



Letter of Intent - IRA, Meet Investment Property

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To those who may not have thought of this option prior, there are some distinct advantages for real estate investors to allocating real estate owned into an IRA. Real estate is tangible, thus, you have strategic control over the management of the properties and which properties are purchased for the account. My personal favorite advantage as a real estate analyst would be the bevy of information on the real estate market available to an investor in the chosen locale. Similarly to utilizing the knowledge of a financial advisor to help them make choices for their retirement portfolio, an investor can entrust much of the decision-making process to a real estate advisory firm. An advisor will help determine location, asset class, and will be instrumental in facilitating the transaction and helping an investor realize the potential of their investments.

I am the senior analyst at New York-based investment sales and structured finance firm, Berko & Associates, and as compared to many other parts of the country, we can say with almost undoubted certainty that New Yorkers can bank on market appreciation in addition to the cash flow provided by the property itself, just another compelling benefit to your placing investment properties in your retirement account.

Now for an encore...an investor can still mortgage the property. Where else is it possible to leverage an investment at such a high LTV in your retirement portfolio? This is far and away the most valuable attribute to the idea of putting an investment property in your IRA (not to mention, if you decide not to leverage, you can partner with other investors through tenancy-in-common).

An investor does however have more than one avenue than just holding the title to the real asset. A couple other channels that can be followed would be to invest in an entity that invests in real estate, or, for the savvy investor, an IRA account can be used to loan money against other investors' properties, thereby holding the note to the asset.

It is important to know that all expenses and operating decisions are made by under the IRA, not the individual, and payments for such expenses are made by conduit groups who manage the finances for the investment properties. These holdings provide all of the tax advantages and savings potential of any other IRA, with a few key advantages that should keep it at the forefront of any investor's retirement savings plans. Berko & Associates are not tax-professionals and all tax-related inquiries should be directed to your tax consultant.

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