

Can you lend money from a self-directed IRA?

Most people assume or believe that IRA investments are limited to stock and bonds but that's not true. IRAs can be used to invest in a wide variety of investments including real estate, mortgages, private placements, limited partnerships, private lending and many other types of investments.

Use an IRA for private lending

So how can you use an IRA for private lending and enhance your returns? There's not much you need to do – simply [set up a self-directed IRA](#), vest the note for private lending, sign custodian agreements/investment agreements, close the transaction, and coordinate with the loan servicer to send payments to your account.

[To speak with IRA Custodians that Central Ohio Real Estate Investment LLC has worked with in the past Click Here!](#)

Now there are more steps in this process that should be followed which will be explained below.



Making Private Loans with an IRA

Private lending using an IRA can be done by purchasing a secured or unsecured promissory note, mortgage, or deed of trust. A secured note is backed by collateral, providing an additional layer of security and guaranteeing the lender some type of property in case of default. An unsecured note, by contrast, isn't backed by collateral and generally carries a higher interest rate.

This investing method can also involve debt secured by deeds of trusts or mortgages. If you've borrowed money to purchase a home, then you've probably experienced this situation (very rarely is a loan serviced by only one lender from inception to payoff).

Let's say a small lender or an individual makes a loan and then needs to recover the money lent for some purpose (other than borrower default). This provides an opportunity for an investor to use cash or liquid assets in a Self-Directed IRA, for example, to purchase the note and its associated payments.

A third option is to loan money to a company via a promissory note, with collateral being corporate stock. A secured note, in this case, has a different level of risk since the success of the issuing company can directly impact the value of the collateral. An example of an unsecured note in this category is a bridge loan to a company seeking debt financing. While similar on the surface, this is unlike a [private equity investment](#) where the loaned amount includes a purchase of securities.

Other private lending investment options include

- secured or unsecured notes
- residential and commercial mortgages and deeds of trusts
- performing and non-performing (or discounted) notes
- business loans (including microloans) and personal loans
- automobile and equipment financing
- debt-financed notes
- equity participation loans

Investing in private lending can essentially turn your retirement account into a bank.

Where all your gains are completely tax-free if you are leveraging a self-directed IRA. However, before using a self-directed IRA for private lending be sure to consult a financial advisor.

Central Ohio Real Estate Investment LLC uses self-directed IRA saving accounts and a 506b fund to provide a bond secured by real estate, that produces a fixed rate, set amount cash return through Central Ohio Real Estate. This investment has past performance that has produced double digit returns; allowing investors to lend money from a self-directed IRA.

To set up a 15-minute question answer session with an investment Realtor [Click Here](#)

