ROTH IRA CONVERSION
WITH REAL ESTATE DEVELOPMENT

WHAT IS A ROTH IRA CONVERSION?

A Roth IRA conversion is a process whereby an investor converts funds in a Traditional IRA into a Roth IRA. This process allows investors to utilize a Roth IRA through a qualified rollover. Upon conversion, the investor will owe taxes on the funds moved from the Traditional IRA to a Roth IRA; the amount converted is added to an individual's gross income for the year and taxed at the applicable income tax rate. However, moving forward the funds will be treated under the Roth IRA regulations.

ROTH IRA CONVERSION INTO REAL ESTATE DEVELOPMENT

1 Place Investment

A Traditional IRA investment is made into the Fund during the investment period.

2 Adjust Value

At the start of construction, a development's asset value may be reduced because of investment management fees, asset illiquidity, construction risk, transferability restrictions, as well as other factors. The reduced value is documented by a third-party appraiser (also called a "custodian") and carried forward as the asset value.

3 Roth Conversion

The investor institutes a Traditional IRA to Roth IRA conversion at the reduced asset value, which results in a lower tax liability than a conversion without asset value reduction. Taxes are paid outside of the amount being converted.

4 Harvest Returns

Once construction is completed and property operations stabilize, the value of the property may increase, and moving forward investment cash flow distributed through the Roth IRA may be tax-free.

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