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<https://www.mysolo401k.net/>



The Do's & Don'ts of Real Estate Solo 401k Investment

The Do's

vs

The Don'ts

Do determine if your Solo 401k is allowed to hold physical real estate.

- The solo 401k plan document determines if the plan can be invested in real estate, but the solo 401k provider may also have a say.



Don't personally sale or exchange property to the solo 401k plan.

- Just like the IRA rules, the solo 401k rules prohibit the use of your solo 401k to buy or exchange property owned by your business or you including family members.

Do confirm the Solo 401k Plan has enough funds.

- Before you make the purchase offer make sure to have the solo 401k funds lined up.
- You may need to transfer IRAs or make a contribution, for example.



Don't loan funds to your solo 401k.

- It is prohibited to loan your personal and/or funds from your business to the solo 401k plan.

The Do's & Don'ts Continued

Do make the purchase offer in the name of the Solo 401k Plan.

- The solo 401k plan is making the real estate purchase, so write the offer in the name of the Plan.



Don't make the offer in your name.

- The solo 401k is investing in the property not you, so the offer is written in the name of the Plan.

Do fund escrow using solo 401k funds.

- Just like offer is made in the name of the solo 401k plan, the earnest deposit is made using Plan funds.



Don't use personal funds to fund escrow.

- Escrow is funded using solo 401k funds, so don't first fund escrow using personal funds and then have your solo 401k reimburse you.

The Do's & Don'ts Continued

Do take title in the name of the solo 401k plan at closing.

- Similar to when the offer was made, title to the property is taken in the name of the solo 401k at closing.



Don't take title in your name.

- The solo 401k is making the purchase, so title is taken in the name of the plan.

Do wire the solo 401k funds to the the title company.

- The solo 401k plan is investing in the property; therefore at closing the solo 401k funds are wired directly to the title company.



Don't have the solo 401k funds make a pit stop.

- At closing, the solo 401k funds cannot first flow to your personal or business bank account as it will result in a taxable distribution.

The Do's & Don'ts Continued

Do pay expenses using solo 401k funds and return income back to the solo 401k plan going forward.

- Ongoing expenses (e.g., repairs & property taxes) are paid using solo 401k fund. Also, deposit the rental income directly in the solo 401k account.



Don't use the solo owned property or pay expenses with personal funds.

- It is prohibited to use the solo 401k owned property for personal or business use.
- The rules also do not allow for the use of personal or business funds to pay for property expenses.

Investing a solo 401k in real estate can be a good way to diversify your nest egg.

More Questions?

- Please see answers to more frequently asked questions on our website.

<https://www.mysolo401k.net/solo-401k/solo-401k-real-estate-investment-faqs/>

Solo 401k Real Estate Investment FAQs



Invest in Real Estate QUESTION:

Do the IRS rules allow for a solo 401k to be invested in real estate?