

## PENSCO Wednesday Webinar Series

# Top 10 Year-end Tax Tips plus How to Buy/Sell Notes with Retirement Funds

**Wednesday, December 2, 2009**

**11 am PDT / 12 pm MDT / 1 pm CST / 2 pm EDT**

### **Hosted By:**

**Tom Anderson**, CEO & Founder, PENSCO Trust Company  
**Robyn Levin**, Founder/President of R. Levin Marketing Group

### **Guest Speakers:**

**Martin Goodman**- President of Loan MLS, Inc.

Information presented is for educational purposes only and is not intended as, and may not be relied upon as, tax, legal, investment or other advice. You are advised to consult your advisors for specific guidance regarding your investments.

# Buying & Selling Notes Within Your Retirement Funds

Presented by  
Martin Goodman,  
Founder of LoanMLS.com

December 2, 2009

**LOANMLS**<sup>SM</sup>  
The Online Loan Exchange

*phone:* 866.659.7579  
*web:* [LoanMLS.com](http://LoanMLS.com)

# Overview

- Buying and Selling Notes
- Pitfalls to Avoid when Buying/Selling
- How to Buy with Retirement Funds
- Retirement Fund and Note Issues
- Resources to Assist You

# 7 Steps to Buying Notes

1. Find the Note
2. Confidentiality Agreement
3. Make An Offer
4. Signed Agreement / Open Title
5. Due Diligence
6. Record Assignments & Exchange Funds
7. Notify the Borrower

# Pitfalls to Avoid

- Representations & Warranties
- Chain of Title
- Property Taxes
- Junior Liens
- Availability of Promissory Note
- Independent Confirmation of Loan Terms (Estoppel)
- Borrower Cooperation

# How to Buy with Retirement Funds

- Open a Self-Directed Account with Pensco
- Vest Note Properly:
  - PENSICO Trust Company Custodian FBO “Martin Goodman IRA PENSICO Account #123456
- Sign Agreements required to authorize Pensco to Fund a new note, or buy an existing note
- Send copies of security agreements
- Secured Note Checklist Available at:

[http://www.penscotrust.com/pdfs/forms/securedNote\\_investmentKit.pdf](http://www.penscotrust.com/pdfs/forms/securedNote_investmentKit.pdf)

# IRA Issues

- Property Vesting
- Foreclosure
- Advances to Protect Collateral
- Cash Requirements in Excess of Max Contribution
- Lending to your IRA
- Debt Financing

# Finding Notes

- Depends on your experience level.
- If you're not a qualified institutional buyer you are unlikely to be able to buy from banks or larger institutions.
- Best ways are:
  - Private Money Broker
  - Seller Financed Notes
  - Use an online exchange

# Resources to Find Notes

- Online Resources for Notes / Brokers
  - [www.CaliforniaMortgageAssociation.com](http://www.CaliforniaMortgageAssociation.com)
  - [www.PitBullMortgageSchool.com](http://www.PitBullMortgageSchool.com)
  - [www.LoanMLS.com](http://www.LoanMLS.com)
  - [www.Debtx.com](http://www.Debtx.com)
  - [www.PaperSourceOnline.com](http://www.PaperSourceOnline.com)

# Questions?

Martin Goodman, Founder of LoanMLS.com may be reached at [mgoodman@loanmls.com](mailto:mgoodman@loanmls.com) or 858-300-3505.

# Next Month's Wednesday Webinar:

## Green Investing Alternatives

*Discover new ways to invest retirement funds into green alternative investments*

**Wednesday, January 6, 2009**

*As a past participant, you will not need to register again. We will send you a reminder email with the call-in information and a link to the handouts.*



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# The Basics

- **Tip #1 - Start Saving**
  - **The fundamentals:**
    - If your company has a plan, start funding it. According to a recent study performed for Bankrate.com by GFK Roper, only 28% think they can retire comfortably. Some 70% have set low expectations about their retirement prospects. WSJ: Only 31% say the recession hasn't changed their planned retirement date. About 25% of those aged 55+ have more than \$250,000 saved, and only 41% of this group have more than 100,000 saved
    - If you are skiddish about the stock market, at least make the contribution to cash, because, with the downturn, there is an even greater need to save. If your Company matches, it is even smarter to maximize contributions

# Basics (cont.)

- **Tip#1 (CONT.)**
  - **The long-term benefits of saving for retirement far outweigh the short-term gains of not investing**
  - **Retirement accounts compound earnings on a tax-deferred or tax-free basis**
  - **Contribute to your pension plan before December 31<sup>st</sup> (max out your limit) to get the tax benefit from lowering your taxable income**
  - **You may be able to deduct some of your savings and be eligible for a tax credit equal to a percentage of your savings**
  - **You can defer making your 2009 contribution until April 15, 2010**

# Don't use your savings

- **Tip #2-Don't tap your savings**
  - **Never tax money out of your retirement account until you have to or need to:**
    - With a traditional IRA you'll lose the ability to defer your taxable gains and income
    - With Roth IRAs you'll lose the ability to get tax-free earnings growth
    - You should tap your retirement accounts last when drawing for retirement, all things being equal (e.g., portfolio performance)
    - The last savings vehicle to tap is a Roth IRA!

# Diversify

- **Tip # 3-Diversify**
  - **The lesson to be learned from the crash is that diversification is the only definitive way to protect your savings. Diversify, Diversify, Diversify.**
  - **According to the Wall Street Journal (11/14/09), the stock performance for the 10 year period through 9/30/09 was -.2%.**
  - **Lack of diversification exposes your retirement savings to total loss (e.g., Enron, Bear Stearns, Lehman Brothers) or as we've seen with the crash of 2008/9, a 40% decline in retirement account value in the past year.**
  - **Merrill Lynch suggest that portfolios should have at 28% of their investments in alternative assets.**
  - **Check out emerging Breadstreet.com and NationalAlt.com to get in on the private equity marketplace opportunities through your retirement account**

# Diversify (cont.)

- **Rebalance your retirement portfolio**
  - **If your assets are under-diversified, rebalance your retirement accounts to avoid taxes when selling assets as retirement accounts are tax-ferred**

# Converting IRAs To Roth IRAs

- **Tip #4 Convert to a Roth IRA**
  - **Current Law prohibits converting to a Roth IRA from a traditional IRA if (or you and your wife together) earn more than \$100,000 AGI in the year of conversion**
  - **Beginning January 1<sup>st</sup>, 2010, this cap on income goes away**
  - **Consider contributing this year and next to a non-deductible IRA (no eligibility limits), to put up to \$12,000 away before 2010 that can then convert tax-free.**
  - **Taxes are reported on page 1 of your 1040 for any amount converted that have not previously paid taxes on:**
    - **For example, traditional IRA contributions and earnings**

# Roth (401)ks

## ■ Tax tip #5

- If you are employed and a participant in a corporate 401(k), you may be eligible to put up to \$16,500 (\$22,000 if over 50) away through an after-tax Roth contribution.
- If you are a sole practitioner (self-employed), whether incorporated or not, you can establish a Solo Roth 401(k) for yourself.
- Provided you wait five years from the date you first became a participant in your Solo Roth 401(k) and attain the age 59.5, you are free to withdraw from it, in most cases.
- If you are a member of a corporate Roth 401(k), have made Roth (after-tax) contributions to the plan, you can take a tax-free distribution at retirement, when you change jobs, or providing the plan has an in-service (pre-retirement) distribution option.
- You must establish your Solo(k) by December 31, 2009, in order to make a 2009 contribution in 2010 for 2009.

# Very Important Reminder

- If you make Roth (after-tax) contributions to either a corporate or Solo Roth 401(k), be sure to rollover (tax-free) the contribution amounts and any earnings to a Roth IRA, once you've met the 5 year waiting requirement and age 59.5.
- If you don't, at 70.5 your Solo or traditional 401K WILL BE REQUIRED TO COMMENCE ANNUAL MINIMUM DISTRIBUTIONS TO YOU!

# Investment Strategy

- **Tip # 6**
  - **With today's declining residential real estate prices, you may want to think about buying vacation property with your IRA (including leverage), renting out until you reach 59.5 and five years from when you first open your Roth IRA, then moving into it tax and penalty free!**

# Roth Versus Traditional

- A Roth IRA of \$20,000 is worth more than an IRA with \$20,000
- Roth –no minimum distributions
- Lower effective estate taxes with Roth IRA
- Rate shifting (e.g., lower tax bracket when you contribute versus when you retire and vice versa). Tax rates change about every four years, so its hard to predict future rates
- Roth IRA provides more flexibility after age 59.5

# Start Saving

## ■ Tip #7

- **Open a retirement account, especially if you are a sole proprietor**
- **You must open an account before December 31<sup>st</sup> 2009 if you want to make a contribution for the year 2009**
- **You can defer the actual contribution, however, to April 15<sup>th</sup>, 2010 or extensions except for traditional IRAs and Roth IRAs which must be made by the 15<sup>th</sup>**

# For those over 70

- **Tip #8-Mandatory Distributions**
  - **No mandatory distribution requirement for 2009**
  - **You can still make a contribution of up to \$100,000 from your IRA *DIRECTLY* to a charity tax-free. This is better than taking a distribution, donating it, and taking a tax deduction. This opportunity expires this year!**

# Take advantage of your losses

- **Tip #9**
  - **If you seen a depreciation of the assets held in your IRA, consider converting the assets “in kind”, if you are eligible, to a Roth IRA (rather than selling them for a loss), if you think they will recover. You will then be paying less tax than you would if you converted after they recover.**

# Get your Children Started

- **Tip #10**
  - **Make a contribution before December 31<sup>st</sup> to your child's Coverdell Education account and you'll get a gift deduction of up to \$2,000 for 2009 (you can still make the contribution up to April 15, 2010, but not for 2009 tax filing, because you paid for it in 2010)**
  - **Start your children on Roth IRAs**

# Missed Previous Webinars?

Listen to recordings and download the corresponding presentations by going to:

<http://www.penscotrust.com/education/events/webAudioConferences.aspx>

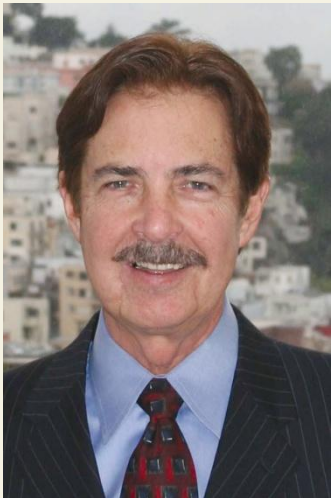
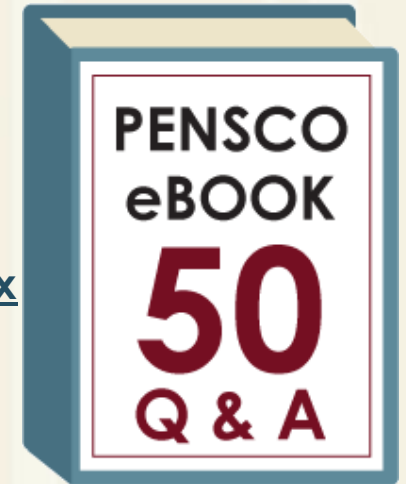
## Other Resources:

Get the Answers to Investors Top 50

Questions on Investing with a Self Directed IRA!

Download by going to this link:

<http://www.penscotrust.com/education/selfDirectedIRAebook.aspx>



Get the Latest Information in the  
Self-Directed Investing Industry.

Go to: [www.selfdirectedira.com](http://www.selfdirectedira.com)

An educational blog by Tom Anderson,  
Founder, CEO, & President of PENSICO Trust

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