How to Draw Out $513,801 p/year From Your Retirement Account by Doing Just 1 Retail Flip p/year!

(If you did this same strategy outside your IRA…you'd only receive $51,215 per year in retirement income)

You Pick!

– See the Simple Math Below-

Everyone knows that "tax-free investing" is much better than "taxable investing". But most people do not really understand just how vast the difference is. And because they do not grasp the sheer magnitude in play, **they ignore the biggest tax break in existence**. They do not take action and invest in self-directed 401k Roth and/or Roth IRA and/or Health Savings Accounts ("HSA's") and/or Coverdell Educational Savings Accounts ("CESA's") – or all of the above.[1] And in so doing, they flush *millions* of dollars into the maw of an increasingly greedy government. My XL proves my point via simple math, step-by-step.

- You can download a simple spreadsheet via iralawyer.com that shows how a pretty modest amount of investing via one Roth-style account means one can retire on **$513,801 per year instead of $51,215 per year**. The numbers do not lie. They are very straight-forward and easy to check. Don't take my word for it – review the XL line-by-line. While you are at it, alter & play with the numbers. This is real – I have clients who hit these numbers. I have clients who hit *far better* numbers. Think I'm kidding? Google "Mitt Romney IRA". *That* is how you play the game! This is real.

Once you review the math, ***take action***. Learn how this is done from an expert who has been taken these types of self-directed accounts to Tax Court – and forced the IRS to accept the results.

How to ACT on this Information and DO What the Law Still Allows

If you are interested in ACTING on this information, please consider signing up for a detailed and comprehensive Self-Directed IRA Workshop to be held in Dallas May 6th & 7th, Greenville, SC May 20th & 21st, and Columbus, OH June 3rd & 4th. John Hyre shall be the primary presenter.

[1] "Traditional" IRA's & other Traditional retirement plans are tax-deferred as opposed to tax-free. Traditional plans are better than "taxable", but normally produce results that are inferior to Roth-style accounts. If possible (and it usually is, even if you have income that is "too high"), explore Roth-style accounts. Mileage of course varies for each individual based on her unique circumstances.

Approximately *half* the class time will be devoted to off the clock Q&A – bring us your ideas and deals. Or call me at $350/hour, I'm *quite* happy to teach by the hour!

<u>The deal flow on this XL</u>:

- From age 40 to 50, do *one* (just one) rehab & retail deal per year. Start with $100k invested[2] and generate a 30%[3] return on the deal. Reinvest the cash in one rehab & retail deal per year for the next 9 years. *Just one per year*.[3] The difference between "taxable" and "non-taxable" after the first ten years: $596,835 in the account if it is taxable, $1,378,585 if it is non-taxable for a difference of $781,750.[4]
- After ten years rehabbing starts to interfere with beach time. Sad, so sad. So from age 50 to 60, invest the cash balance at 12%.[5] Such semi-passive returns are available via private lending or rental real estate, to name two examples. Take no distributions, reinvest the proceeds for the entire ten years. The difference between "taxable" and "non-taxable" after the first ten years: $1,298,374 in the account if it is taxable, $4,281,675 if it is non-taxable for a difference of $2,988,374.
- More beach time is needed. Continue to invest for 25 years at 12%, but take the annual income as a tax-free distribution. Annual income using the "taxable" model: $51,215. The annual income using the "non-taxable" approach: $513,801. Do I have your attention?

<u>Why this example is *modest*</u>:

- I have seen investors do more volume than I have described
- I have seen investors invest at higher rates than I have described
- I have seen investors invest for a lot longer than I have described
- I did not include the math that results from your kids (or better yet, grand-kids or great-grandkids) inheriting a Roth IRA and receiving income from the account tax-free for their entire lives – even before they reach "retirement" age

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[2] Don't have $100k in your accounts? First, it is easier to get to that number than you think. Contrary to popular belief, there really are no income limitations that keep you from putting money into these accounts *if* you know how to legally manipulate the system. Second, there are legitimate ways to take small IRA's and make them quite large. I will provide examples of how that is done in future spreadsheets & articles. For the *details* of *exactly* how to accomplish these feats, kindly consider giving me a (billable) call or attending the workshops I have mentioned. [3] 30% is an "OK" returns on a fix & flip deal. I have seen investors do far better than that. Not into fixing & flipping? There are other ways to generate such returns, this is just one (admittedly common) example.

[3] Dear nitpickers & engineers: The purpose of this article is to show the power of tax-free investing. It is not to recommend a specific approach or to cover the details of "how to". For example, do the flips I described result in UBIT? Maybe, maybe not…..my bias here is towards "not". But the details matter, as do your individual circumstances. Your mileage may vary.

[4] Am I telling you to invest in real estate, or to make loans with your retirement account? Nope. Am telling to *not* invest your retirement account in real estate or loans? Nope. What & how you invest in is your decision. I am simply providing examples of what I have seen. What I have seen may or may not be for you.

[5] I have seen plenty of investors generate 12% or greater returns via private lending or rental property. There are others ways to do it. It does require some education & imagination. Most people will not generate such returns in the market.

- My example does not involve leverage – IRA's & the other exempt accounts can borrow from & partner with others
- My example only involves *one* tax-exempt account

The purpose of the referenced spreadsheet is to demonstrate the little-understood power of tax-free investing. I use far more complex models to track my actual investing. I chose not to present such a complex XL because its very complexity would tend to obscure the larger point – the vast amount of money that is available for retirement via tax-exempt retirement accounts.

John Hyre is an attorney, accountant and real estate investor based out of Columbus, Ohio. He advises clients nationwide on to avoid tax trouble when structuring their self-directed IRA's, 401(k)'s, HSA's and CESA's. John has also successfully defended SDIRA's from IRS attack in audits and in Tax Court. He can be reached at johnhyre@realestatetaxlaw.com or at www.iralawyer.com.