tax advantages for individuals to set aside money for retirement. Contributions are made with pre-tax dollars.	Government savings plan that offers tax advantages for individuals to set aside money for retirement. Contributions are made with after-tax dollars.
Tax Advantages	Possible tax deductions for contributions. Account balances compound tax-deferred until funds are withdrawn.	Account balances compound tax-deferred. BUT funds that are withdrawn are tax-free if account is five years old and account owner is over 59 1/2.
Maximum Contributions	100% of earned income, up to \$5,000 in 2011. Plus an additional \$1,000, if age 50+. Total of \$10,000 for married couples in 2011. (Contribution limits are reduced by any contributions made to a Roth IRA.)	100% of earned income, up to \$5,000 in 2011. Plus an additional \$1,000, if age 50+. Total of \$10,000 for married couples in 2011. (Contribution limits are reduced by any contributions to a traditional IRA.)
Eligibility	Individuals must be under 70 1/2 and have earned income.*	Individuals must have earned income* and adjusted gross income less than \$122,000 for single, \$179,000 for married couples.
Tax Deductions on Contributions	Yes	No
Penalties for Early Withdrawal	10% penalty for withdrawals before age 59 1/2.	10% penalty for withdrawals before 59 1/2. (Note: Initial Roth contributions can be taken out at any time without penalty.)
Exceptions for 10% Penalty	Yes	Yes
Maximum Age to Make Contributions	70 1/2	No Limit
Required Distributions	Yes. Minimum withdrawals begin after the age of 70 1/2.	None

*Earned income is defined as the salary or wages you receive as an employee. If you're self-employed, earned income is your net income for personal services performed. Passive income such as interest, dividends, and most rental income is not considered earned income for the purpose of funding an IRA.

Higher Contributions and Higher Deductions With Other Popular Retirement Plans

In addition to the traditional and Roth IRAs, there are a number of other plans for individuals and small businesses that are ideal investment vehicles for investors interested in real estate and other alternative assets.

As a real estate investor, you qualify for SIMPLE, SEP, Individual(k) and Roth Individual(k) plans. While some of the plans seem only appropriate for just small businesses, it's important to note that real estate investors, like you, qualify for these plans in addition to a traditional or Roth IRA.

The advantages of these plans are larger contribution limits and larger tax-deductions, plus your spouse, if employed, is eligible to participate. The best part is that you can still contribute to standard individual plans like a traditional or Roth IRA in addition to a small business plan like a SIMPLE or SEP.

Before providing you with more detailed descriptions of the plans, here's a quick overview of each:

SIMPLE

The SIMPLE is popular with investors who pay themselves \$45,000 or less and have employees. Participants can contribute up to \$11,500 annually (\$14,000 if you're 50+) while the employer can match 1-3% of salary.

SEP

The SEP allows for contribution amounts up to 25% of your salary, with a maximum of \$49,000. The downside of the SEP is that it requires the same contribution percentage for all employees. If you have employees, the SEP could be cost-prohibitive.

Individual(k)

The Individual(k) is often the most attractive plan to investors, if they qualify, because it combines elements of the SEP and SIMPLE. You can make a salary deferral contribution of \$16,500 annually (\$22,000 if you're 50+), plus a profit-sharing contribution of 0–25% of your salary. The total from both sources cannot exceed \$49,000 (\$54,500 if you're 50+).

Roth Individual(k)

The Roth Individual(k) has the same benefits as the standard Individual(k) (contribute \$16,500 or \$22,000 in catch-up through salary deferral), but with a similar tax treatment to the Roth IRA (e.g., tax-free distributions). This plan benefits high-income individuals who can't qualify for a Roth IRA because of income limits.

SIMPLE, SEP, Individual(k) and Roth Individual(k) Plan Descriptions

The SIMPLE (Savings Incentive Match Plan for Employees)

With a SIMPLE plan, employees (you, if you're a real estate investor, self-employed or a sole-proprietor) can choose to make salary reduction/deferral contributions directly into a SIMPLE, rather than receiving these amounts as part of their regular salary. There's a maximum employee contribution of \$11,500 if you're under age 50, and \$14,000 if you're over age 50. In addition, the employer (you, if you're self-employed or a sole-proprietor) contributes matching funds (up to 3%) into employees' SIMPLE plan.

Why should I enroll in this plan?

Enroll in a SIMPLE if you want to make larger contributions, and if you want to reduce your tax bill more significantly than you could with a traditional or Roth IRA. Often it's recommended that investors earning \$45,000 or less a year utilize the SIMPLE.

The example below illustrates how easily you can reduce your yearly taxable income:

Bill Investor earns \$50,000 owning his own business and decides to invest \$10,000 into a SIMPLE (as an employee of his business). Bill also decides, as the employer, to contribute 3% of his employee's salary (his salary) to the SIMPLE – a total of \$1,500. Bill has reduced his taxable income to \$38,500 for the year while investing \$11,500 in a self-directed IRA.

Your spouse and children may also participate in the plan and open their own SIMPLE – as long as they're employees of the company and meet the income requirements.

The SEP (Simplified Employee Pension)

As a real estate investor, self-employed individual, sole proprietor, or small business owner, the Simplified Employee Pension (SEP) enables you to contribute a greater amount toward your own and your employees' retirement, and therefore, allows you to receive greater tax-deductions.

An employer (you, if you're self-employed or sole proprietor) may contribute up to 25% of each eligible employee's annual compensation with a maximum of \$49,000. The employer is allowed to make contributions annually but is not required to contribute each year.

Your spouse and children may also participate in the plan and open their own SEP – as long as they're employees of the company and meet the income requirements.

Combined with a traditional IRA maximum contribution of \$5,000 (\$6,000 if age 50+), you could receive more than \$50,000 in yearly tax deductions!

Why should I enroll in this plan?

If you're a high-salary individual and want to contribute a larger amount to your retirement account and receive bigger tax deductions yearly, then a SEP might be your best option.

The Individual(k) Plan

The Individual(k) plan, also known as the Solo(k), is only appropriate for a sole proprietor (a real estate investor for example) or a business (either a partnership or a corporation) in which only the owner(s) and spouse(s) are employees. It must be the only plan maintained by the business, and the business cannot be considered part of a controlled group under tax law. All employees must have at least 10% ownership to qualify for the Individual(k).

Why should I enroll in this plan?

If you qualify, the Individual(k) plan is attractive because of the high contribution amounts and large tax deductions available. Two components comprise the maximum Individual(k) plan contribution: an employee salary-deferral contribution and an employer profit-sharing contribution. The employee is able to contribute up to \$16,500 through salary deferral, although this may not exceed 100% of pay. The employer profit-sharing contribution limit is up to 25% of pay, or 20% for self-employed individuals.

The total contribution limit from both sources is \$49,000. However, under a "catch up" provision, individuals age 50+ may contribute an additional \$5,500 in salary deferrals beyond the \$16,500, allowing for a total contribution limit of \$54,500 in 2011.

The table on the following page highlights the differences between the SIMPLE, SEP, and Individual(k).

Summary of SEP, SIMPLE, and Individual(k) Plans

	SEP	SIMPLE	Individual(k)
Description	Specifically designed for self-employed people and small business owners who typically employ fewer than 25 employees.	Designed for small businesses with 100 or fewer employees. The plan is funded by elective employee salary deferral and by employer matching contributions.	The Individual(k) was created in 2002 to enable sole proprietors to set up and contribute to a plan offering the same benefits as the conventional 401(k). It's only appropriate for a sole proprietor or a business (either a partnership or corporation) in which only the owner(s) and spouse(s) are employees.
Employer Contributions	Required uniform % of each employee's pay (0-25%).	Employer is required to make either an annual matching contribution between 1% and 3% or an annual non-elective contribution of 2% of compensation.	The employer profit sharing contribution limit is up to 25% of pay, or 20% for self-employed.
Minimum Coverage Requirements	Plan must cover all employees who earn at least \$550, are at least 21 years of age and have worked for employer in three of the last five years.	Plan must cover all employees who earn at least \$5,000 in the current year and have received at least \$5,000 during any two preceding years.	Plan can only cover owner(s) and spouse(s).
Employee Contributions	Not Permitted	Up to \$11,500 in 2011. (If age 50+, \$14,000.)	\$16,500 (\$22,000 if 50+)
Maximum Total Annual Contributions	25%, up to a maximum of \$49,000 for 2011.	Maximum employee contribution of \$11,500 in 2011 (If age 50+, \$14,000.) Employer matches up to 3% of salary.	\$16,500 (\$22,000 if 50+) and 0 - 25% of salary, up to a maximum of \$49,000 for 2011 (\$54,500 if 50+).
Deductions	Contributions are generally tax deductible for the business.	Salary deferral contributions are generally deductible for the employee, matching contributions for the employer.	Salary deferral contributions may be deductible for the employee, matching contributions for the employer.
Withdrawals / Distributions (Follows Traditional IRA Regulations)	Permitted subject to tax and, if under 59 1/2, potential 10% penalty.	Permitted, however, if under age 59 1/2, potential 10% penalty. (25% penalty if account is less than two years old.)	Permitted subject to tax and, if under 59 1/2, potential 10% penalty.
Deadline for Establishment of Plan	Any time up to date of employer's return (including extensions).	Any time between 1/1 and 10/1 of the calendar year. For a new employer beginning after 10/1, as soon as administratively feasible. Entries established during the year have until 12/31.	The deadline for establishing an Individual(k) and making a salary deferral election is the last day of your business' tax year. The deadline for funding the profit sharing portion is your business tax return due date, including extensions.

The Roth Individual(k)

Contribute Up To \$22,000 in a Roth Account With No Income Limits!

In 2006, Congress merged two of the most popular types of retirement savings plans, the Roth IRA and the Individual(k) into a Roth Individual(k). Investors in a Roth Individual(k) don't have to worry about income limits, like the ones associated with the Roth IRA, while still receiving the same tax treatment – tax-free distributions.

The Roth Individual(k) allows participants to put some of their wages into an Individual(k) plan (up to \$16,500 or \$22,000 catch-up through salary deferral) as Roth contributions that, upon distribution, will result in tax treatment similar to the tax-free distributions from Roth IRAs. The Roth Individual(k) is available to anyone with an Individual(k), and is a benefit to higher-income, self-employed individuals (e.g., real estate investors) who may have been excluded from having a Roth IRA because of income limitations.

Why should I enroll in this plan?

If you want Roth tax-advantages (tax-free distributions) with a substantial contribution limit (\$16,500) then the Roth Individual(k) may be for you. Also, if you're interested in a Roth IRA but don't qualify because of income limits, then the Roth Individual(k) is an option to consider.

The following table illustrates the differences between a Roth 401(k) and Individual(k).

Summary of Roth Individual(k) and Individual(k)

	Roth Individual(k)	Individual(k)
Description	Created in 2006 to enable sole proprietors to set up and contribute to a plan offering the same benefits as a conventional Individual(k), BUT with the added bonus of tax-free distributions like the Roth IRA.	The Individual(k) was created in 2002 to enable sole proprietors to set up and contribute to a plan offering the same benefits as the conventional 401(k). It's only appropriate for a sole proprietor or a business (either a partnership or corporation) in which only the owner(s) and spouse(s) are employees.
Contribution	Two components comprise the maximum Individual(k) contribution: 1) An employee salary deferral contribution. 2) An employer profit-sharing contribution.	Two components comprise the maximum Individual(k) contribution: 1) An employee salary deferral contribution. 2) An employer profit sharing contribution.
Contribution limits	The employee under 50 years old is able to contribute up to \$16,500 for 2011 through salary deferral, although this may not exceed 100% of pay. The employer profit-sharing match is 0-25%, up to \$32,500.	The employee under 50 years old is able to contribute up to \$16,500 for 2011 through salary deferral, although this may not exceed 100% of pay. The employer profit sharing match is 0-25%, up to \$32,500.
Deadline for Establishment	The deadline for establishing an Individual(k) and making a salary deferral election is the last day of your business' tax year. The deadline for funding the profit sharing part is your business tax return due date, including extensions	The deadline for establishing an Individual(k) and making a salary deferral election is the last day of your business' tax year. The deadline for funding the profit-sharing portion is your business tax return due date, including extensions.

Does the Rising Cost of Health Care and Education Worry You?

Relax, self-directed IRAs aren't the only tax-advantaged plans that allow you to invest in real estate and alternative assets. The two plans below allow you to take advantage of your real estate/non-traditional asset knowledge to pay for health and education costs.

The Health Savings Account (HSA) can help you reduce your health insurance premiums by as much as 70%, and HSA contributions are tax-deductible (subject to limitations). Set aside funds in your HSA to pay current and future medical expenses. An individual may contribute the lesser of his/her plan deductible or \$3,050, and a family may contribute the lesser of their plan deductible or \$6,150 for 2011.

The Coverdell Education Savings Account (CESA) is a trust or custodial account created for the purpose of paying the qualified education expenses of the designated beneficiary of the account. When the account is established, the designated beneficiary must be under age 18 or be a special needs beneficiary. The annual contribution limit is \$2,000 for each beneficiary, no matter how many CESA's are set up for that beneficiary. Contributions are not tax deductible, but amounts deposited in the account grow tax-free until distributed to pay for qualified education expenses.

The table below provides information on the CESA and HSA accounts.

Summary of CESA and HSA

	CESA	HSA
Description	An account created for the purpose of paying the qualified education expenses of the account's beneficiary.	Federal, tax-advantaged U.S. trust accounts that are used in connection with high deductible health plans for the payment of an individual's current and future medical expenses.
Minimum Eligibility Requirements	Beneficiary must be under 18 years of age, have no federal or state drug convictions, and/or no qualified state tuition programs.	If an individual, single or married, currently has a high deductible health plan, they're eligible to open and contribute to a HSA to offset medical expenses.
Contributions	In 2011, there's an annual contribution limit of \$2,000. Anyone can contribute to the account. The deadline for contributions is April 15 th for the previous year.	The contribution limit for individuals for 2011 is \$3,050; for families the limit is \$6,150. Catch-up for those 55-65 years old is an extra \$1,000 per year.
Contribution Restrictions	Contributor is subject to Modified Adjusted Gross Income limits: If married, can make a full contribution if MAGI is under \$190,000, and can make a partial contribution if MAGI is under \$220,000. If single, can make a full contribution if MAGI is under \$95,000, and can make a partial contribution if MAGI is under \$110,000.	There's no Modified Adjusted Gross Income limit relating to HSA contributions. You can't contribute after age 65 but the account can continue to actively invest funds previously contributed.
Withdrawals	Withdrawals are tax-free ONLY if used for higher education expenses. Beneficiary must withdraw before the age of 30 or name another beneficiary, if not, ordinary income tax and penalties occur.	HSA distributions are tax-free if used for medical expenses. Funds that are not used for qualified medical expenses are subject to a 10% penalty and are taxed as ordinary income for those under age 65. Those over age 65 are not subject to the 10% penalty but the funds are taxed.

Investing With A Self-Directed IRA Isn't Any Different Than What You're Currently Doing

Now that you understand the basic advantages of self-directed IRA investing, how powerful and profitable it can be for your future, and what plans best meet your needs; you probably want to learn how it actually works. Buying real estate or non-traditional assets in your IRA is actually quite easy. In fact, it's just like buying property without an IRA, with just a few minor differences.

In no time at all, you'll be enjoying tax-free profits on your investments by following the four steps that demonstrate how easy it is to invest in real estate, or just about anything else, with a self-directed IRA.

The following example uses a typical real estate deal.

1) Establish an account with Equity Trust Company

First, you must establish an account with Equity Trust Company. For more information on why Equity Trust is the right choice for your self-directed IRA needs, visit www.trustetc.com or call 1-888-382-4727.

Setting up an IRA with Equity Trust usually takes less than 10 minutes and can even be done online or over the phone.

2) Fund your account

Next you have to fund the account, and this is just as easy as opening the account. There are two ways to fund your account.

- **Contributions**
 - You can contribute to your account through a check or wire transfer, and contribution limits range from \$5,000 - \$46,000 depending on which account you choose.
- **Transfer/Rollover**
 - In most cases, if you have an existing retirement plan such as an IRA, 401(k), or 403(b), these funds can be transferred to a self-directed IRA, allowing you to make real estate IRA investments. Check with your current and previous employers regarding transferring such qualified plans.

Transferring an existing account or contributing to a new account is simple at Equity Trust Company. Call **1-888-382-4727** and a Retirement Specialist will walk you through the process.

3) Investing

Now that your self-directed IRA is open and funded, the next step is to make your investment. The following shows the similarities and differences involved in a self-directed IRA investment. The biggest difference is the tax-free profits you receive when doing a real estate deal inside a self-directed IRA.

Finding An Investment Property, Negotiating A Deal

After putting out a number of offers to purchase a property, one was accepted that met your criteria. You found a neglected house in a decent neighborhood. It needs some fixing-up, but you're convinced with a just a little work it could be a great house and a great deal.

In this example, you have enough money in your self-directed IRA to purchase the property outright. After settling on a purchase price for \$125,000, you'll have to sign a purchase agreement.

Special Note: At this stage you're able to act as agent for your IRA and sign the purchase agreement (this isn't the case later). This is the only time you can sign documents on behalf of your IRA.

One of the most common mistakes (and cause of delays) in real estate IRA investing is improper titling of the investment documents. Before a title company draws up documents or you create a purchase agreement, make sure everyone is aware of the proper titling. Frequently, the IRA owner's personal name is incorrectly put on the title of the property or in a purchase agreement.

Remember you and your IRA are two separate entities, and as such, the property needs to be titled in the name of your IRA and not you personally.

The correct title for most real estate IRA investments is:

Equity Trust Company custodian FBO (for benefit of) Your Name IRA

I've Signed A Purchase Agreement, What's Next?

You've found a great opportunity, negotiated a good deal to purchase and signed a purchase agreement. To complete the agreement, you need to provide earnest money to the seller. Since you're purchasing the property outright, you agree to provide the seller with \$500 for consideration. You can't use personal funds for the earnest money – all funds related to your purchase must come from your self-directed IRA.

You need to fill out a Real Estate Direction of Investment (DOI) form to remit funds (\$500) to the seller for earnest money. This form tells Equity Trust Company the specifics on the property you'd like to buy, how much money you need, and where to send the funds. When submitting your DOI, please include a copy of your purchase agreement.

It takes approximately three business days to process the DOI and remit funds (Equity Trust can process and fund a DOI in one day through expedited processing). You might be used to exchanging funds the same day the contract is signed, but IRS regulations require funds to come directly from your IRA custodian. You'll need to submit a DOI to Equity Trust to receive funds from your IRA. While this is different than typical real estate transactions, deals outside of an IRA do not enjoy the benefits of tax-free profits.

Preparing for Closing

After signing the purchase agreement and providing earnest money, you're ready to meet with a title company or closing attorney to draw up documents for the closing.

You'll need to submit another Real Estate DOI to Equity Trust (similar to the one submitted for the earnest money) for the remaining price of the property to close (\$124,500). Once the DOI's and closing documents are filled out properly, you're ready to close. Closing documents, which are prepared by a title company or closing attorney, are forwarded to Equity Trust to be signed on behalf of your IRA.

Special Note: It's at this point in the transaction that most errors in titling occur. Make sure the title company or closing attorney titles documents in the name of your IRA. Also, you can't sign the closing documents; Equity Trust Company must sign them on your behalf.

If the contract asks for your personal Social Security number, you should include Equity Trust's tax ID number (05-0552743) instead.

Funds Remitted From Your IRA

With everything in place, funds (\$124,500) will be remitted (via Equity Trust) to the title company or closing attorney for your new property. Funds can be remitted by check, cashier's check or, the most popular option, bank wire.

How Long Will This Take?

As with the earnest money, it generally takes three business days for regular processing. If you need to close a deal fast, Equity Trust offers expedited service and can process your documents the same day.

After the closing and the sale are final, the last step is to send original documents to Equity Trust for safekeeping.

Your IRA Owns the Property!

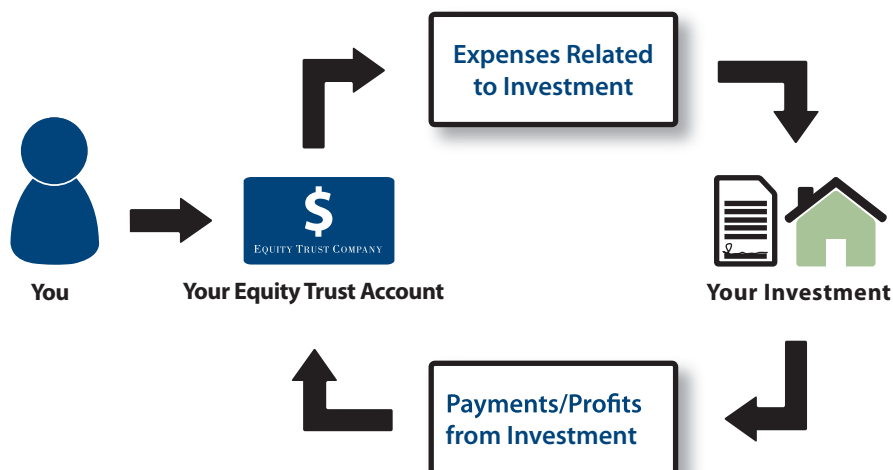
Your IRA now owns the property you wanted, at the price you wanted. Now you're positioned to enjoy tax-free profits.

4) What happens after your IRA owns the property?

Now that your IRA has purchased the property you need to remember two things:

- **Expenses:** Any expenses associated with the property (maintenance, improvements, property taxes, condo association, general bills, etc.) must come from the IRA. You can submit a Bill Pay DOI to Equity Trust or use our Online Bill Pay system to pay your expenses.
- **Cash Flow/Profits:** All profits must return to the IRA, meaning all income (rent) and profits (selling of property) are deposited back into your IRA account – tax-free. Equity Trust will provide pre-filled deposit coupons with a confirmation letter after your initial investment is made. Attach the coupons to the checks to be deposited. The deposit coupons must accompany all funds returning to your IRA.

That's all there is to it. It's as simple as 1-2-3. In no time at all, you can be investing in real estate and other alternative assets, receiving tax-free or tax-deferred profits for the rest of your life.



15 Minutes Can Save You Thousands

Call now at **1-888-ETC-IRAS** (888-382-4727) for a FREE Consultation with an Equity Trust Retirement Plan Specialist.

Never Use A Hard Money Lender Again! Create Your Own “Private Bank”

What if you could create a hassle-free, never-ending supply of money to do all the deals you want? What if there were no red tape delays from big money lenders? What if you didn't have to wait on approval from “traditional” lending institutions? What if you were finally in control of your own destiny? It would be like tapping into your own “*private bank*” and essentially, that's what you can do.

It's possible to create your own “private bank” by using other people's retirement plans to fund your deals. Recent estimates place over \$4 trillion within IRAs, 401(k)s and other qualified programs across the country. These funds can become available to you through the utilization of self-directed IRAs.

The first step to creating your own private funding sources, independent of banks and other institutional lenders, is to cultivate your friends, relatives and business acquaintances – especially those with substantial retirement plans, showing them how they can earn attractive rates of return by lending you their money, secured by real estate.

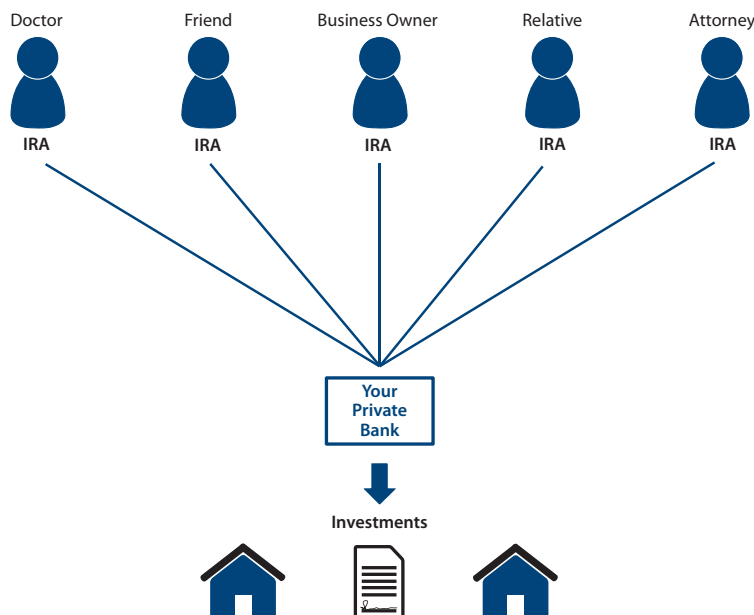
What do the investors you seek out for your “private bank” receive in return?

By using their existing IRAs and Pension Funds, your investors can earn healthy rates of return, secured by real estate, with no income tax on the gain. Plus, there's minimal work on their part. You're doing all the legwork in finding and securing deals. The investors sit back and watch their money grow!

What do you get? The opportunity to build your assets rapidly by multiplying the potential number and value of deals you can do, while attracting more investors. Plus, you can reciprocate with your investors by assisting them in their real estate investing.

Benefits of Creating Your Own Private Bank and Using Other People's Money

- Allows you to participate in more deals
- More deals equals more profits
- Avoid lengthy committee approvals and bureaucratic red tape
- Offer cash to receive deep discounts
- Avoid using your own money



An Example of the “Private Bank” Concept in Action*

Bill is a successful real estate investor that has been doing four to five deals annually. This year he wants to increase his business and do eight to 10 deals. To increase his business, he needs additional funding and he’s tired of going to hard-money lenders due to the high cost and slow turnaround time.

When he found a great little house that he could buy for \$100,000 cash, he decided to put the “Private Bank” concept to work. The house needed about \$10,000 in repairs, mostly landscaping and some work in the kitchen. He went to a business partner and borrowed money from his IRA, agreeing to pay him 8% interest for the time it took to finish the rehab and resell the house. Bill’s partner lent him \$110,000.

Bill found a seller to buy the updated house for \$150,000. After repaying his business partner \$118,800 (original \$110,000 plus interest of \$8,800), Bill had a net profit of \$31,200. His business partner was so pleased with their returns, that Bill had no trouble getting more money from him in the future. In addition, all of the profit for Bill’s partner went back into his self-directed IRA tax-free.

Does Bill’s example sound good to you? The following three-step plan recaps your path to unlimited investment funds:

1. Find and negotiate a good deal with a 75% loan-to-value ratio to give your investors safety for their investment. Build in enough gross profit to pay someone 8, 10, even 12% (although you’ll want to negotiate as low as possible with the lender) for the use of their money. Leave yourself enough time, through a contingency clause, to find your first money source. Be sure to follow IRS guidelines that prohibit certain transactions.
2. Present the deal to friends, relatives and business acquaintances who have, or who want to have, a profitable retirement plan. Offer them an attractive rate of return for the use of their money. Explain that their loan will be secured by a mortgage on real estate, with an attractive loan-to-value ratio. Keep presenting your deal until you find someone who will lend you the money. Remind your prospective investors that their returns are either tax-deferred or tax-free, depending on which kind of IRA they have. Point out to them that real rates of return outside of tax-deferred/tax-free vehicles are reduced anywhere from 30-50% by taxes.
3. The final step is for your investor to open an account with Equity Trust Company and lend you the money.

Once the retirement accounts are in place, the “**private bank**” is available to make loans and participate in other creative real estate transactions. To initiate the activity, the fund owner must simply submit brief paperwork to Equity Trust Company that documents the desired transaction. That’s it – the start of your own “**private bank**.”

**When utilizing The Private Bank Concept, it’s recommended that you consult with your legal professional for any applicable state or federal regulations.*

Take Control of Your Future With Equity Trust Company

Now that you've learned the advantages of having a self-directed IRA and investing in both traditional and non-traditional investments, there's just one thing left to do, call Equity Trust Company and get started!

Equity Trust is Your BEST Choice...

- More than 35 years of experience in educating clients about self-directed retirement accounts
- Management of more than \$10 billion in IRA assets
- Knowledgeable self-directed IRA specialists ready to serve clients
- Personalized account management teams for every client, including a personal 800-number to ensure personalized attention for every call
- Low, all-inclusive fee schedule – clients don't pay fees on every transaction
- Online account management 24 hours a day, seven days a week with eVANTAGE, the industry's first online account management tool – pay bills online, fill out forms, download information into Quicken or money financial software programs, and check account status anytime, from anywhere
- Quick and accurate investment processing (99.2% of transactions reviewed in 24 hours) – with incredibly fast turnaround times
- Online trading through our affiliate, Mid-Ohio Securities, member NASD/SIPC
- Highly regulated – clients can trust Equity Trust with their investments
- 92% of Equity Trust clients are likely to refer friends and colleagues to Equity Trust (based on client survey)

Best of all, Equity Trust will walk you through each and every transaction to make sure it's handled accurately and on time.

After reading this brief guide, you're now ready to get started investing with self-directed IRAs. But don't delay. Every day that passes is one less day your self-directed IRA can benefit from the Earth's most powerful force (at least according to Einstein): compounding interest.

For more information about self-directed IRA investing, the plans and services available to you, and how to get started, please contact Equity Trust Company at www.trustetc.com or 1-888-ETC-IRAS (888-382-4727).

Five Questions Can Save You \$5,000

Call now at **1-888-ETC-IRAS** (888-382-4727) for a FREE Consultation with an Equity Trust Retirement Plan Specialist and you'll learn:

- How to earn tax-free profits on all your real estate/alternative asset deals
- If you qualify for a \$50,000 tax-deduction
- How to make your child or grandchild a millionaire
- Ways to protect your assets from creditors

Call now for you FREE Consultation at 1-888-ETC-IRAS (888-382-4727).

Is a Self-Directed Retirement Account Right for You?

At Equity Trust Company, we want you to be one of our satisfied clients. But we understand that self-directed retirement accounts aren't for everyone. They're for those who want to create wealth using their knowledge of investments primarily outside of stocks, bonds and CDs.

Before making a decision, be sure to consider the pros and cons of self-directed retirement accounts. We've listed many of them here:

Pros

- Enhanced portfolio diversification and, often, low correlation to market volatility
- Greater sense of control over your investment options and retirement savings
- Exceptional tax advantages including tax-deferred savings, tax-free growth and large tax deductions
- The ability to harness the true power of compounding interest since investments are made in a tax-sheltered environment and earnings grow tax free
- Many plans provide the ability to pass assets to beneficiaries while reducing taxes
- Most plans have asset-protection features making them judgment proof in all 50 states

Cons

- More time consuming since you're actively involved in investment decisions
- More complex landscape of rules regarding alternative investments
- Added responsibility to ensure your account stays away from unforeseen taxes or penalties, or even the loss of its tax-deferred status
- Potentially higher fees associated with your account
- Fewer custodians since self-directed accounts require additional administrative work
- May not be your best first choice if you have an employer-sponsored retirement program and your employer matches your contributions, essentially providing your account with free money (a self-directed retirement account could be used as a secondary investment plan and a way to further diversify your investments for retirement)

