EPISODE 1573

[INTRODUCTION]

Mat Sorensen (MS): Our whole strategy was to buy value-add deals and be able to refinance them at some point between now and 2026, to provide some cash out mechanism — will refinance or through just earning money on the deal, so that investors can use that to pay their tax liability that is coming out.

Josh McCallen (JM): Welcome back to The Real Estate Syndication Show with the world famous Whitney Sewell. Hey, wait a second, as I always say, this is not Whitney. It's his buddy, Josh McCallen. It's an honor to guest hosts for my friend, who's also a hero of mine with all the work he does with the Amna Foundation and Life Bridge Capital. We're big fans of Whitney Sewell. And we're honored to be part of your community. I mean, the real estate syndication community is one of the best in the world of education and podcasting. Why? Because it attracts both groups, right? It attracts those of us who are professional syndicators, like myself and Whitney, and it attracts those of us who have discovered the power of direct investing through syndications. So welcome to the community.

Hey, today's a surprise juggernaut show. It's an honor. It's an old friend of mine, Mat Sorenson. He's written the book on Self-Directed IRA, SDIRA, you've heard this term. No matter which side of the equation whether you run projects, or whether you invest privately in projects, there's a surprise, maybe three surprises in this episode. I'm going to tease it right now.

One, he's going to reveal to you that if you raise capital, that there is more sure way to do it than through the self-directed IRA vehicle, because your friends, your family even, your colleagues, own one of these. They all own an IRA, they didn't even know you could invest through that IRA into the projects you're doing, which are way better. The syndication projects that are in Main Street, America are way better performing, way better collateralized for the most part than Wall Street. Wall Street typically isn't as well collateralized as our syndication projects, like you do and I do.

So one, he's gonna reveal that and guess what the number is? Yes, I'll tease it. And I'll say it 35 trillion with a T trillion dollars sitting there, the largest aggregation of capital in the world is in American IRAs, and you can unlock it with groups like what we're about to describe.

And he's going to share the confusion about this industry. He and I go into it. Well, you know, what happens if this? What about that? What's UBID? What's UDFI? Is there a penalty for using my money this way? Because I'm not 60 or 70 years old? The answer to all of that is, you got to wait to find out in the show, because he's going to explain that. He's going to answer the FAQs. And he talks about opportunity in 2023 and beyond.

Wait till you hear how he breaks down the economy. So even if you're just listening to the show, because you love great content, hilarious conversation and wisdom from these guests and hosts, then you're gonna find out about how there's trouble brewing. There's trouble brewing, as you may have heard, but he's going to talk about how trouble as he sees it from investing for all these years is opportunity.

And he's going to show how the IRAs and the world of the IRAs probably are one of the main solutions to that trouble. I look forward to you letting me know in the comments, and in the reviews, whether or not this was a show of value, please mention it. Whitney and I joke, we're always trying to grab more reviews and especially if you can mention one of the shows we did we'd be very honored. This is Josh McCallen from Capital Hacking, which is our show and Accountable Equity signing off. You're going to love this episode with Mat Sorenson.

[INTERVIEW]

JM: It is an absolute honor to have you here, Mat. Welcome to the big show with Whitney Sewell's Real Estate Syndication Show.

MS: Thanks so much. It's an honor to be on. I remember talking to Whitney like a year or two ago. And it's like every day, I almost sound like, “What? I do two podcasts, two shows a week.” So I know what that takes. And that's often like a whip.

JM: Well, Whitney is a hero of mine. As matter of fact, my name is Josh, we count for those who have not met me. I love Whitney, I donate to his foundation for children and he invest with us as well. I've been honored to be one of his top guest co-hosts well, host.

Anyway, what we're going to do today for you folks, is we have through the ether flown in a true expert in the world of self-directed IRA. And he's going to not only unravel these kinds of secrets that the most of the world doesn't realize about self-directed IRA. But we're also going to do a whole big FAQ. So buckle up. Let's get to it.

Mat, would you share a little more about yourself for the listeners who have not yet met you as I have?

MS: Yeah, so Mat Sorenson. I'm an attorney. I have a law firm called KKOS Lawyers, but most of my time is actually at our company called Directed IRA. We're self-directed IRA Trust Company regulated, audited, all that. We have over a billion in assets, 12,000 accounts growing quickly, but I've kind of been the self-directed IRA guy for lack of another label. I wrote the book on self-directed IRAs, the Self-Directed IRA Handbook. It's the number one book in the field, all my competitors use it to train their employees. The association in the field uses it for certification training. So I kind of just focus in that as an attorney and then started offering accounts and helping clients do it. So we're all about people taking their IRA or 401(k) dollars to invest in what they want, which real estate happens to be one of the most popular things people actually want to invest their money in.

JM: Well, you know, and I've been around this world for a while. We've had some of your members join our group. If you don't mind. We're gonna jump in to a few of the questions we hear a lot, and this show obviously caters to two great groups – the people who actually run syndications. So this is important, they need to know what you know. And then those who are using this show to find out why people choose syndications as an investment strategy. So both groups are going to love this.

We need to define terms because not everybody has listened to the show before and we want to catch everybody up, no listener left behind this is your driving university. So, what is a self-directed IRA? And why is there confusion about that terminology, like what's different with what you do?

MS: So basically, a self-directed IRA is an IRA that can invest in any asset allowed by law. And like, you know, the law only restricts art, collectibles and S Corporation Stock. So IRAs have always been able to own real estate. The problem has been most people have an IRA at Fidelity or TD Ameritrade and their broker dealers, well, what do they let your IRA buy? What they sell, you know. So you can't walk into Taco Bell and get a Big Mac, like, you're gonna get whatever's on the Taco Bell menu. It is the same thing at TD Ameritrade or Fidelity.

But there's about 30 other companies like ours that will let your IRA invest in real estate or a private fund or a startup or crypto or any alternative asset you want that's allowed by law. Really, what you do is you're like, “Okay, I want to invest in real estate fund, or I want to buy real estate myself, or do a private money loan with my IRA or 401(k) funds,” you don't call Fidelity and say, hey, I want to invest in this private fund or this piece of property down the street. They're gonna say you can't do it, not because IRAs can’t do it but because Fidelity IRAs can’t do it. So you just got to transfer the account, which is no tax or penalty over a self directed company like ours directed IRA, and then you're here and you're like, “Alright, I'm gonna invest in this fund.” Here's some subscription documents, IRA is going to own it, it's putting in X amount of dollars and getting these units, we send the money to the fund sponsor, then your IRA owns it.

It gets the profit, property sells, the fund closes out, it gets all the proceeds back, any cashflow of course coming in. That's basically how it works. And kind of called the self-directed IRA. This just means you can invest in what you want to.

JM: Yeah, remember when this was first introduced to me, it was about five years ago, and I'm in my late 40s now, just never really picked up on this. And we've all worked jobs, we've had orphaned IRAs or orphaned 401(k)s. People don't even realize they're out there orphaned. This is one of the best surprises you guys help people do. Right?

MS: Yeah. And I mean, this is like the laziest money out there that's the easiest to get. So like, if you raise money for a fund, I mean, you make, I'll try to make this point for you. There's $35 trillion, trillion in retirement accounts in the US. There's like no more money anywhere, period. And the nice thing about it, it's all people you know, that have it. It's like your friends and family. It's the guy you'll run in with, or the person who do yoga with I don't know, like they have an IRA or 401(k), it's everywhere.

And even if you have existing investors, I gave an example. I had a fund come to us who had never raised from IRAs, we just did one webinar to their investor base that had invested non-retirement account dollars. We open over 350 accounts from that one group.

JM: Wow.

MS: Okay, that was a lot of money going into that. And they just like, unlocked all this money that got invested into their fund.

JM: Well, before we get into more questions, we got to drill in on that. Let me paint the picture. So, a group that knows how to invest real estate, they've been doing it for a while, they're proven sponsors, learn about your organization, you do a joint webinar where you teach, you're a teacher.

MS: Yeah.

JM: That's why you're the author of that book, the Self-Directed IRA Handbook, but remind me, out of 350 to actually take action, how many do you think the email went out to in the webinar? How big was it because that like 50% or 80% of the people that were reached?

MS: Well, they have thousands of investors, I would probably say two to 3,000. But, they had a very high percentage of people, like very high that took action.

JM: That's tremendously high.

MS: Yeah. But these are people that have put money in on something. So this wasn't a cold list. These are people that have already decided to invest with them with other dollars. But, so many people think of their IRA or 401(k), they're so frustrated by it, you know. Frankly, most people don't even know what their IRA or 401(k)'s invested in. It's in some target date fund or mutual fund, they don't even know. And all of a sudden, they're focused on investing in real estate, and they're like, “Oh, my gosh, I'm learning this. I understand this better.”

I run into real estate clients all the time. They're like, “I make so much money in real estate, I have this dumb stock portfolio in my IRA, 401(k).” So for certain people, it's an easy sell. It's a quick and easy sell, because they don't know what they're invested in. And even when they are there, a lot of them are just unsatisfied.

Now, I will say there has been a sticking point lately because the stock market's been down. Right?

JM: Right.

MS: So some people are like, “Well, I want the stock market to rebound a little bit.” You know, it's like, okay, I don't know.

JM: Yeah, I want to talk about that for a second. But then I want to drive home another point with that you're making that is so powerful. One, you know, I'll come back to the stock market in a second. But for those of us listening, this is one of the most popular shows for those of us who are professional syndicators so perk up, listen up. This is so interesting, Mat, truly, you teach. So when you do these joint webinars with people that have communities of investors like us, for my team at Accountable Equity, we have hundreds and we have thousands that read our email. So if we were to do a joint webinar, I imagine people would hear this for the first time. And you're saying during that discovery, these are people that actually already know, like, and trust the person who brought them to your education, and therefore, it becomes a very smooth transition. I agree with that philosophy.

MS: Yeah. And you just got to make it easy. So that's the next thing is you got to make it easy. But you know, I think some of our competitors, you know, have gone to this like FinTech route, and just like, “Oh, people are just gonna click some buttons, and they're gonna do it.” They don't, I'm just telling you, I opened way more accounts than they do every day, we're going way faster than those, you know, the “FinTechy” ones out there.

People want to talk to someone. It's like, I'm gonna send over 100 grand, yeah, I'm not going to click some buttons on a company's website I've never heard before. I'm gonna talk to somebody, you know. And so now we got a e-sign and stuff, that's easy, but you got to make it easy. But, be also be available to answer their questions and know, you know, anybody that's raised capital knows this, you know, there's an education and a conversation and some trust building that needs to happen in that process.

And so, you know, we play a small role in that with the retirement account, just how that works. And let's take care of the paperwork and get the rollover, transfer done. But then it's, you know, they're already interested in the fund and they have an investment, that's the best account for us, right? They come over here, they're ready to go, the money pops in, it goes right into the investment.

JM: Yep, that makes a lot of sense. Because the money hits your trust, the trust that your team manages, makes it compliant with the IRS and the government, and then it goes back out. Because they already know where they want to place it. They just need to get into your vehicle.

MS: Exactly.

JM: And last little goofy thing, Mat, am I the only person when I first heard about this five years ago that thought that when someone says “Use your IRA money to invest?” That's what I probably heard the first time, I was under the impression that people wanted me to pull it out, take penalties and put it out. That is clearly not what we're talking about. Am I the only one that ever gets confused about that?

MS: Yes, people do get confused about that. Because this is like talking to my neighbor next door telling them what I do. The confusion. So is that what's the penalty to do that? No, no penalty? Yeah, no penalty. I don't have to be 59 and a half. No, I'm just saying like, you still have an IRA account, it is just not a broker dealer buying broker dealer products. That same IRA money, whether it's a Roth IRA, traditional IRA, you could also have solo 401(k)'s for those self employed, and we self direct HSAs and Coverdell Education accounts, all these types of like tax preferred accounts that the government's allowed can all invest in real estate and private funds.

So, the only thing we're changing is the investment asset type. So no distribution, no tax, no penalty. So, if you're going from, let's say, Fidelity to Directed IRA, it's kind of like you just went from Fidelity to Charles Schwab, you've just changed the company that's administering the account. It's still the traditional IRA or Roth IRA, or whatever it was when it was at the broker dealer.

JM: Yep. And that's the part I think we've done a lot already in this brief podcast to help people see that we didn't even know we were confused. Like five years ago, I didn't realize I was confused about IRAs, then I’ve learned it now I get to hear from you. And for those of you, that was 101 class, we're about to jump into 201. Okay?

But before we jump into 201, let's take a moment to listen to a wise lawyer and you are also a CPA as well, right man?

MS: No, I’m just a lawyer. My partner Mark is a CPA. I’m just a tax lawyer.

JM: All right, so you're just a tax lawyer. Now, let's talk about what you see on the horizon. Let's take a break from directed IRAs for a moment. What is on the horizon, you read every morning about the topics, you're in it, you see billion dollars move.

MS: I invest in real estate myself, in fact, I invest in real estate with my retirement account. You know, right now, there's gonna be some real estate opportunity. I'm just saying, you know, I went through 2008. And many of you listening probably did. I think a lot of people are out there going to see rates are going to stay high, there's going to be some corrections, there's going to be some distressed property, guys, that's opportunity. And what it's going to take to seize on that opportunity is money.

Now, I'm already hearing the banks are already starting to tighten up changing lending standards. They're getting scared, too. So where's the money? Well, they're in IRAs, and 401(k)'s, the 35 trillion out there. And so for our business, and for what I do, it's super exciting, because I saw in 2008, the self-directed IRA industry, but that's really when it kind of took off, because this capital out there looking very popular.

Yeah, our industry grew so quickly at that point. And it's because of all the opportunity in real estate and alternative assets, you know. And it took money to do deals, and there's lots of profits and money to be made. It was a great time. So I see that coming up a little bit. I don't know that we'll go as deep as we did in 2008.

But if you're waiting for the deals, you know, it's going to take money to pull these off. And people are starting to kind of, I think changed their budgets a little bit, you know, and how much money they might be willing to throw out there kind of. It can be tightening up a little bit too, just individual investors. But if you have this focus on this other pot of money, that's the largest set place where cash can be raised, IRAs and 401(k)s, I think you set yourself up for a lot of opportunity.

JM: Right and I think embedded in that without a doubt that's another epiphany people have to, it takes your breath away to hear the number $35 trillion of us hard-working families are sitting on IRA money. Compare that to other areas of capital in this world, is that bigger than most other aggregations of capital?

MS: There's nothing bigger, not even close.

JM: That's amazing. And it's mostly American IRA accounts. I mean –

MS: That's just US retirement accounts. That includes 401(k)s. So IRAs are about 40% of that 401(k)s are another 40%. IRAs are actually the largest now more money in IRAs and 401(k)s and then you got kind of the defined benefit and pension plans too, which are still out there. But those are a much smaller portion of the market now.

JM: I'll say it'd be fun. Maybe we do a masterclass together sometime on a webinar because there are deeper questions. This is just a cursory level. And, you know, and I'll just put an exclamation point, you believe the opportunity in real estate is coming. And you pinned most of your interpretation on that around the idea that rates are going to remain high. And would you go the next step and tell our listeners who don't quite see that, they don't see it as big a deal yet, because what happens when rates stay high for a period of time? I would say it goes back to the underwriting from two years ago, right? The projects will not get refinanced.

MS: Right. I mean, the banks are gonna be tight. People with adjustable mortgages are going to get adjusted and, and it's going to put pressure and really kill the operating profits for people owning. You know, I don't care what you're raising money for – commercial multifamily, whatever it is, I mean, someone owns that asset and is going to be paying a lot more to the bank to own it now.

And so I think it's going to put a lot of pressure on the market. And that's going to create people who are going to need to sell, you know. And we've been in a market where people didn't need to sell right, money was so cheap, we had these record low-interest rates that no one's seen in our lifetime. And so obviously, the market had a huge run-up. So I think this in Phoenix, where I'm at, you know, I've seen the market shifting. I'm seeing contractors not as busy as they were, I'm seeing you seeing all these little signs and signals, you know, properties that will stay on the market longer. And all those little stats you can track, you're starting to see movement.

And for some people that already own real estate, you know, and it's like, and you can be in that position, I realized there's a lot of people that are you might already have a fund and you own a property in a building, and you're looking at rates that might be adjusting on your building. And it could be changed by 4%.

I mean, this is like, this could be a lot of money. I mean, this is like a property significantly cash flowing to being in the red. You know, some of these swings are going to happen. And so I even had one of my law firm clients, we actually used to do private placements. I have another attorney in my firm that does those, and it was talking about raising more money just to kind of shore up and make sure he's got the cash available for rates and financing that's going to start adjusting.

JM: Thank you for teasing that these are syndicators who listen to the show from all levels, meaning done one deal done 50 deals. It's a true resource for all of us professionals out there. So tell us what that means when you say people are raising money to keep in cash and putting it in their funds for these changes. Do you see that happening more in this changing economy?

MS: It's kind of newer right now. I mean, we would see it for like, I'm doing a renovation on something or I had to go, we have some idea we didn't initially think about or something went over costs, you know, we see that. But in terms of like, oh rates are adjusting, but the communication aspect to the investors because what else do you say, I mean, you're telling your investors on what's going on. And all of a sudden, like, “Oh, my quarterly check is not so big, what's going on?”

And so don't think like, I'm like the smart fund sponsors get ahead of it, you know. They go out and they try to figure it out and get ahead of it. So because the last thing your investors want to see is you’re in position funds losing money, and they're not getting any checks. So I would just say just look at where you're at, obviously, financing is going to be tough. Rates, I think are gonna stay high, at least for a couple of years. They're not going to drop within the next two years, right? The Feds have been hell-bent on that. And all you know, everybody that invests in treasuries and where rates are going just because we follow that quite a bit our business is nothing's dropping for two years.

And where rates are at now I just see cash now becoming much more popular. Like a couple of years ago, debt was so easy, just go get more debt, it's so cheap, just go get more debt, don't dilute yourself in equity, and raise more money. Now that's going to shift, go get the money, go get the equity that that's more expensive.

JM: I think you're saying wisdom to those of us who are new, newer and syndicating groups. You have to really keep your eyes wide open, it will change the IRR. It'll be more modest on the deal you had, whoever you are, but it will also be more secure. So there's a trade-off there and people will appreciate your story explaining that.

MS: And, there could be new deals that could have higher IRR.

JM: Because your basis is lower?

MS: Yes, because you're gonna find some opportunity.

JM: Yep, basis has been lowered. So now we're gonna go into some 201 questions before I let you run. I know how busy you are running that big company and your practice. So a couple of quick questions. When people think of self-directed IRA many of the stories that people have these epiphanies they move their money into their self-directed IRA and a lot of times they'll try to do private lending with it. So now they have $200,000 cash. And they knew this flipper and he needed 100 grand, and they loaned him 100 grand, that's a viable option that happens a lot, correct, in the world of self-direct IRA?

MS: Very common. I'm in fact, just at this desk where I'm sitting right now, I did a webinar with one of my clients for many years, he's done 250 flips in the Phoenix market in the last seven or eight years, and 60% of them were funded by IRAs, 60% of those deals, because he knows the strategy, at least is way easier, you know, it could be a win-win, whether you're someone that's flipping the properties, like this guy, or one of the accounts that are lending the money out and getting 10% and two points, you know. I love to get that type of return in this market. So that can be a win-win. And that's, that's a very, very common strategy.

JM: It is. it is. I'm seeing more now. And I think it's going to grow in popularity for those, let's say this gentleman you just spoke about once they get to that scale, a lot of times they do explore directed self-debt funds, or vehicles, because it allows them to not have to go back each quarter or every two quarters to go back and get new capital, but it still provides strong, strong yield with collateral. I see that growing in the next few years. What is your opinion?

MS: Absolutely. You know, and one of the most popular types of vehicles are these private debt funds, you know, out there you go, or like financial advisors, putting their clients into private equity funds that are private debt funds. I mean, those have been some of the, you know, they've been tracking some of the best-performing assets recently, even on the smaller scale, just people individually doing it cutting deals with their IRA retirement count dollars lending someone else or in smaller funds, but advisors aren't out representing and raising capital for you know, we've seen very, very popular.

But you got to obviously have a strategy and you got to have the deal flow too because you got to put the money to work correctly. And so that's one thing is a fund sponsor, you gotta be careful on how much you're raising. Do you have the right deal flow to get those dollars out?

JM: Well said. Next 201 question. I hope you're sitting down, folks. Now let's get into a question you hear a lot. If you could just teach us a little bit. What's the difference between what a lot of us do in the 506 C, the reg D regulation where we're allowed to raise capital, especially the class C, which is 506 C, where we can talk about it publicly? What's the difference between that type of model and a REIT for the investor's point of view? And what is a REIT?

MS: Oh, good question. Yeah, you know, I wish more people did REITs actually, it's, you know, I'll give you a little nuanced reason why but, you know, a REIT is just a tax classification, real estate investment trust. It could be your LLC or LP that you have that was a 506 C reg D deal, you just get a tax classified as a REIT.

Now, in order to do that, I think I've had like 100 plus investors, so for some smaller funds, it may not work. But if you have 100 investors, I actually think it's worth doing. You have to distribute like 90% of the cash flow and you know, you got to can't sit on capital, so you gotta be distributing.

But I think most private funds that are like buying multifamily, for example, are doing that anyway, you know, even commercial stuff, they're just doing that anyways. And that's part of the fun model. So there's one benefit to the REIT. So in an LLC, limited partnership, you know, when you raise debt, let's say I get some IRAs that invest in my fund with me, and then I go buy an apartment building, and I go leverage that apartment building 60% with debt. Well, the IRAs have to pay this tax on profits from the debt called UDFI, unrelated debt-financed income tax is something that is part of UBIT or UBTI. If you hear these little monikers. You should kind of know this.

If you're raising capital with IRAs and 401 K's I got a whole chapter in my book on and webinars on our content on it. But it's usually with depreciation, other expenses that can get offset, the IRAs don't need to worry about it till you sell the property. If you still have debt on it, and there's a large gain coming through, they get capital gains rate, it's not too significant, but it is a little tax that can hit an IRA. REITs are exempt from that.

So IRAs get an exemption on it. If the fund was taxed as a REIT makes absolutely no sense because the REIT doesn't pay any more tax. It's just, you know, the stupid tax code. So, that's a little benefit. And I, some of my clients that raise more with IRAs, I'm like, “You really just need to do a frickin REIT, just please make it easier on your people.”

JM: So I've always heard that you can avoid, so then you could put the debt on the building and have it in a REIT model and not have the debt cause the unrelated debt income as I would think it is –

MS: That financed income – unrelated debt finance income tax.

JM: And to back up for those, I'll explain in layman's term, it's just saying that we bought a $1 million dollar or $100 million project but we only had to pay equity of 30 million that means 70 million was debt and the debt when it was sold, we picked up the gain on the full $100 million, therefore, it was as if 70% was unrelated debt finance income. So somehow that creates a capital gain just on that portion. Correct?

MS: Yeah.

JM: Okay.

MS: Just on the debt piece, and you get a capital gains rate of 20%. So when you run the numbers, I mean, yeah, but it is something they gotta know.

JM: And it's not until liquidation you just said –

MS: Well, it can apply a year to year if the cash flow like if the k one they get you know has net profit on it. But if the k one has depreciation or their you know their all the expenses even though it's cash flowing, you know the k one is negative, then there's nothing to report. But if there's positive cash flow, or I shouldn't say positive cash flow, if there's profit on the k one, then yes, they would have it year to year.

JM: But it would be a capital gains rate?

MS: On rental income, it's not. They will pay on rental income, ordinary rates.

JM: And it would be all fractional because it would be basically. Wow, that sounds hairy. It sounds a little hairy. Now you also do something called solo 401 K's. Correct?

MS: Yep, solo 401 (k).

JM: Somehow that is a way to prevent that problem for syndications. Correct?

MS: Correct. Yeah. So if you have a solo 401 K, or any 401k Really, or employer-based plan that can invest in real estate with any debt, and you don't, you're exempt from this also. So that's why I said UDFI really applies to IRAs that are debt leveraged.

But you know, I'd say the majority of our real estate clients still go get debt with their IRAs, and they just deal with it. You know, there are some other strategies to get out of it. We can get into here now, but it's just something someone should know. And I just brought that up, particularly because you asked the real question is, you know, if you're raising a lot from IRAs, and you have 100 plus investors should use to seriously look at doing a REIT, you'd actually be very attractive to an IRA investor.

JM: It would and let's now we're going to dig in a little more on the REIT. So as a layman, I see a REIT as something where the investor is seeking a double-digit yield perhaps, or a strong yield, but not recapitalization, right? So where's the syndication typically, you're trying to buy it, flip it, and put the capital back, whereas the REITs says, keep the capital invested, keep the checks coming. So that's a big shift for most investors' mindsets and most syndicators' mindsets.

MS: You could still be a syndicator doing, you know, like, you got a value-add type property, that's a five to seven-year cycle to turn, you know, you can still do a REIT on that. But you're right, the REIT has been used more for this is an ongoing, perpetual fund. So if you sell that property everyone's staying in, and you're just gonna go buy the next one, which is another way to think about it too, is just keep that as a rolling fund almost, and just go to the next property, build a big portfolio and you can you could distribute some out to some people that want to cash out and be gone and other Stan and move on to the next deal.

JM: Yep. And the last thing on this REIT idea then, so if someone were to set up a fund, the normal syndication, I should say, and they get to 100 members, but they didn't think they were going to be a REIT, but they allow for it in their operating agreement, can they change to a REIT five years from now?

MS: Yes, absolutely.

JM: And what happens to the investor in that scenario?

MS: I mean, it doesn't affect the investor. It really doesn't. And I think it adds a couple of tax benefits to IRAs, in this instance. So to the investor, nothing's changed, like, trying to think like, who can get negatively affected? No one is negatively affected. I mean, it puts some rules on the sponsor, you know, because they gotta meet the criteria, but they also have to make sure they're doing distributions, you know, they're distributing, I believe it's 90% I can't remember.

JM: I believe so too. Very interesting Matt, I feel like you've done a ton of value here today. You know if there's something I forgot to ask you please share it but also share how we can reach back out to you and learn more.

MS: The best place is go to directedira.com That's our website we have a Learn section. We have a podcast, directed IRA podcast, we have webinars and try and get Josh on one of those. A lot of educational content, and events. There's my book. My book is20 bucks you know, but it is kind of like if you want to geek out on this or you're like the engineer or the CPA or the you know the person that really wants the detail my books there too but we got the easy lighter stuff to you know, the podcasts and webinars too.

JM: You guys are great at it. You guys do it together. You and Mark?

MS: Yeah, me and Mark, we have two. We've got the mainstream business podcast, which has over 2 million downloads now. We've done that for years. That's on tax business and legal and then the directed IRA podcast which is just focused on the self-directing topic.

JM: You guys do great work. You're hilarious together and educational. Really appreciate you, buddy. Can't wait to talk to you again. And thank you for being part of this community.

MS: All right, of course. My pleasure. Thanks, Josh.

[END OF INTERVIEW]

[OUTRO]

Whitney Sewell: Thank you for being with us again today. I hope that you have learned a lot from the show. Don't forget to like and subscribe. I hope you're telling your friends about Real Estate Syndication Show and how they can also build wealth in real estate. You can also go to LifeBridgeCapital.com and start investing today.

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