



REAL ESTATE INVESTMENTS WITHIN YOUR IRA

M2 Trust Services, LLC
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Real estate can be purchased directly by your account, transferred from an existing IRA or rolled over from a qualified plan.

PERMISSIBLE PROPERTY

- Vacant lots
- Raw land
- Income-producing property such as rental houses, condominiums or commercial real estate
- Permanently attached manufactured homes only if the certificate of title has been surrendered
- Foreclosure property if the property has already been foreclosed upon

UNACCEPTABLE PROPERTY

- Mobile homes (if not permanently attached)
- Timeshares
- Any foreign real estate (located outside of the U.S.)

PROHIBITED TRANSACTION

Internal Revenue Code Section 4975 defines a prohibited transaction as a transaction between a plan (your account) and a disqualified person. Generally, "disqualified persons" are defined to be the Account Holder, other fiduciaries, certain family members (lineal descendants and spouses of lineal descendants), and businesses under the Account Holder's (or disqualified person's) control. In essence, the prohibited transaction rules prohibit an IRA or Qualified Plan from acquiring a piece of property which will be purchased from or used personally by the Account Holder or other disqualified persons.

Frequently Asked Questions

Q. Can my M2 Trust Services, LLC ("M2 Trust") account invest in real estate through a Limited Partnership or Limited Liability Company?

Yes.

Q. How is title held on property in an IRA or Qualified Plan?

Since your IRA is buying the property rather than you as an individual, the title must be held in the name of M2 Trust, Custodian FBO (Account Holder Name), Account # _____. Therefore, the contract/purchase agreement, title commitment/insurance, deed, liability insurance, etc. must be titled accordingly.

Q. May I sell property that I currently own to my M2 Trust account?

No. Property that you or a disqualified person has ever owned is not eligible to be purchased by your M2 Trust account since this would be a prohibited transaction.

Q. What is a prohibited transaction?

In general, Internal Revenue Code Section 4975 defines a prohibited transaction as a transaction between a plan (your account) and a disqualified person. Generally, "disqualified persons" are defined to be the Account Holder, other fiduciaries, certain family members (lineal descendants and spouses of lineal descendants) and businesses under the Account Holder's (or disqualified person's) control. In essence, the prohibited transaction rules prohibit an IRA or Qualified Plan from acquiring a piece of property which will be purchased from or used personally by the account holder or other disqualified persons.

Q. Can I use the property held within my M2 Trust account?

Neither you nor any other disqualified person can have any personal use or benefit of the property while it is held in your retirement account. The property must be purchased for investment purposes only.

Q. If I decide I want to use the property in my account, how do I take possession of property?

You may have the property distributed from your account as an in-kind distribution (at the current market value) and pay any taxes and/or possible penalties if you are under age 59½. You will need to provide M2 Trust with a completed and signed *Distribution Request Form* and a deed prepared for M2 Trust's signature that conveys the title of the property from your account to you individually. A current appraisal must also be provided to M2 Trust for tax reporting purposes.

Q. How is earnest money handled?

The earnest money deposit must be funded by your M2 Trust account. You cannot use personal money for the deposit and then be reimbursed later. You will need to send a copy of the contract or purchase agreement to M2 Trust along with an *Expense Payment Authorization Form*, or written authorization for M2 Trust to send the specified amount of earnest money from your account to the Title Company or closing attorney. The contract or purchase agreement **must** list M2 Trust, Custodian FBO (Account Holder Name), Account # _____ as the buyer. You (or other disqualified persons) cannot be listed as the buyer and then later assign the contract to your M2 Trust account.

Q. Can my M2 Trust account borrow funds to finance a real estate purchase?

Yes, but only within an IRA. M2 Trust will hold debt-financed property in an IRA only with the use of a **non-recourse promissory note** issued by a lending institution or by the seller of the property. The non-recourse promissory note cannot be personally guaranteed, and the lending institution can only look

to the property securing the note as collateral. **Important: Debt-financed property may generate Unrelated Business Taxable Income (“UBTI”), and any taxes due must be paid by the account. For more information regarding UBTI, please consult your tax advisor.**

Q. Can my M2 Trust account purchase a portion of a property along with other investors?

Yes, as long as the other owners are not disqualified persons. The deed must be registered to “M2 Trust, Custodian FBO (Account Holder Name), Account #, as to an individual ___% interest.” The exact undivided interest must be provided.

Q. Are there any types of property that M2 Trust will not hold?

Yes. M2 Trust will not process investments of mobile homes, timeshares, or foreign real estate. Permanently attached manufactured homes may be purchased only if the certificate of title has been surrendered. Please contact the taxing authority with regards to the process of surrendering the title.

Q. How are expenses and/or improvements handled for real estate held in my M2 Trust account?

All earnest money deposits, insurance premiums, taxes, debt payments or other expenses of the property (including any improvements) must be paid by the account or the named property manager. If expenses are to be paid by M2 Trust a copy of the invoice or tax notice must be sent to M2 Trust along with the *Expense Payment Authorization Form*, or your written authorization or email to pay the expense from your account. You may not pay for an expense on a credit card and remit the statement for payment. M2 Trust will not process payments to a credit card issuer.

Q. Does rental income have to be deposited in my M2 Trust account?

Yes. All rental income must return to your M2 Trust account, except for amounts held by the designated property manager. The property manager may pay expenses from rents received as long as M2 Trust is provided with a periodic report of income received and expenses paid.

Q. Does M2 Trust provide any management services with regards to the property?

No. M2 Trust requires a property manager for all income producing and/or debt financed property. M2 Trust will not act as the property manager. The Account Holder may select an unrelated third party to act as their own property manager or name themselves; however, in such cases the Account Holder is not permitted to receive any compensation related to such services.

Q. Do I need to provide M2 Trust with a property appraisal?

Yes. M2 Trust requires you to provide a property appraisal or broker’s price opinion prior to M2 Trust processing a real estate purchase. In addition, an updated appraisal or broker’s price opinion must be provided to M2 Trust every 3 years in order to update the value of the account. **Important: If you choose to obtain a broker’s price opinion, the broker must specify an exact opinion of value.** Price ranges or approximations will not be accepted. In addition, the opinion must be prepared by a broker with a GRI, CRS, SIOR, or CCIM designation, and the broker must provide a copy of the certificate attesting to the appropriate designation along with his or her opinion.

Q. Do I need to carry liability insurance on property held in my M2 Trust account?

Liability insurance is required on property with improvements and is optional for vacant land. The insured on the policy must be M2 Trust, Custodian FBO (Account Holder Name), Account # _____. The property cannot be covered by a policy in your name.

Q. What should I know about selling property within my M2 Trust account?

Once you have the property under contract and are ready to close, you will sign the closing documents as “Read and Approved” and forward them to M2 Trust for signature. M2 Trust will then execute the closing documents and return them to the Title Company or closing attorney to complete the transaction. The Title Company or closing attorney will then remit the proceeds of the sale to your M2 Trust account.

Q. When I sell the property within my account, can the account seller finance the transaction?

Yes. Once the property is sold, you may carry the note and deed of trust/mortgage within your account. The principal and interest payments will be deposited into your M2 Trust account, and you can reinvest the cash however you choose.