

# Choosing Your Path: Direct Real Estate Investments vs. REITs





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# Agenda

- 1 Self-Directed IRA Basics
- 2 Why investors consider real estate
- 3 The basics of REITs (real estate investment trusts)
- 4 Comparing REITs & direct deals
- 5 Real estate market trends
- 6 How to fund your real estate investment
- 7 Investing in Real Estate with a Self-Directed IRA
- 8 Q&A

# Meet Your Host

Tony Unkel

Business Development Manager at The Entrust Group



Years in retirement industry administration



Educating investors and professionals on tax-preferred retirement accounts

# About Entrust



|  
**\$4B**

Assets Under  
Administration



|  
**22k**

Active  
Accounts



|  
**40**

Years of  
Service



|  
**1**

Point of  
Contact

# About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

# What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds

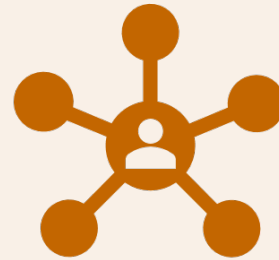


All securities and investments are held in a retirement account administered by a regulated custodian or trustee

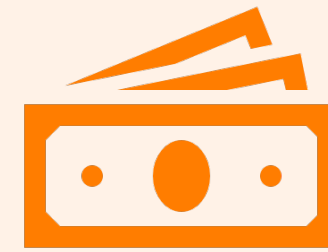
# Benefits of Self-Direction



**Take Control**



**Diversification**



**Tax Benefits**





INVESTORS

Discover  
*your* upside

Real Estate Investing:  
REITs or Direct Purchasing

# Disclosure

This presentation is for general information purposes only and does not constitute legal or professional advice. No user should act on the basis of any material contained in the webinar without obtaining proper legal or other professional advice specific to their situation.



*Real Estate Investing:*  
REITs or Direct Purchasing



# Major Asset Classes

**Cash:**  
Money on Deposit



**Bonds:**  
loans to companies  
or governments



**Property:**  
bricks and mortar,  
or property equities



**Equities:**  
investment in an  
individual company



Source: Zurich - <https://www.zurich.ie/blog/what-is-an-asset-class/>



# *Why* Real Estate

Cash Flow

Appreciation

Diversification

Tax Benefits

Inflation Hedge

Low Correlation

Strong Adjusted  
Returns

Tangible Asset



# *Major Real Estate Types*

Office



Industrial



Retail

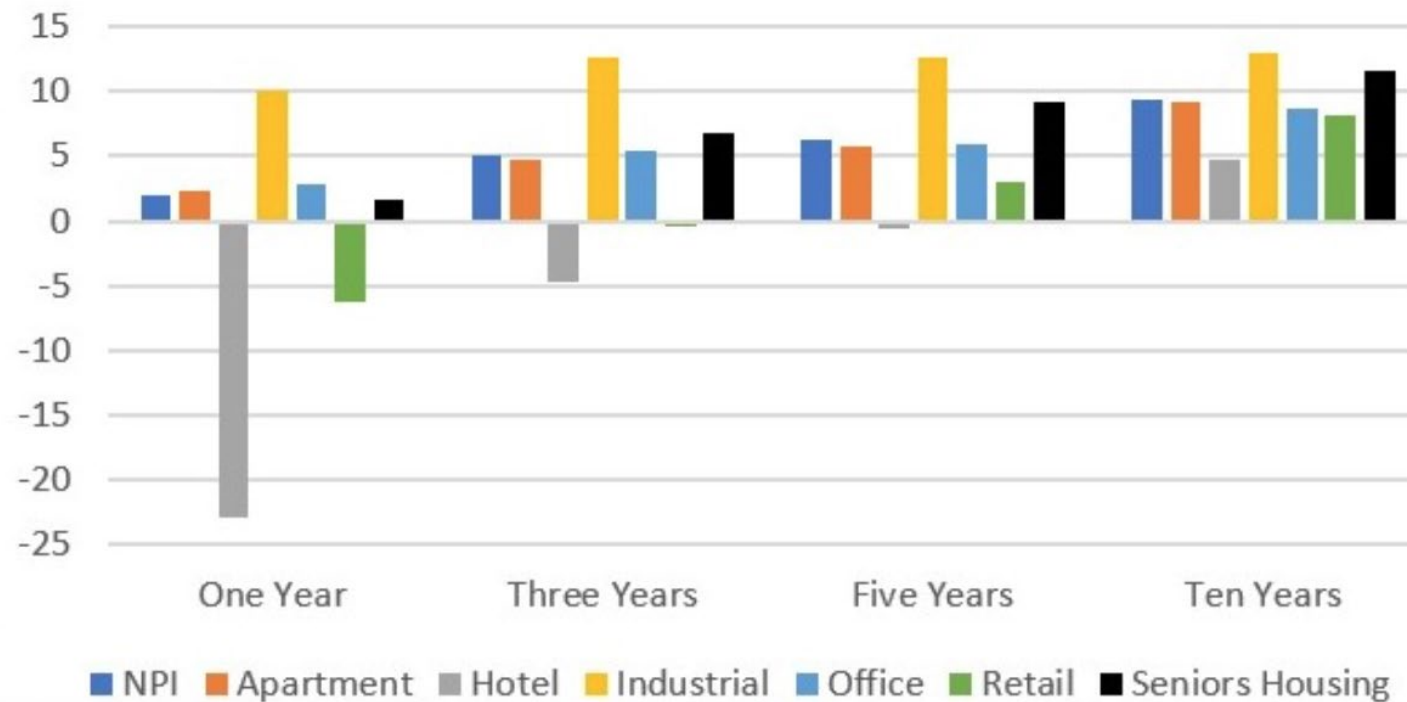


Housing



# Real Estate Sector Returns History

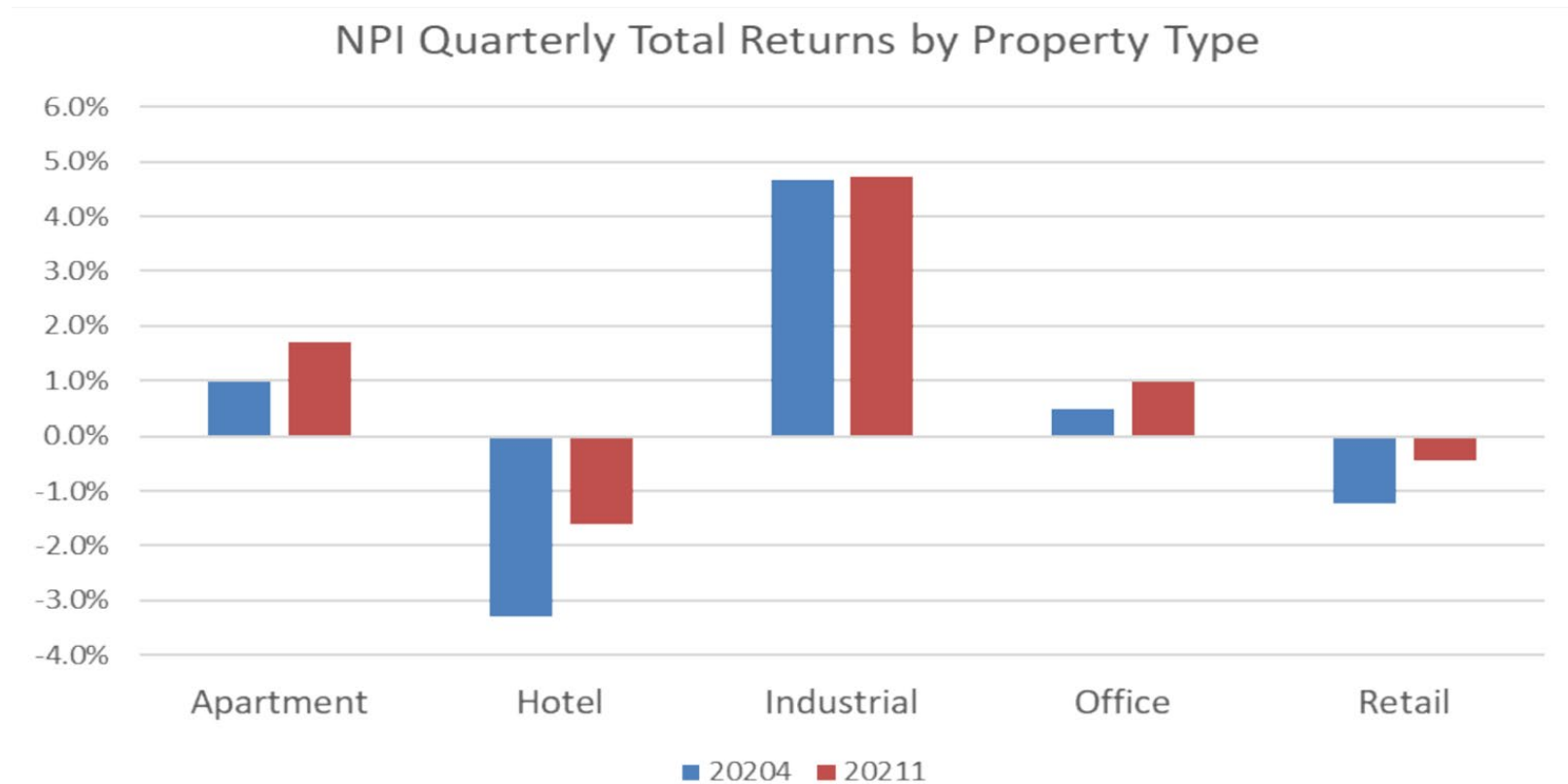
## NCREIF Annualized Total Returns by Select Property Types (Period Ending 9/30/2020)



Source: NAREIT/NIC - <https://www.nic.org/industry-resources/industry-faqs/capital-market-trends-senior-housing-care-property-market>



# *Post-Covid* Performance Snapshot



Source: NCREIF - <https://www.ncreif.org/globalassets/public-site/research/ncreif-insights/2021q1-highlight.pdf>





# Risk and Return in Real Estate



Source: G2Capital - <http://www.g2capital.com/acquisition-criteria.html>



# Comparing Direct Deals and REITs

|                         | Direct Deal                                                                            | REIT                                                                                               |
|-------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Cash flow/returns       | Distributable cash flow + longer term returns via appreciation.                        | Dividends + longer term returns via appreciation.                                                  |
| Day to day management   | Investors DIY or hire a management company                                             | REIT managers manage the fund, allowing a more hands-off approach for investors.                   |
| Exiting your investment | Illiquid                                                                               | Public REITs are liquid<br>Non-traded REITs are somewhat liquid, depending on holding period terms |
| Risk profile            | Higher risk typically in single assets.                                                | Portfolio diversification generally spreads out the risk across the portfolio                      |
| Investor qualification  | Typically restricted to accredited investors unless individually purchasing a property | Open to the general public                                                                         |

# What is a REIT: The Pros & Cons

- Earn profits without owning a property
- Low -cost market entry
- Relatively high dividends
- Potential for appreciation
- Relative liquidity
- Lack of tax advantages
- Diversity of properties,  
not of asset class





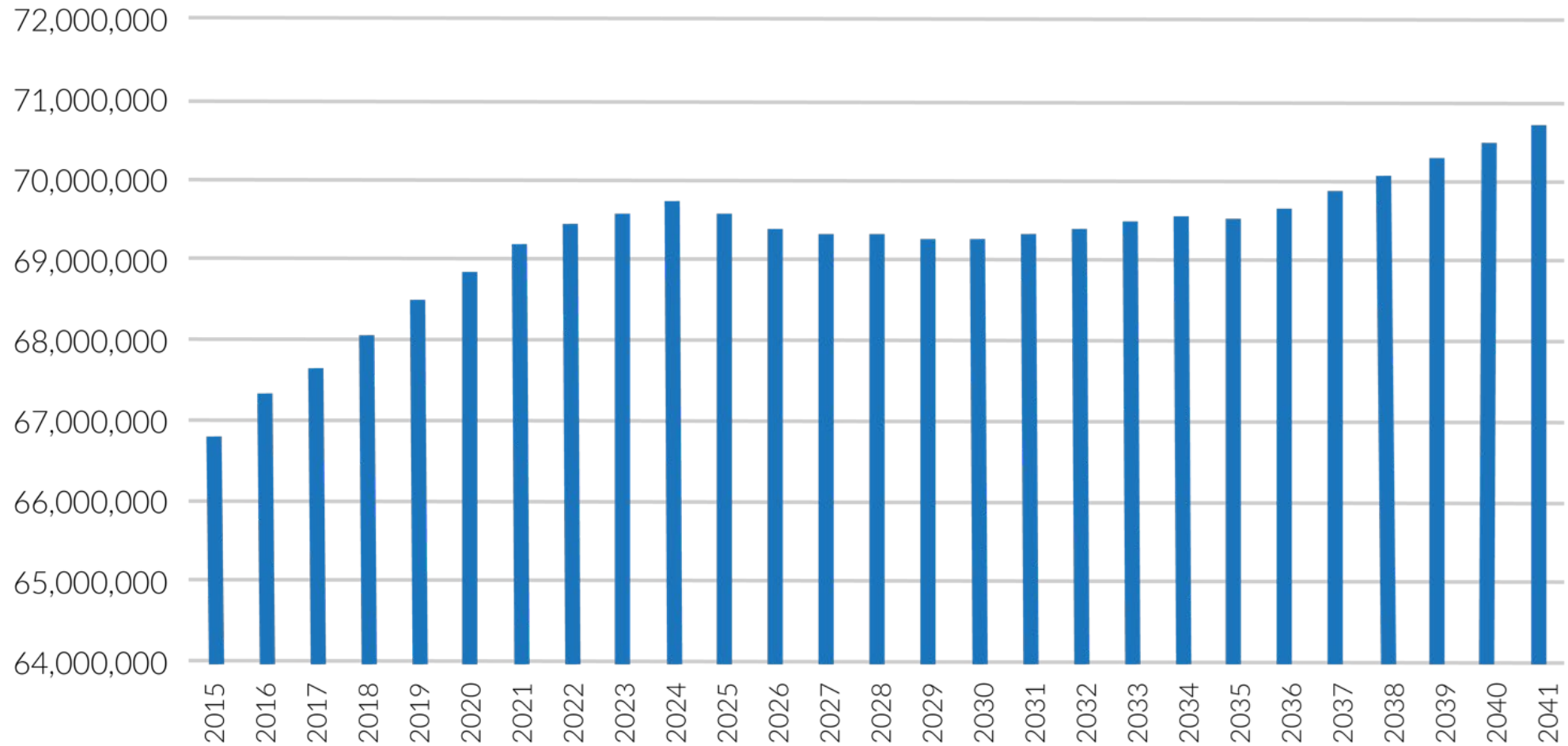
350,000

new units needed by 2030

Increasing demand  
for multifamily in  
the U.S.

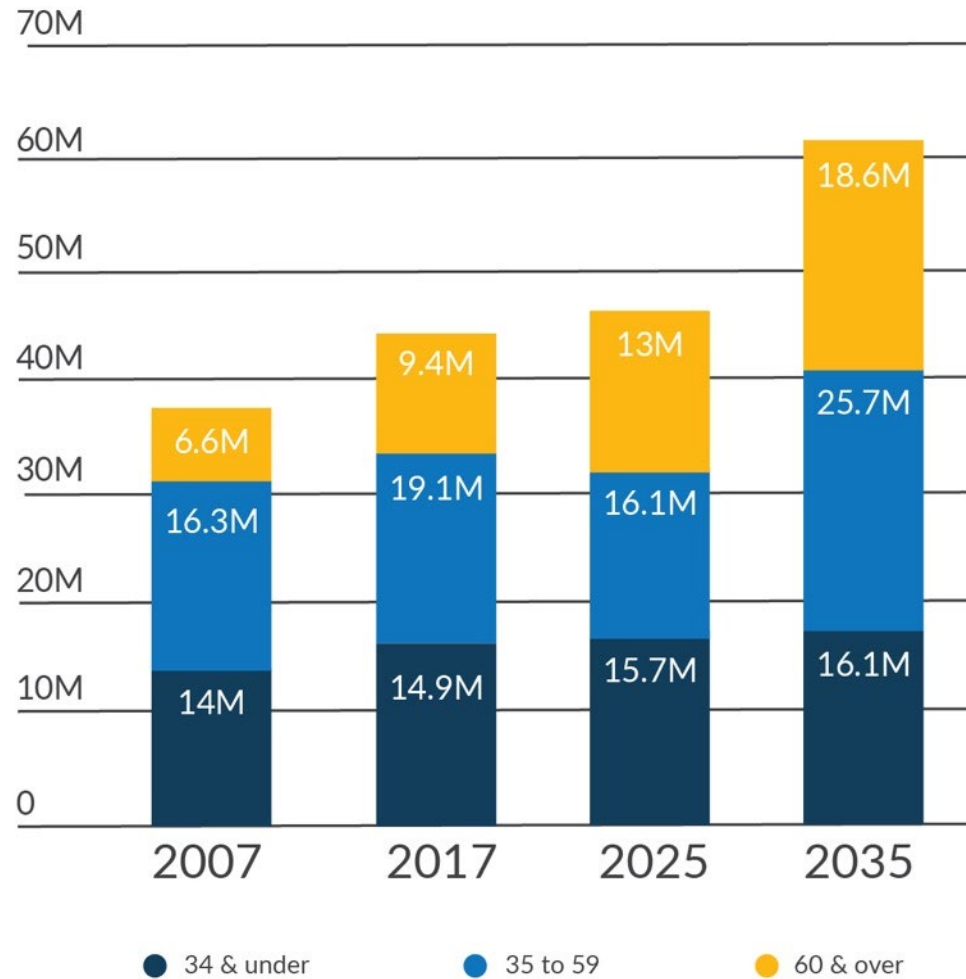


# U.S. Renter Population: Age 30-34 Cohort



SOURCE: U.S. Census Bureau (BOC)

# Renter Household Projection by Age Group



# 2020 Migration Reports – Top Inbound States

## U-Haul

1. Tennessee
2. Texas
3. Florida
4. Ohio
5. Arizona

## North American Moving

1. Idaho
2. Arizona
3. South Carolina
4. Tennessee
5. North Carolina

## United Van Lines

1. Idaho
2. South Carolina
3. Oregon
4. South Dakota
5. Arizona

# Real Estate Investment Strategies

- Residential real estate rental
- House flipping
- Land and property development
- Syndication
- REITs



# What is a Syndication: The Pros & Cons

- High cash flow generation potential
- Tax benefits
- Strong potential for appreciation
- More hands -on reporting
- Sponsor's fees and carried interest terms
- Illiquid
- More risk



# Sample Questions to Ask Yourself

What are your investment goals?

How do you feel about risk?

How liquid does your investment have to be?

How active do you want to be in the day-to-day management of your investment?

What industry or asset class do you want to invest in?

Where is the investment? Is economic growth projected?

What is the investment model of the REIT or Sponsor?

What are the historical and projected returns?

# A QUICK START GUIDE FOR INVESTING IN REAL ESTATE



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# Investing in Real Estate with a Self-Directed IRA

## 1 Market Research

Mean property values, average income, employment rates, vacancy rates, owner vs. renter %'s, natural disaster analysis, industries present, etc.

## 2 Choose Investment: REITs or Direct

Consider your values, goals & risk tolerance.

## 3 Complete Transaction

- Open Account → Appraisal → Financing → Inspection → Title & Insurance → Close  
- Find REIT & invest in fund

## 4 Income & Expenses

Property management & maintenance must be paid out of the IRA. Also, income must be made payable to your IRA, **not to your name**.

# What's Next?



## **Next Webinar: Top 10 Disruptive Real Estate Trends**

➔ Register & join us on September 15!



## **Want more information regarding today's topic?**

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# What's New?



## **Want IRA management on the go?**

➔ Download Entrust's new app in the App Store



## **Curious which projects others are investing in?**

➔ Visit Entrust Connect for recent postings



## **Wondering how to choose an SDIRA provider?**

➔ Check out our brand new SDIRA Kit

# Time for Questions



# Stay Connected



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