

Add a House to Your IRA

By Ellen Hoffman | Nov 18, 2002 | 541 words, 0 images

If you've been itching to invest in property but have held back because you're short of cash, you might be overlooking a bundle right under your nose: your individual retirement account. Many don't realize they can use money in an IRA to buy real estate instead of mutual funds, stocks, or bonds. "You can't put anything but cash [directly] into an IRA," says Internal Revenue Service spokesman Don Roberts, "but once you have the cash in there is no prohibition on purchasing investment property with it."

This strategy isn't for everyone: It can be complex, costly, and require the help of a tax adviser. But if done right, it can be a smart investment. Jim Maxwell, owner of a Ridgefield (Wash.) business that arranges tax-favored real estate deals, has gone this route himself, using \$70,000 of his IRA assets in 1999 to buy five acres of prime development land he says is now worth \$125,000. One benefit to acquiring real estate through an IRA is that if you sell at a profit, you can postpone or totally avoid paying taxes on the gains. If you make the transactions through a tax-deductible IRA, you'll pay ordinary .../continued/