OAK STREET ASSETS

BUILDING WEALTH WITH RETIREMENT FUNDS

A plain-English guide to self-directed IRAs and solo 401(k)s for real estate investors

The best investment for your taxable money may not be the best investment for your retirement money.

YOUR RETIREMENT MONEY HAS MORE OPTIONS THAN YOU THINK

For many investors, the retirement account is the largest pool of money they have, and it often sits entirely in stocks, bonds and mutual funds. That is not because those are the only choices. It is because most employer plans and brokerage IRAs only offer those choices.

A **self-directed** account lets you hold alternative assets, including private real estate, inside the same tax-advantaged account. You keep the tax treatment you already have. What changes is what the account can own.

WHAT IS A SELF-DIRECTED IRA?

A self-directed IRA is a traditional or Roth IRA held by a **custodian** that allows alternative assets. The tax rules are the same as any IRA: tax-deferred growth in a traditional IRA, tax-free growth in a Roth.

The custodian holds the assets, processes paperwork and reviews each investment against IRS rules. It does **not** give investment advice. Choosing what fits is up to you and your advisors.

OTHER ACCOUNT TYPES

- **Old 401(k)s** from past employers can usually be rolled into a self-directed IRA.
- **Solo 401(k)s** are available to self-employed people and business owners with no full-time employees, and can be self-directed.
- **Checkbook control** (an IRA-owned LLC) gives you signing authority, with more responsibility to follow the rules.

> **If your account name ends in "IRA," it can generally be self-directed.**

HOW IT WORKS

1 — OPEN
Open a self-directed account with a custodian.

2 — FUND
Transfer or roll over funds. Allow a few weeks.

3 — CHOOSE
Pick an investment. The custodian reviews the documents.

4 — INVEST
The account, not you personally, makes the investment.

5 — GROW
Income and proceeds flow back into the account.

WHAT CAN THE ACCOUNT OWN?

- Real estate: rentals, syndications and private funds
- Private lending and notes
- Private companies and startups
- Precious metals
- Cryptocurrency

START EARLY

The most common thing we hear is "I wish I had set this up sooner." Opening the account and moving the money can take several weeks, and private investments have deadlines. Setting up the account before you need it means you are ready when the right opportunity comes along.

TAXABLE MONEY VS. RETIREMENT MONEY

The same investment can be a great fit in one account and an average fit in another. Depreciation is a good example. In a taxable account, depreciation from real estate can shelter some of your income. Inside an IRA it works differently: it does not create a deduction against your other income, but it still lowers the taxable income a deal reports to the account, which can matter when leverage is involved. So it is part of the picture, not the whole picture.

ACCOUNT	WHAT OFTEN FITS	WHY
Taxable	Growth-oriented equity with meaningful depreciation	Depreciation can offset passive income on your personal return.
Traditional IRA / 401(k)	Income-oriented and preferred positions	Distributions can compound tax-deferred, and the account does not need the tax shield.
Roth IRA	Your highest-growth opportunities	Qualified growth can come out tax-free.

These are general patterns, not rules. Your CPA can help you decide what fits your situation.

A FEW RULES TO KNOW

- **The account invests, not you.** You cannot personally use an IRA-owned property or do business with "disqualified persons" such as yourself, your spouse, parents or children.
- **UDFI / UBIT.** When an IRA invests in a deal that uses debt, part of the income can be taxable. It is usually manageable. See our free UDFI & IRA guide.
- **Liquidity and RMDs.** Private investments are often illiquid. Plan ahead for required minimum distributions.

WHY INVESTORS CONSIDER IT

- Higher potential returns
- A different risk profile than the stock market
- Diversification beyond Wall Street
- Cash flow that stays in the account to compound
- More control over where your money goes

Trade-offs to weigh: less liquidity, custodian fees, more paperwork, and the risk of loss that comes with any investment.

FIVE QUESTIONS TO ASK BEFORE YOU MOVE A DOLLAR

1. Which account type fits me: self-directed IRA, Roth, solo 401(k) or checkbook control? *(custodian)*
2. What are the setup, annual and per-transaction fees? *(custodian)*
3. How long will my transfer or rollover take, and what do you need from me? *(custodian)*
4. What documents do you need from the investment sponsor to fund a private deal? *(custodian)*
5. How would UDFI, UBIT or required minimum distributions affect this investment? *(CPA)*

CUSTODIANS WE KNOW

We have used self-directed accounts for our own investing for years. These custodians work with Oak Street Assets investors, and **OSA investors receive discounted pricing with each of them**. Links are on our **Invest with Retirement Funds** page.

Advanta IRA

Self-directed IRAs and solo 401(k)s. Watch our interview with Advanta on common questions.

uDirect IRA

Self-directed IRAs for real estate, land, private notes and more.

Inspira Financial

A large independent custodian, formerly Millennium Trust, holding traditional and alternative assets.

WHY WE DO THIS OURSELVES

Over the years we rolled old 401(k)s from past employers into IRAs, then into self-directed IRAs with different custodians, so we could invest in assets the big plan providers do not offer. The large brokerages want your money in their products. A self-directed account puts the choice back with you.

KEEP LEARNING (FREE)

- **UDFI & IRA Investing** guide and article
- **Depreciation 101** for passive investors
- **Is Your 401(k) Hurting Your Retirement?**
- **Self-Directed IRAs, Explained** (video with Advanta IRA)

All at **oakstreetassets.com/invest-with-retirement-funds**

KEY TAKEAWAYS

- ✓ Retirement accounts can hold private real estate through a self-directed custodian.
- ✓ Start with the account, then pick the investment. The best fit may differ by account.
- ✓ Know the few rules, and start the setup early. Transfers take weeks.

"Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time."

JOHANN WOLFGANG VON GOETHE

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STEADY GROWTH, STRONG RETURNS

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