

# ERSOP<sup>®</sup>

Entrepreneur Rollover Stock Ownership Plan<sup>®</sup>

Real Estate  
Management Company

# First:

## Are you going to be Active or Passive?

- All of our clients have that entrepreneurial spirit, they choose ACTIVE.
- They are going to be in charge and make the decisions.
- Therefore they cannot use a self directed IRA as the vehicle to invest their retirement funds into real estate, because IRAs are excluded from the statutory exemption from being a prohibited transaction in the Internal Revenue Code. [IRC 4975(d)(13)]
- However most IRAs may be rolled into an ERSOP<sup>®</sup> Plan and used.
- First a review of the Start-Up Steps.

# Set-up mostly the same.

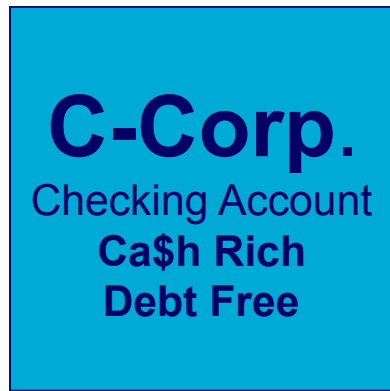


- Must have a C-Corporation
- Must Have a Profit Sharing Plan
- We assist you in getting your money rolled over.



# Funding the Corporation

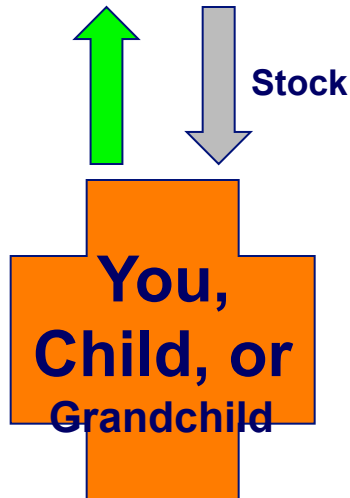
## No Taxes, No Penalties, Not a Loan



Minimum \$1000  
personal stock

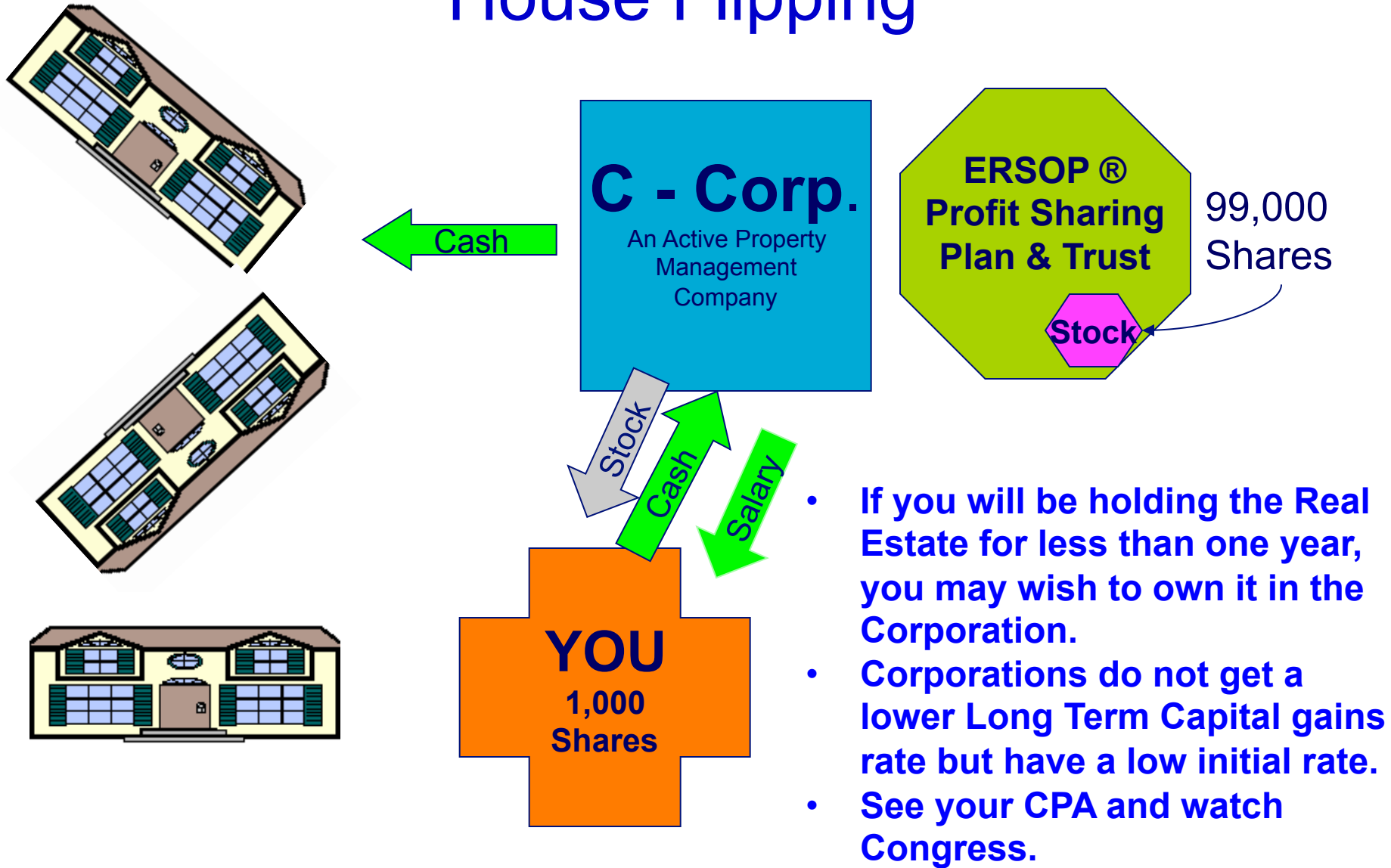
Recommended  
10%+

The more the  
merrier.



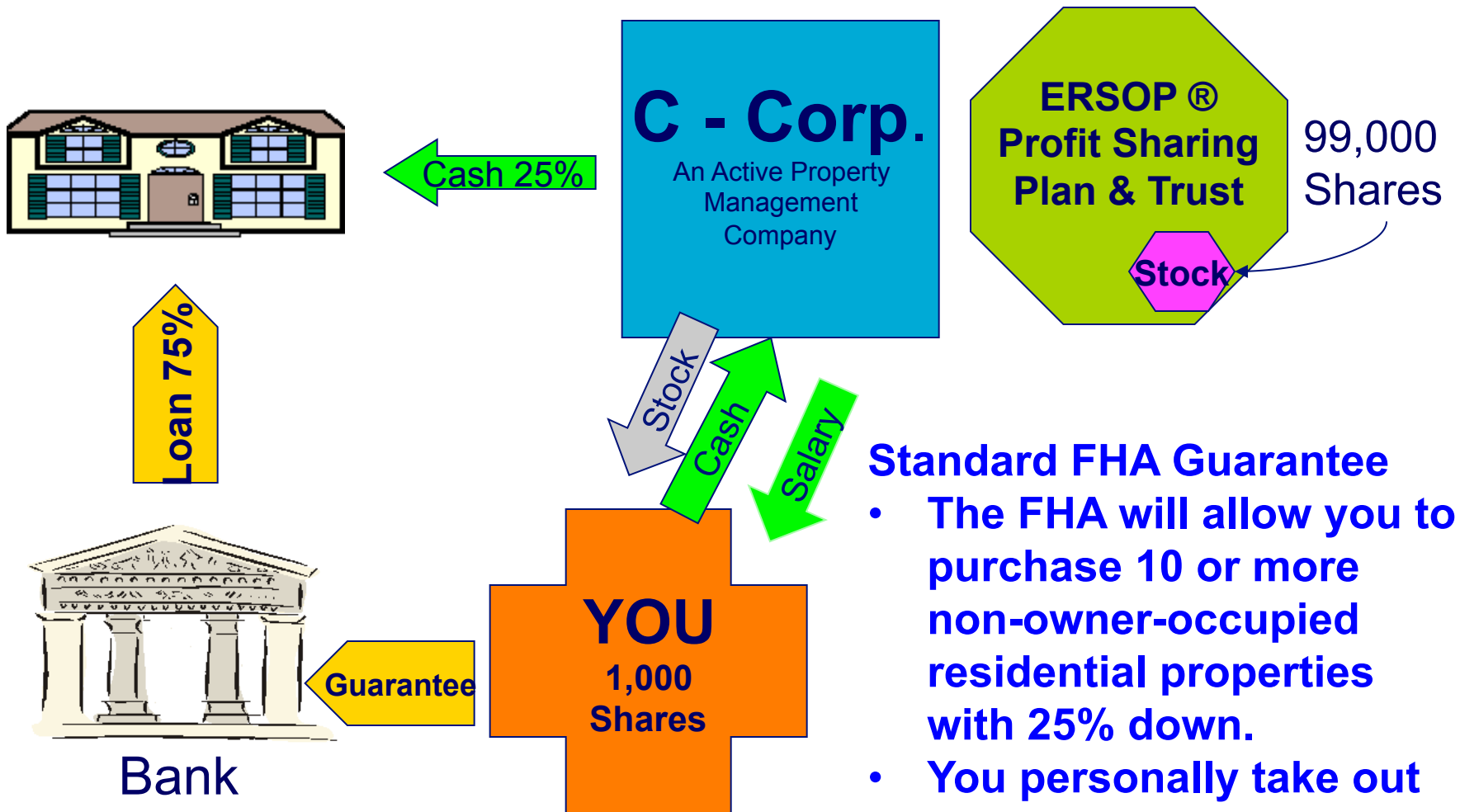
- You are the Trustee.
- You are an Officer.
- You control the Corp until bought out.

# House Flipping



- If you will be holding the Real Estate for less than one year, you may wish to own it in the Corporation.
- Corporations do not get a lower Long Term Capital gains rate but have a low initial rate.
- See your CPA and watch Congress.

# Income Real Estate



- Standard FHA Guarantee**
- The FHA will allow you to purchase 10 or more non-owner-occupied residential properties with 25% down.
  - You personally take out the mortgage for the balance.

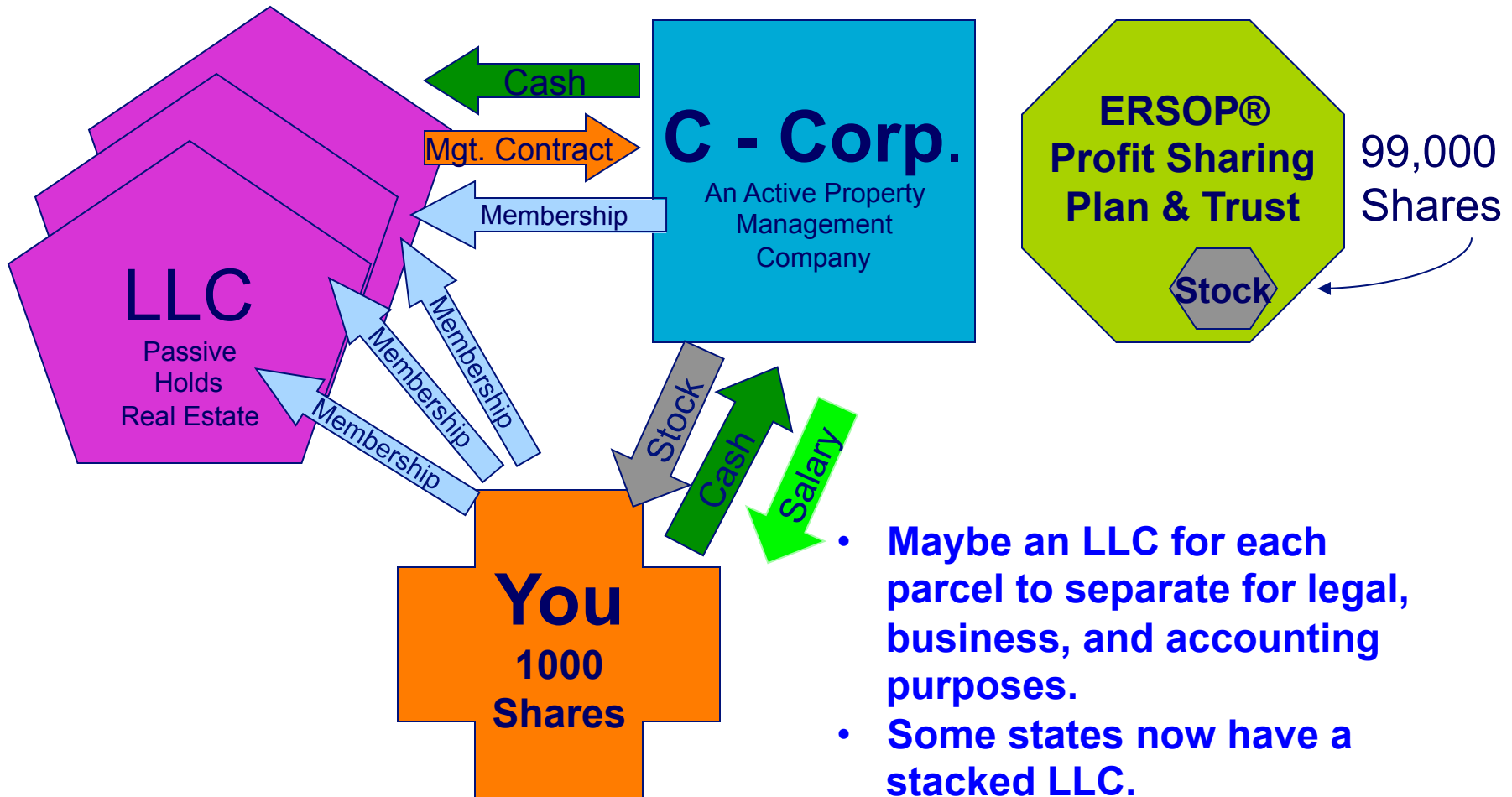
# Enter the LLC



- **After the loan is funded, wrap an LLC around the Real Estate.**
- **LLCs have developed into the preferred entity to hold real estate.**
- **LLCs formalize the relationships.**

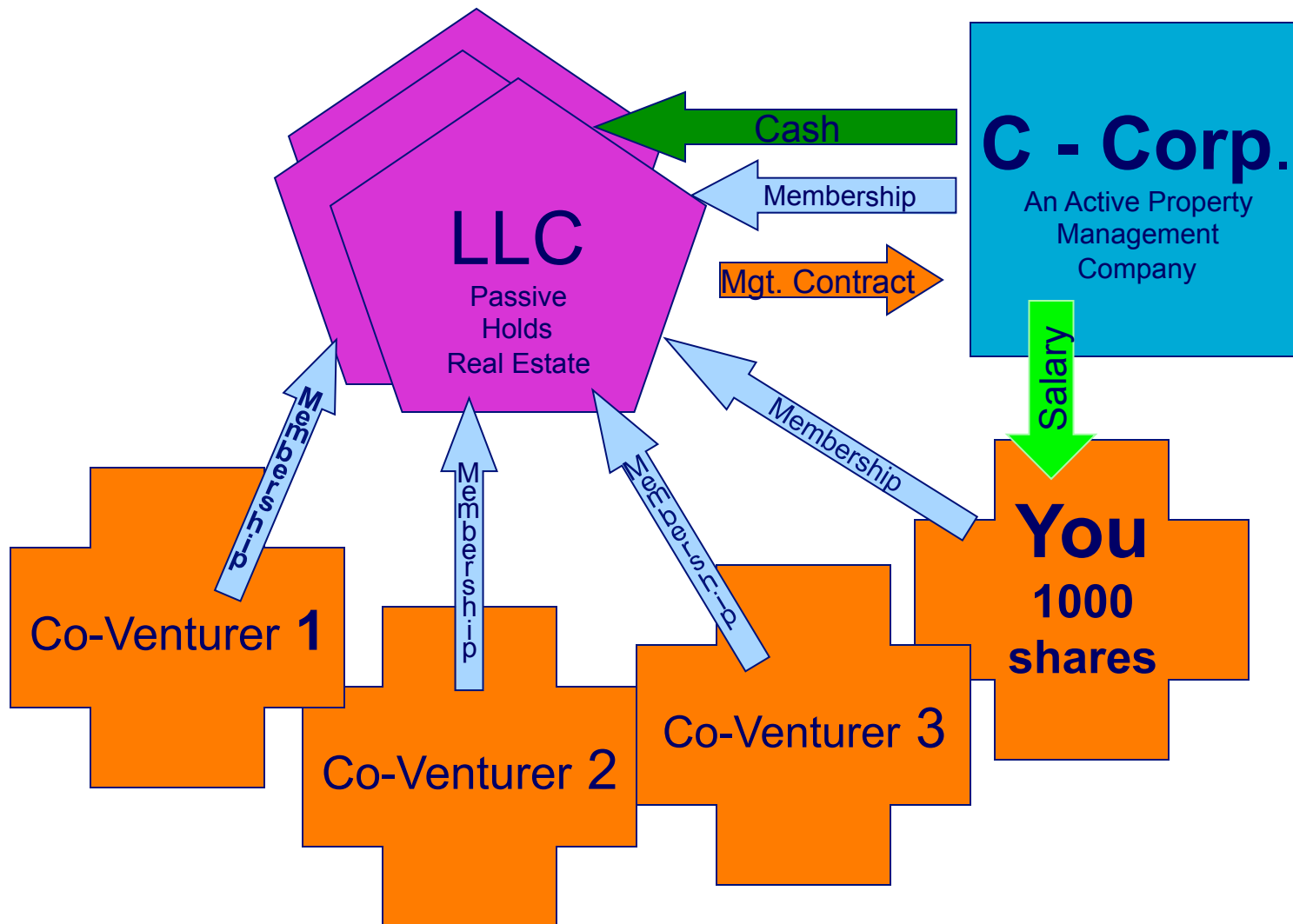


# Fun with LLCs





# Adding More Members – Become a Mogul



# The Three Rules of ERISA Section 408(e)

1. If such acquisition, sale, or lease is for adequate consideration (fair market value),
2. If no commission is charged with respect thereto” . . . “to or from a disqualified person,”
3. If the plan is an eligible individual account plan (as defined in section 407(d)(3)).

# Why you cannot use a self-directed IRA?

- ERISA 407(d)(3) excludes all IRAs from the definition of “eligible individual account plans” and therefore they do not have the exemption of IRC 4975(d)(13).
- IRC Sec. 4975(e)(2)(H) . . . Officer, director or having any of the powers or duties of an officer or director . . . is a “disqualified person.”
- Our clients are Entrepreneurs, they are not passive.
- All money in most IRAs may be rolled into an ERSOP® Plan and used.