

The Secrets of Off The Charts Wealth Development with a Self-Directed IRA



7 Things To Know About Roth IRAs and the 2010 Conversion Opportunity

a member of



The Entrust Group
Self-Directed Retirement Plan Services

The Secrets of Off the Charts Wealth Development



How our clients are quietly and easily amassing wealth. And how you can too.

A Private Letter from

Dear Reader,

Have you ever met a seemingly “ordinary” person, only to learn that he or she was a millionaire? Have you wondered how people can become so rich, and still have time for work and family? Do you wish that were you?

Entrust is here to help you to obtain your goals.

At Entrust, we are committed to the classic American goal of financial independence, especially during retirement. As secure retirement becomes increasingly challenging, some investors want to learn about and take advantage of a wider range of investment options to attain their goals. We are the leaders in self-directed IRAs and real estate IRAs, custodial services and educational curriculum that help clients to build wealth with investments that they know, understand and control.

In this special report, we will take a close look at how you can build wealth with a Roth IRA and how you might take advantage of a change in the conversion rules in 2010.

At the end of this report, you will receive an invitation for a free consultation to show you what self-direction can do for your future retirement income.

You will find that there is a great deal of eye opening information in the pages of this report. So, take advantage of our free consultation as a wealth building team.

Now, sit back, relax and let the learning begin.

Yours,

1. Having a self-directed Roth is a big deal.

The Roth IRA was born on January 1, 1998 as a result of the Taxpayer Relief Act of 1997. It's named after the late Senator William V. Roth, Jr.

And it's one of the best ways to save for retirement.

Why? Because the earnings on your investments are tax free as long as:

- You take distributions from your account after you reach age 59½ **AND**
- You have owned the Roth IRA for at least five years.

If you meet these requirements, the money you have earned in the account is tax-free, including all the gains you have made from your investments over the years.

The Entrust Self-Directed Roth IRA

An Entrust Self-directed Roth IRA offers all of the advantages of a Roth IRA that you would obtain with any other retirement account administrator. ***In addition, it allows you to choose your own investments and invest in what you know.***

The ability to choose your own investments AND enjoy tax-free earnings on those investments in a Roth is an incredibly POWERFUL combination (assuming you remain within the guidelines above).

If your current Roth IRA does not allow self-direction, you may transfer funds to an Entrust self-directed Roth IRA so that you may choose your investments.

So, what does “self-directed” really mean?

In 1975, as part of the Employee Retirement Income Security Act of 1974 (ERISA) and the creation of IRAs, self-directed IRAs were also permitted. At that time, qualified plans, such as Defined Benefit, Profit Sharing and Money Purchase Pension Plans, were self-directed. The investments of choice were most commonly real estate and notes.



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The self-directed portion of the retirement industry continues to evolve and today is an accepted investment diversification strategy. Investors are able to purchase a wide variety of assets that comply with the federal rules guiding permitted transactions through IRAs and 401(k) plans.

The term “self-directed” simply means that you, as an individual, have complete control over selecting and directing your own IRA investments. Once established, your account can buy real estate, notes, limited partnerships, commercial paper and many other types of assets.

With a self-directed individual retirement account, you make all of the decisions regarding your investments. The self-directed IRA custodian or administrator completes the documents required to establish your account and purchase your investment.

What are the benefits of a self-directed IRA?

Simply, your self-directed IRA may acquire almost any asset available in the global marketplace. The only limits, which are placed by the government, are collectibles and self-dealing. Therefore, with the great tax advantages provided by all individual retirement accounts and 401(k)s, as well as the wider range of possible investments of a self-directed IRA or self-directed 401(k), you can potentially build wealth and secure your future much more effectively than through traditional retirement plans which limit your investment options.

For example:

- Your IRA can invest in real estate.
- Your IRA can be a lender to third parties.
- Your IRA may be used to capitalize in whole or in part, small startups companies or add capital to existing companies. (There are some self dealing limitations)
- Your IRA may purchase precious metals.
- And of course, you may purchase private placements, stock, bonds and mutual funds.

With a self-directed IRA, you are not limited to the investment offerings of other IRA custodians, trustees or administrators. By using Entrust as the administrator for your account, you get much greater flexibility in the number of investment choices you have.



Case Study: An All-Cash Real Estate Purchase

Joel is 35 years old, and has a 401(k) with his previous employer for whom he worked for 10 years. Its current value is about \$500,000. Joel has decided that he wants to start his own business, and upon leaving his company sells his stock, also worth about \$500,000. Investing in real estate in a rising market fits his long term objectives.

Joel's tax accountant and certified financial planner help him see how he can have his own business and invest in real estate. Because Joel and his wife will make less than \$100,000 in modified adjusted gross income during the year, he can use a self-directed Roth IRA to buy and sell non-traditional investments (such as real estate). First, however, Joel will need to roll his 401(k) into a self-directed IRA with Entrust and then convert it to a Roth IRA. As part of the conversion, Joel may need to use his own funds to pay taxes due on the amount transferred to the Roth.

Because Joel is 35, he has ample time to maximize his tax-free investment portfolio through new investments. He also knows that if he ever needs funds to run his fledgling business after five years, he can withdraw up to \$500,000 from his Roth IRA (the basis money which he converted to a Roth) without penalty or tax. If he does need the funds earlier, he will have to pay a 10 percent penalty on the amount withdrawn.

Now that Joel has converted his retirement funds to a Roth IRA, he is ready to invest in property. He seeks a property to rehabilitate, and hopes to make a clear profit of nearly 40 percent in six months. He finds a property for \$199,500 for which he makes an all-cash offer contingent on inspections. The offer is made in the name of the Roth IRA. Because Joel is a fiduciary to his own IRA and the IRA is to be the owner, he reads and approves the offer on behalf of his IRA. The offer is sent to The Entrust Group which signs the offer as the buyer.

Joel prepares a Buy Direction Letter to direct Entrust to purchase the property. The purchase contract is included with the Buy Direction Letter. This letter also directs Entrust to wire transfer \$5,000 to the title company as an earnest money deposit.

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The administrator uses this direction letter to ensure that the transaction will be completed in accordance with Joel's instructions to Entrust. He carefully reads and approves all documents involved in the purchase, but Entrust signs all documents on behalf of his self-directed Roth IRA.

The property is inspected by engineering and pest inspection firms. They pinpoint some plumbing and electrical problems, as well as pest infestation; repairs will cost approximately \$7,500. Joel negotiates with the seller to reduce the purchase price by \$7,000, and then amends his Buy Direction Letter to \$192,500, and faxes it to Entrust.

Entrust wires \$200,000 to escrow in accordance with the closing statement, which includes all closing costs and commissions. Hazard and flood insurance is obtained through Joel's insurance company; the insured party is the self-directed IRA. The deed, which reads Mechanics Bank, FBO Joel Black IRA, The Entrust Group Administrator, is sent to Entrust for safekeeping.

Now Joel is ready to rehab the property. He knows that rehab costs need to be controlled to make sure that his profit spread is maximized. To this end, he reviews all bills and marks them as approved for Entrust to pay from his IRA. The bills are paid by Entrust directly to the contractor.

Joel acts as nominal manager of the project. He does not receive any payment, and he does not employ any disqualified persons to work on the project.

Having performed all of the required functions to acquire and rehab the property, Joel decides to sell the property, when the market is going in his favor. His first objective is to ensure that he will recover at least his costs of acquisition, rehabilitation, and rate of return on the invested capital over the time the property was not income producing. The rehab cost his IRA \$10,000. The main expenses were for cosmetic improvements, and upgrades to bring electrical up to code. With great advice from his tax accountant, Joel set a sale price that will give him a 40 percent return on the property. He was able to have his IRA sell the property for \$319,000.

Not only was Joel's gain substantial. Since Joel has a self-directed Roth IRA, the gains are tax-free forever.

2. 2010 is the year that the rules changes, not necessarily when the tax is due.



Prior to 2010, many consumers have been disqualified from converting to a Roth IRA due to the level of their income.

In 2010 and thereafter, the current income cap of \$100,000 will not apply to the conversion of a Traditional IRA to a Roth IRA. You can convert your retirement funds to a Roth in 2010 regardless of how much you make. This can be done in 2010 AND thereafter.

If you convert to a Roth IRA in 2010, you can either pay all the taxes on the conversion in 2010 or, if any, may be paid over two years in 2011 and 2012.

For higher wage earners, this is a prime opportunity to convert money into the Roth IRA to allow your money to have tax-free growth at retirement.

If you convert a traditional IRA to a Roth, you must pay taxes on the "moved" money. If at all possible, you will want to do this with cash you save between now and then. The more money you can cram into a Roth, the better off you may be in the end.

3. You can take advantage of the Roth Conversion now

If you make less than the \$100,000 in adjusted gross income, consider converting now.

With the depressed markets many account values, including yours, may result in your having lower asset values in your IRA and consequently less taxes to pay on the conversion.

Pay taxes over time.

The new Roth conversion rules in 2010 allow a payment plan. Half of the tax will be due in 2011 and the other half will be due in 2012. ***This is the equivalent of a tax-free loan from the US Treasury. This benefit is only available for conversions done in 2010.***

Save for taxes now.

Knowing that the event is just around the corner, it might make sense to start accumulating the tax money now. Since you will be taxed at ordinary income levels, you can get a sense of what the tax bill will actually be at the time of conversion.

Convert current IRAs and old 401(k)s.

The 2010 conversion is not limited to just your traditional IRA. If you have old 401(k)s or any other retirement plans from a previous employer, those will also be allowed to convert as well. You might want to determine if it is a good idea to convert them all. Talk with your professional tax advisor about your situation.

If you have an old 401(k) that you have rolled over into an IRA, the question might be what do you use as the original tax basis? In the face of the 2010 conversion or any conversion in general the basis, or the amount that you will be taxed on, is the amount of the account *at the time of conversion*.

For example, if you had an old 401(k) that was worth \$45,000 and rolled it over into an IRA, and now that IRA is only valued at \$25,000, the \$25,000 is the amount you'll use for your basis. If you elect to do the conversion at \$25,000 and then, as the year goes by and the value of your account drops more, the option might be able



to do what's called an IRA re-characterization. For more information on IRA recharacterization, please visit www.theentrustgroup.com/recharacterizations.

How much can you contribute to a Roth?

The contribution limit for Roth IRAs generally depends on whether contributions are made only to Roth IRAs or to both a Traditional IRA and Roth IRA.

The chart on the next page shows whether your contribution to a Roth IRA is affected by the amount of your modified adjusted gross income (MAGI).

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You may be eligible to claim a credit for contributions to your Roth IRA. For more information, see chapter 5 of the IRS publication 590 located on the IRS web site at <http://www.irs.gov/publications/p590/ch05.html>.

| If you have taxable compensation and your filing status is ... | AND your MAGI is ... | THEN ... |
|---|---|---|
| married filing jointly or qualifying widow(er) | less than \$159,000 | you can contribute up to \$5,000 (\$6,000 if you are age 50 or older) |
| | at least \$159,000 but less than \$169,000 | the amount you can contribute is reduced |
| | \$169,000 or more | you cannot contribute to a Roth IRA. |
| married filing separately and you lived with your spouse at any time during the year | zero (-0-) | you can contribute up to \$5,000 (\$6,000 if you are age 50 or older) |
| | more than zero (-0-) but less than \$10,000 | the amount you can contribute is reduced |
| | \$10,000 or more | you cannot contribute to a Roth IRA. |
| single, head of household, or married filing separately and you did not live with your spouse at any time during the year | less than \$101,000 | you can contribute up to \$5,000 (\$6,000 if you are age 50 or older) |
| | at least \$101,000 but less than \$116,000 | the amount you can contribute is reduced |
| | \$116,000 or more | you cannot contribute to a Roth IRA. |



Converting to Roth IRA

Recently, two of our clients converted their Traditional IRAs to Roth IRAs for some rather creative reasons. First, both clients anticipate their Adjusted Gross Income this year for conversion purposes to be less than \$100,000. This will allow them to convert to Roth IRAs.

The first client converted \$145,000 from Traditional IRA to a Roth IRA. She then bought six lots surrounding a mountain lake. When she retires (more than 20 years from now), she intends sell off some of the lots and to build a house on one of the lots. She will then distribute out the completed home to live in – tax-free.

The other client is an elderly gentleman (age 77). His IRA was worth approximately \$250,000, and he was in the process of taking required minimum distributions. Ordinarily, he would not seem to fit the profile of someone who would want to convert to Roth (and pay the tax at his age!), but he had another reason. One of his grandchildren has special needs and he saw this as a way to provide the grandchild with tax-free income.

After he passes, the IRA would go to his beneficiary (the grandchild) and distributions would be made based on the child's life expectancy (she is currently 12). Based on her life expectancy, the Roth IRA would distribute well over \$1.5 million assuming an 8% average rate of return and still have funds leftover. Not a bad bequest!

Converting from a Traditional IRA to a Roth IRA is complex and many issues must be considered. Before completing the conversion process, you should consult your tax advisor.

Look at the Numbers

First, let's say that at age 55 you convert \$50,000 to a new Roth IRA and pay \$14,375 in taxes. And let's assume you face a 25% federal tax rate and 5% state tax rate, both before and after retirement. The total after-tax withdrawals for a retirement starting at age 65 and lasting 30 years would be \$221,948. If you had left the money in a Traditional IRA, you would get \$208,415, or \$13,533 less. So, the edge goes to converting.

But if your tax bracket turns out to be 15% in retirement (versus 25% before retiring), you would have been better off leaving your assets in the traditional IRA, which would return \$229,814. That's because the big tax bite at the time of the conversion would do more damage to the nest egg in the long run than the 15% tax rate on withdrawals from the traditional IRA in retirement.

Conversely, if you find yourself in a 35% bracket in retirement (versus 25% before retiring), the Roth wins out, resulting in withdrawals across your retirement of \$221,948, as opposed to \$187,017 with the Traditional IRA. In this case, you would be withdrawing money tax-free from your Roth at a time when your tax rate is higher.

4. You can pay tax now, while you're earning more and your long-term earnings may grow tax free.

To understand this, let's look at the difference between a Roth and a Traditional IRA

The difference between a Roth and the other retirement accounts (such as a Traditional IRA) is simply the timing on when the tax break is received.

In a Traditional IRA, taxes are paid *after* you begin taking distributions from your account or after retirement.

With a Roth, taxes are paid *before* contributions are made to the account. The amount contributed to your Roth IRA is not tax deductible.

And since employer-sponsored retirement accounts and Traditional IRAs are tax-deferred, Uncle Sam doesn't want to wait forever, so he came up with something called required minimum distributions (RMDs). According to the rules, you must begin taking money out of your 401(k) or Traditional IRA by April 1 of the year following the year in which you reach age 70 ½ -- whether you need the money or not. If you are considered a common law employee in your employer plan you may be able to defer taking distribution until you retire.

Contributions to a Traditional IRA may reduce your taxable income in the same year that the contribution was made. Traditional IRA accounts are considered tax-deferred because you won't pay taxes on interest, dividends, or capital gains until you take a distribution from your IRA. But when the money is withdrawn, it counts as ordinary income and will be taxed at the same rate as income earned from a job (i.e., not at the lower long-term capital gains rate).

With a Roth IRA, taxes are paid at the time the money is earned, prior to the contribution to the IRA account. Roth contributions do not reduce your taxable income, so there's no deduction. However, the Roth is a tax-free account; no taxes are paid on the



interest, dividends, or gains when you take a distribution – providing you make sure you follow the distribution rules.

What are the advantages of a Roth IRA?

- The ability to have investment earnings completely escape taxation.
- The Roth IRA may provide more of a long-term tax break than a regular IRA because it holds after-tax dollars.
- If you can take advantage of this by maximizing your contributions, you'll add greater tax leverage to your retirement savings.
- If you're able to live on other resources after retirement, you don't have to draw on your Roth IRA at age 70½. That means your earnings continue to grow tax-free.
- In most cases, a Roth IRA holder may withdraw the principal amounts invested without any tax liability.
- The Roth IRA provides greater flexibility. You are not penalized for taking money out that represents your contributions or putting it in if you meet the eligibility rules for contributions.
- If you continue to work after age 70 ½ and have earned income you can continue to contribute to a Roth IRA.

Disadvantages

- You don't get a tax deduction when you contribute to the Roth IRA for the year you contribute.

What questions should you ask yourself when considering a Roth?

Do you want to pay taxes now, or later?

Bringing things down to the basics, you are contributing to a retirement account to make retirement more affordable. And the retirement account that will require you to pay less tax after you've stopped working may just be a Roth IRA.

Do you want the heavier tax burden now, while you're still earning a paycheck and can cover the liability, or when you've stopped working, and you can't make up for anything Uncle Sam takes away?

The more taxable income you receive in retirement, the more likely your Social Security benefits will also be taxed. Income from a Roth IRA, however, does not affect the calculation of whether you'll pay

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taxes on a portion of your retirement benefit check.

Do you want the flexibility on whether or not to take required distributions?

The government doesn't have a vested interest in the tax-free money in Roth IRAs; they aren't subject to minimum required distribution rules. If you are able to live on your Social Security, pension, other savings, the money in your Roth can keep growing tax-free, creating a bigger bundle for when you need it.

Also, a Roth IRA is good for the beneficiaries of your estate. Just as you would receive the proceeds of a Roth tax-free (if the five year rule is met), so would your heirs. However, beneficiaries have to pay income taxes on the money inherited from 401(k)s and traditional IRAs. (Both forms are still subject to estate taxes, if applicable.)

Do you want to have the ability to get your hands on the money?

What if you want the money before you're 59 ½? Again, choose the Roth. Withdrawals from an employer-sponsored retirement plan or a traditional IRA before the age of 59 ½ can lead to taxes and penalties (except under special circumstances).

This is not necessarily true for a Roth. Contributions to a Roth can be withdrawn at any time, penalty and tax-free. For example, let's say you contribute \$5,000 this year to a Roth and in three years it grows to \$6,000. You can withdraw your \$5,000 contribution at any time. However, if you try to take out that \$1,000 in growth before you're 59 ½, you may be subject to taxes and penalties (again, except in special cases).

So, if you want to invest in a retirement plan but may need to access your savings, consider a Roth.

Are you already saving for retirement with an employer-sponsored plan?

If your employer matches contributions to your work-sponsored plan, then it's probably best to take advantage of that free money.

One thought is to contribute only up to the point that contributions are matched; then after that, send the remainder of your re-



tirement money to a Roth. When considering this strategy, discuss it with your financial planner or accountant to determine what will be best for you.

In most situations, an employee has to stay with a company for a number of years before those matching contributions will “vest” -- that is, really become the property of the employee. If you don't plan to stay with your employer long enough for the matches to vest, then go straight to the Roth.

Is there an age limit for contributions?

Contributions can be made to your Roth IRA regardless of your age as long as you have earned income.

Do you expect your tax rate during retirement to remain the same or to be at a higher level than your current tax rate?

Remember, all earnings in the account are tax-free (with the stipulations mentioned above). In the long term, you may be paying fewer taxes after you retire.

Currently, you may jump-start a tax-free retirement plan by converting your Traditional IRA to a self-directed Roth IRA. While this is a taxable event, your future earnings will grow tax-free.

Since 2008, you can convert a previous employer's plan, such as a Profit Sharing, 401(k), or Defined Benefit plan directly into a Roth IRA if you meet the eligibility requirements. While this is a taxable event in the year you convert, it does provide you a means of additional funding to your Roth IRA in addition to the annual contribution of \$5,000 plus a catch-up provision of \$1,000 if you are age 50 or over.

5. You are what you do & what you know when it comes to making money.

It's time to take action. And you are probably asking what do I have to do to self-direct my retirement plan?

It's easy. Basically, there are three steps to self-directing your IRA funds:

1. Open an Account – If you've already decided on the type of retirement plan you'd like, open a self-directed IRA account with Entrust. Our professionals are trained in all areas of self-directed IRAs, and are ready to assist you.

2. Fund your Account – Fund your account by making a contribution or by transferring funds from another IRA. Your local Entrust office can assist you.

3. Choose an Investment – If you have an investment in mind, simply contact your local office. If you're looking for investment ideas, attend a seminar or workshop in your area. Visit the events page of our website at www.TheEntrustGroup.com for events near you.

Now, is the time to take advantage of our free consultation, call us at:

And remember:

- You may put funds in an IRA any time of the year up to the maximum amount allowed each year.
- The amount you put away in a Traditional IRA is tax deductible in the year you make the contribution (unless it is contributed to a Roth IRA or is a non-deductible contribution to a Traditional IRA).



- You must meet certain requirements to convert a Traditional to Roth IRA and it will be taxable to you in the year of conversion.
- If you qualify, contribute to a Roth IRA. A Roth IRA is generally preferable, as long as you meet the distribution rules.
- If you do not qualify for a Roth IRA, a Traditional IRA may be used. However, gains are taxed when you start taking distributions.
- If you already have an IRA and wish to self-direct it, all you need to do is complete a self-directed IRA application at Entrust. Then you may transfer the assets from the old IRA to your new self-directed IRA.
- If you had a profit sharing, money purchase, 401(k), TSA, 403(b) or government sponsored 457 plan from any previous employers, you may roll these over to a Traditional IRA or consider converting them directly to a Roth IRA.
- The paperwork is easy and the process goes very quickly. It generally takes only two to four weeks to fund the new account by transferring or rolling over monies from your previous IRA and/or Qualified Plan.

Funding Your Self-directed IRA - With an IRA Rollover, Transfer or Contribution

The most common technique to funding a self-directed traditional IRA is through making a contribution to your account. You may also roll over or transfer funds from an previously existing employer plan, such as a 401(k), a pension plan or another Traditional IRA. If your current Traditional IRA does not allow self-direction, you may also transfer those funds to an Entrust self-directed Traditional IRA so that you may choose your investments.

For Professionals

Whether choosing to open your own account or if you are a professional looking to support your clients, Entrust has local offices accessible to you and/or your client.

As Entrust cannot recommend any investments, we supplement your business to your clients, we don't compete for it. The custodian and administrator should be a neutral party that will not interfere with investment choices or the investment advice you are giving as an advisor.

6. The Administrator is Critical To Your Wealth

When opening an account, it's important to make sure that the uninvested money contributed to your self-directed account is FDIC insured. The fee structure should be clearly communicated and there should be choices based on account value or number of assets in the account. Finally, the account owners should not be charged until they make an investment. Don't wait to open an account even if you wait to select your investment. One mistake many people make is waiting until they find an investment before opening an account. In fact, the experience of successful self-directed investors is that the very opening of the account promotes finding the investment.

Your administrator should be approachable, available and knowledgeable in IRS rules and guidelines, federal and local tax issues, allowable assets and transactions. They should offer educational programs for professionals and clients in the community. They should be ready and open to partner with advisors.

Don't be left behind. Contact us for an immediate consultation:



Case Study:

Let's say that you worked for a company for 25 years, built up your retirement account and now you want to roll it to a Traditional IRA. Did you know that you can roll your retirement money from a qualified plan directly to a Roth?

If you have approximately \$300,000 in savings, the chart below shows the difference in savings between a Roth and a Traditional IRA over 20 years. The chart assumes a hypothetical earning on the funds at 6% and a combined tax bracket of 33%.

In order to do this comparison, we have to account for the tax money that you would still have in your pocket if you do not convert to a Roth. It's the \$100,000 you would have paid in tax on a Roth conversion ($33\% \times \$300,000$), invested at 6% (4% net of tax) that would grow to \$219,112 after 20 years.

Now we have an apples-to-apples comparison and you are also \$100,000 ahead in this hypothetical situation because using the Roth, you've been able to keep money at work growing tax-free for a long period.

| | Roth IRA | Traditional IRA |
|------------------------------|-----------|-----------------|
| Balance Today | \$300,000 | \$300,000 |
| Balance in 20 years | \$962,140 | \$962,140 |
| Tax Due | \$0 | \$317,506 |
| Add back | | \$219,112 |
| Value after tax and add back | \$962,140 | \$863,746 |
| Tax Free Growth | YES | NO |

Assumptions: IRA owner age 65 grows IRA for 20 years until death. Mandatory distributions taken from other IRA funds so unencumbered growth occurs in regular IRA. All funds earn 6%, combined tax rate of 33%. Roth conversion tax is paid from non-IRA funds.

How To Do It

You have three choices:

1. You can do a rollover (within 60 days as we discussed before),
2. You can do a trustee to trustee transfer, or
3. You can convert your Traditional IRA to a Roth IRA.

7. Creating your financial future comes down to the freedom to make choices.

Relying on your own knowledge, understanding the opportunities, getting expert help and enjoying the challenges of taking charge. With a self-directed IRA, you can invest your retirement funds when, where and how you want.

Self-directed IRAs give you the ability to choose from a variety of investments, such as mortgages, notes, real estate, offshore real estate, private placements and more. And, by diversifying your investments, you may protect and enhance your retirement.

The Entrust Group is the world's premier provider of account administration services for self-directed retirement plans through a nationwide network of dedicated local offices. For more than 25 years we have been an acknowledged authority in the field of self-directed retirement accounts. Our commitment is to always be the knowledge leader in our field, and to deliver that knowledge to you through the highest level of service in the industry.

Turn your IRA into a wealth-building machine and secure your future. Invest in what you know, understand, and control.

Here is how to register:



Case Study:

Harry is 65-years-old and single. He has a \$1 million Traditional IRA and other assets that put his estate in the 46% marginal tax bracket. Harry understands the Roth's benefits but is less than enthusiastic about paying \$350,000 in income tax (35% federal) for the conversion. He rationalized that he doesn't have enough years to make up the out-of-pocket tax cost. However, a review of the tax savings for his heirs convinced him differently, and he made the conversion.

Since Harry reduced his estate by \$350,000 (income tax paid on the conversion), he cut his potential estate taxes by \$161,000. Thus, the IRS picked up part of the cost. And his beneficiaries stand to inherit his \$1 million Roth IRA from which they can withdraw income for the rest of their lives, tax-free. Otherwise, if the funds had been left in the IRA, they may have had to pay up to 35% on the distributions.

The possible tax savings:

Estate Tax \$161,000
Income Tax \$350,000
Total: \$511,000

Suppose that Harry lives another 15 or 20 years and earns 7% on his retirement funds? (Illustration does not reflect Harry's RMDs.)

| | Traditional IRA | Roth IRA |
|----------------------------|------------------------|-----------------|
| 15 Years | \$2,759,032 | \$2,759,032 |
| Income tax to heirs | \$965,566 | \$0 |
| Proceeds (less estate tax) | \$1,793,466 | \$2,759,032 |
| 20 years | \$3,869,684 | \$3,869,684 |
| Income tax to heirs | \$1,354,389 | \$0 |
| Proceeds (less estate tax) | \$2,515,295 | \$3,869,684 |

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Case Study: How to Make Your Real Estate Business Work Using Your Roth IRA

Here are some great answers, which work for a real estate company:

Leslie and her husband both have a SEP-IRA and have made contributions and profits in excess of \$500,000. A couple of years ago they asked about Roth IRAs. Entrust told them that if they qualify, they could convert these contributions made to their IRA as SEP contributions to Roth IRAs. The regular, or Traditional IRA would remain in tact so that they could make their usual SEP contributions every year, without administrative hassles. (This also works for SIMPLE IRAs, and in-service withdrawal rollovers to IRAs).

Having paid the taxes, the clients have a basis in excess of \$500,000 in their Roth IRAs. (The basis is the amount they have in the Roth after tax. The clients paid the taxes using money not in their plan. They could have used IRA funds to pay the tax also)

They have two deals working which means using about \$100,000 to buy two single family houses in Florida. They sold these houses, net of closing costs, for a total of \$150,000. They also have a couple of other deals in the works during the next few weeks with similar results anticipated.

In the mean time, they need to run their business. With all the money in the Roth, they can take out the basis up to the amount they have, or in this case \$500,000, and live on it, put some into their business, whatever they want, as they have no tax implication on those funds. Their financial advisor suggested that one approach they should consider is to take the amount they currently need to run their business and personal expenses, from their basis, and then roll that amount back in within 60 days, thus protecting that amount of their Roth. At the same time they can also use part of their basis to make deals and get current income.

For example:

They need \$50,000 for the next two months to live on. They withdraw \$50,000 from their Roth Basis money and use it for that purpose. At the same time they want to make some deals to show income outside their Roth. They take an additional \$100,000 of their basis and make a net \$50,000 in the next few weeks. That shows on their income statement. As they only needed \$50,000 to live on, they can roll back that \$50,000 profit they don't need. They still have \$100,000 to work with.