STRATA TRUST COMPANY

Directly Owned Real Estate
Investment Checklist

Document checklist and step-by-step guide for investing

Document checklist

Below are the documents required to direct your STRATA Trust Company (STRATA) account to invest in directly owned real estate. To help ensure a smooth investment process, we recommend submitting forms online whenever available. Online submission helps reduce errors, provides secure data transmission, and results in faster processing times.

New Property Purchase

Before Closing

- [ ] Earnest Money Deposit Authorization (if applicable)
- [ ] Investment Direction - Real Estate
  - [ ] Purchase contract
  - [ ] Title commitment
  - [ ] Additional supporting documents (if debt-financed or income producing)

At Closing

- [ ] Closing documents
- [ ] Settlement statement
- [ ] Title policy
  - [ ] Additional supporting documents (if debt-financed or income producing)

After Closing

- [ ] Copy of recorded deed

In-Kind Transfer or Rollover

- [ ] Investment Direction - Real Estate
  - [ ] Copy of existing deed
  - [ ] Copy of existing title policy
  - [ ] Copy of deed assignment to be executed at time of transfer
  - [ ] Additional supporting documents (if debt-financed or income producing)
- [ ] Fair Market Value - Real Estate

Before you invest

Investing in directly owned real estate through a self-directed retirement account requires careful planning and attention to IRS requirements. The items below highlight common areas that can delay a transaction, create additional documentation requirements, or result in compliance concerns. Reviewing these considerations before investing can help support a smoother transaction process.

- ☑ **Due diligence** — Conduct independent research on the property, seller, and investment opportunity before proceeding. STRATA does not provide investment, tax, or legal advice and does not evaluate investments on your behalf. Consult qualified professionals as needed.
- ☑ **Funding** — Deposit sufficient cash in your retirement account to complete the transaction and cover applicable fees. Funding timelines vary by transfer method and financial institution and are often the longest part of the investment process.
- ☑ **Buyer/owner name** — Ensure all contracts, deeds, title policies, and related legal documents are titled in the name of your STRATA retirement account. Ownership should be listed as:
  - » **STRATA Trust Company, Custodian FBO (Accountholder Name)**
- ☑ **Earnest money** — If earnest money is required, it must be paid directly from your STRATA account. IRS rules prohibit using personal funds for retirement account transactions.
- ☑ **Signatures** — Review all transaction documents, then sign where indicated to acknowledge that you have read and approved them before submitting them to STRATA for processing. STRATA will execute documents in its custodial capacity, where applicable.

Who is a disqualified person?

Throughout the retirement account ownership of the property, the accountholder is responsible for avoiding transactions involving disqualified persons, as defined by IRC §4975. Transactions with disqualified persons may result in the loss of your account's tax-advantaged status and significant tax consequences. Examples of disqualified persons include:

- You and your spouse
- Lineal descendants such as children or grandchildren (and their spouses)
- Lineal ascendants such as parents or grandparents
- Entities in which you or other disqualified persons hold a combined interest of 50% or more

Prohibited transaction self-check

While not exhaustive, the questions below highlight common compliance risks associated with self-directing a retirement account and investing in directly owned real estate. Complete this preliminary self-check and review permitted property types before opening and funding your STRATA account.

Disqualified person

No • • • Is your STRATA retirement account buying from, selling to, or transacting with you in your individual capacity, or a close family member (such as a spouse, parent, child, or business you own or control)? • • • Yes

Personal benefit

No • • • Will you or another disqualified person live in, vacation in, or personally use this property in any way? • • • Yes

Improvements

No • • • Will you or a disqualified person perform any work on the property, such as repairs, maintenance, or improvements? • • • Yes

Income

No • • • Will you or a disqualified person receive payment or any other benefit for managing the property? • • • Yes

Open and fund your account

If you answered "No" to all questions above, you may proceed with opening and funding your retirement account. Retirement account transactions remain subject to compliance review, and you are responsible for ensuring compliance with IRC §4975 and other applicable IRS regulations.

Consider personal ownership

If you answered "Yes" to any question above, a retirement account may not be the best fit for your investment. Alternative assets held in retirement accounts are subject to IRS rules regarding possession, control, and prohibited transactions with disqualified persons.

Process overview

Before getting started, review STRATA's prohibited transaction self-check to confirm your investment aligns with IRC §4975 and review permitted property types in our Self-Directed Knowledge Center.

STEP 01
Open

Open your STRATA account online in just minutes.

STEP 02
Fund

Fund your account via transfer, rollover, or contribution. Review STRATA's Fee Schedule and ensure sufficient funds are available to cover:

- Purchase price
- STRATA fees (annual + holding + processing)
- Earnest money deposit (if applicable)

STEP 03
Make offer

List your STRATA retirement account as the buyer, ensure all documents are properly titled, and sign to acknowledge you have read and approved the documents. STRATA will execute the documents as custodian.

STEP 04
Invest

Invest in three stages:

1. ***Pre-custody review*** - Submit investment direction with the purchase contract & request earnest money.
2. ***Pre-closing*** - Submit title commitment and settlement statement prior to closing for document review
3. ***Post-closing*** - Submit all closing documents.

STEP 05
Confirm

The investment will remain pending until STRATA receives a recorded deed to confirm the purchase.

Timeline

The timeline provided is a general estimate based on typical real estate transactions. Processing times are not guaranteed and will vary depending on transaction complexity, other service provider timelines, and the timely receipt of all required documentation in good order.

Step-by-step guide

New property purchase

STEP 01

☐ Open

Visit Get Started to open a new retirement account. You will be asked to select your anticipated investment type, select a retirement account type to hold the investment in, and choose a funding method. If you are transferring or rolling over assets from another retirement account, IRS regulations require the receiving account to be the same retirement account type (for example, Roth IRA to Roth IRA or Traditional IRA to Traditional IRA).

STEP 02

☐ Fund

Funding options include direct transfers, rollovers, and annual contributions. While many funding transactions are completed within 5–20 business days, actual timelines may be shorter or longer depending on the circumstances. We recommend initiating the funding process as early as possible, as funding timelines vary based on the funding method selected and the delivering institution's processing times.

If you skipped the funding step when opening your account or already have an established STRATA account, you may add funds at any time through Fund Your Account, where you can review available funding options and typical processing timelines for each.

Once STRATA receives the funds, they typically post to your STRATA account within 2–3 business days. Ensure sufficient funds are available to cover any applicable processing fees. View STRATA's Fee Schedule.

STEP 03

☐ Make offer

Once your STRATA account is open and funded, then you are ready to make the offer. Since the retirement account will own the investment for the benefit of (FBO) the accountholder, the purchase contract, recorded deed, debt instrument (if applicable), insurance (if applicable), and title policy must reflect the following named investment owner:

» STRATA Trust Company, Custodian FBO (Accountholder Name)

- [ ] **Purchase contract:** When your STRATA account makes an offer on real estate, the buyer on the purchase contract must be **STRATA Trust Company, Custodian FBO (Accountholder Name) Account (#)**. You will sign the contract sign to acknowledge you have read and approved the documents, and STRATA will sign in its capacity as the custodian where applicable.
  - *Per IRS rules, you cannot list yourself as the buyer and assign or amend the contract to your STRATA account as the buyer later.* STRATA will be unable to process the transaction if you or a disqualified person are listed as the buyer, since it would be a prohibited transaction.
  - If your STRATA account will not own 100% of the property, the property title and closing documents should reflect **STRATA Trust Company Custodian FBO (Accountholder Name) Account (#) as to an undivided interest of ____%.**

STEP 04 ☐ Invest

Investing involves three parts: (1) submitting pre-custody documents for review and earnest money release (if applicable), (2) submitting pre-closing documents for approval, and (3) submitting final closing documents for STRATA's countersignature.

1. PRE-CUSTODY REVIEW

Submit the required investment documents for STRATA review before entering the closing process. Providing all available documents at one time can help prevent delays.

- [ ] **Earnest money deposit:** If applicable, complete and sign STRATA's Earnest Money Deposit Authorization form to process a payment for any earnest money required by the purchase contract. Earnest money must be paid directly from your STRATA account. Using personal funds will disqualify the transaction.
- [ ] **Investment direction:** Complete and sign STRATA's Investment Direction - Real Estate form which authorizes STRATA to send funds from your STRATA account and asks for the title company/closing agent information. You will be prompted to upload supporting documentation with this form, which should include the executed purchase contract. STRATA will sign the purchase contract in its capacity as the custodian during this step.

2. PRIOR TO CLOSING

Submit all required pre-closing documents as soon as they become available. Early submission helps ensure documents can be reviewed and approved prior to the scheduled closing date.

- [ ] **Title commitment:** Provide a copy of the title commitment to STRATA, showing the proposed insured as **STRATA Trust Company, Custodian FBO (Accountholder Name)**.
- [ ] **Settlement statement:** Provide a copy of the signed settlement statement prior to closing. This document breaks down all the fees and provides the final amount to wire.

3. AT CLOSING

Submit final closing documents and any additional supporting documentation required to complete the transaction and confirm ownership by your STRATA retirement account.

☐ **Closing documents:** You will sign all of the closing documents to acknowledge you have read and approved the documents, and STRATA will sign in its capacity as the custodian where applicable.

» **Will the property be debt-financed?** If yes, provide a copy of the non-recourse promissory note, deed of trust, and amortization schedule. The borrower must be titled **STRATA Trust Company Custodian FBO (Accountholder Name) Account (#)**. You will also need to complete and sign STRATA's Expense Payment Authorization form form to establish loan payments from your STRATA account.

- Only a non-recourse note is permitted for debt financing. The property must be the only collateral for the loan, and all payments must be made from your STRATA account. Per IRS rules, accountholders cannot guarantee the loan personally or make payments on the loan out of pocket. In addition, debt-financed property in a retirement account may be subject to Unrelated Business Taxable Income. For more information, please consult your tax advisor.

» **Is the property income-producing?** If yes, provide a copy of the property management agreement. Income-producing properties must be managed by an unrelated third-party property manager. The agreement must be assigned at closing, require all income and expenses to flow through your STRATA account, and require the property manager to provide STRATA with reports at least quarterly.

Prior to Closing and Closing Document Submission:

Prior to closing and/or at closing, the accountholder can submit STRATA's General Letter of Instruction and upload supporting documents using the secure attachment feature. Non-accountholders may use our alternative submission sources which include:

☑ **Mail**: STRATA Trust Company | P.O. Box 23149 | Waco, TX 76702

☑ **Email**: NewInvestments@StrataTrust.com

STEP 05

☐ Confirm

Within 30 days after closing, submit STRATA's Alternative Investment Purchase Confirmation form and upload supporting documentation. Supporting documents may also be submitted by mail or email and should include the title policy issued by the title company and a copy of the recorded deed filed with the county recording office. Until STRATA receives confirmation of the completed purchase, the investment will appear as Pending in your STRATA account.

In-kind transfer or rollover

For an in-kind transfer or rollover of directly owned real estate, please gather the documents shown below.

- ☐ **Investment direction:** If you are new to STRATA, you will be prompted to fill the Investment Direction - Real Estate form out with your STRATA account application. Indicate an in-kind transfer or in-kind rollover of the property. If you have an existing account with STRATA, you may transfer or roll over into like account types (Traditional to Traditional, Roth to Roth). Otherwise, you will need to open a new STRATA account that matches the account type at your existing custodian. In either case, you will need to submit all the below documentation with the exception of the Fair Market Value - Real Estate form, which is completed separately. If all of the documents are not available, refer to the *Prior to Closing and Closing Document Submission* instructions on page 8.
    - ☐ **Copy of the existing title policy:** Provide a copy of the existing title policy which shows your current IRA custodian or plan as the insured FBO the accountholder.
    - ☐ **Copy of the existing deed:** Provide a copy of the existing deed which shows your current IRA custodian or plan as the owner FBO the accountholder.
    - ☐ **Copy of deed assignment:** If your current custodian does not prepare a deed to convey the property to STRATA as custodian, you will need to contact an attorney or real estate professional to draft a new deed that is signature-ready for your current custodian to sign. The deed must convey ownership to **STRATA Trust Company FBO (Accountholder Name)**. You will then need to execute and record with the county in which the property is located. Once it is recorded with the county, submit STRATA's Alternative Investment Purchase Confirmation along with a copy of the recorded deed to STRATA. Until STRATA receives confirmation of the completed purchase, the investment will appear as Pending in your STRATA account.
    - ☐ **Additional documents:** If the property will be debt-financed or is income producing refer to page 4 for supporting documentation needed.
- ☐ **Property valuation:** STRATA requires an updated valuation from an independent third-party appraiser or real estate professional. You or the third party may submit STRATA's Fair Market Value - Real Estate form; however, the valuation must include supporting documentation and be signed by the third party. County tax assessments and valuations from websites such as Zillow, Realtor.com, Redfin, or similar sources are not accepted for in-kind transfers or rollovers.

Managing your investment

Use the resources below to help manage your self-directed account. Successfully investing in alternative assets requires more than investment due diligence—it also requires understanding the rules, responsibilities, and ongoing requirements of retirement account ownership.

- ## Valuation reporting

  The IRS requires all custodians to obtain and report the fair market value (FMV)—or a good-faith estimate (GFE)—of each asset held in a retirement account annually and prior to certain taxable events, such as a distribution or Roth conversion. For deadlines and requirements review STRATA's Self-Directed Knowledge Center.

- ## Income and expenses

  » Rental income may be deposited directly into your STRATA account using the Deposit Certification form. If STRATA receives rental income from a third party or directly from the tenant by check, ACH, or wire, the payment instructions must clearly identify the STRATA account, investment property, and how the payment should be applied. Include the following information:

  - Accountholder name
  - STRATA account #
  - Property address
  - Interest amount, principal amount (if applicable)

  For example: John Smith | #123456 | 123 Easy Street | $1,000 Interest/$500 Principal

  » All expenses (taxes, insurance, improvements, debt payments, etc.) must be paid from your STRATA account. You may not pay expenses out-of-pocket or with a personal credit card. Submit STRATA's Expense Payment Authorization form along with the invoice/bid/quote (whichever is applicable) that clearly identifies the STRATA account/property address. When setting up utilities or updating tax records with the county, please use your mailing address (or your property manager's address) to ensure you receive the bills in a timely manner.

- ## Insurance

  If you choose to carry liability insurance on the property, the named insured must be STRATA Trust Company Custodian FBO (Accountholder Name) Account (#), and the annual premium must be paid directly to the insurance company by your STRATA Account. You cannot add the retirement account property to your personal homeowner's policy or list your STRATA account as an additional insured.

- **Property management**

  STRATA does not provide property management services. If applicable, you are responsible for selecting and overseeing an independent third-party property manager, who handles day-to-day operations, including rent collection and property maintenance. If there are any changes in your property management agreement submit them to STRATA at NewInvestments@StrataTrust.com.

- **Available funds**

  Maintain sufficient cash in your STRATA account to cover ongoing custody throughout the life of your investment. Available cash may be needed to satisfy future account obligations, such as required minimum distributions (RMDs), property expenses, property valuations, or other account-related activities.

- **Taking possession**

  IRS regulations prohibit personal possession and/or personal benefits of real estate while they remain retirement account assets. You may, however, take an in-kind distribution any time. Distributions are taxable events reported to the IRS that are subject to withdrawal penalties. Consult your tax professional regarding these matters prior to taking any action.

- **Access your account**

  Visit STRATA's Self-Directed Knowledge Center to learn how to set up your online account, find important documents within your account, reset your password, and much more.

- **Enroll in AutoPay**

  Make the payment of your retirement account fees easy by enrolling in AutoPay. Simply submit your credit or bank card information and your routine fees, including transaction fees, are on cruise control. Fill out the Fee Payment Authorization form and select the AutoPay option to get started.

- **Explore support resources**

  STRATA's Client Support resources offer tailored guidance based on your investment type. Visit our general Client Support page for answers to common account questions, or explore the Real Estate Client Support page for investment-specific resources and assistance.

STRATA
TRUST COMPANY

Seamless custody,
endless possibilities

www.StrataTrust.com