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How to Make Several Million Dollars Just by Picking Your Nose

(Or How to Survive the Global Economic Crisis, Profiting from Economic Trends,
What the Government and Wall Street Don't Want You to Know and
How to Own Real Estate in Your IRA)

By Michael Starkey

This article may make some very uncomfortable, and may make this author very unpopular, at least temporarily. The purpose is to share with you some bona fied statistical facts, explore some economic trends, face some harsh truths, pose some tough questions and cause you to take a long, hard look at your personal financial picture.

We live in the Information Age, where anyone with a computer and time on their hands can find out anything about everything. The world has changed, and we are now in a global economy. Like the "butterfly effect," every action has an equal and opposite reaction. As such we need to be aware of the economic and demographic trends around the world when we are formulating our investment strategies.

We can all recognize that the global economy is facing its most difficult situation in many years as we grapple with the current financial crisis. The credit virus that initially infected the US real estate market has now spread to the entire bond market and subsequently most of the world. Let's face it, we narrowly avoided a near global banking system meltdown. Banks around the globe began a credit freeze and loans could not be found anywhere. Banks would not even lend to one another resulting in a liquidity crisis. Like it or not, the massive direct government intervention was a necessary first step in the effort to bring "liquidity" back to the market. Initially, however, the US Government's first massive infusion of capital had not produced the desired results nearly quickly enough. In the long run this tourniquet may save the patient, but we still lost the leg; leaving us with just one VERY shaky leg left to stand on.

Even more importantly we must recognize that these bailouts and stimulus packages will not fix the most significant underlying problem which is the need for a global currency and a monetary authority or a mechanism to control the global currency supply. It was this void that facilitated the emergence of the "shadow banking system" and it was the collapse of that shadow banking system that ignited the current global economic crisis.

When the big international commercial banks and major investment firms like Lehman Brothers, Bear Sterns, Merrill Lynch and others recognized this void they quickly devised a way to take advantage of the situation. They were soon joined by the private equity funds and hedge funds in the exploitation of the inefficiencies created by the lack of global monetary authority and absence of a global currency. They began "printing" trillions of dollars by "securitizing" nearly everything and practicing off balance sheet financing. They effectively began to borrow short and lend long; thereby acting in complete contradiction to the primary rule of banking. In lieu of performing prudent credit analysis and following

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traditional lending practices, these firms decided it was easier to print new money through securitization.

By securitizing they were effectively able to borrow at 1% and then turn around and lend to "Wall Street" and "Funds" at 6%, 9%, 15% or more! The private equity and hedge funds didn't care because they were leveraged 50 to 1 and took their profits off the top with NO downside. That was because in reality only their clients had any actual money at risk. For these players it was a perfect scheme and they thought the party would never end, but it did. The catalyst came when their ability to borrow short quickly dried up and their balance sheets came into question under government and public scrutiny. As their short term borrowings matured they were unable to roll over the loans and a massive infusion of capital was needed. Suddenly everyone was "calling in" their loans and the hedge funds and private equity funds had to start massive liquidations. This subsequently resulted in an enormous sell-off on Wall Street. Factor in the collapse of the entire real estate market and call it the domino effect or a house of cards, either way we all know how this ultimately played out.

Enter in "good ol' Uncle Sam" with his checkbook in hand doling out billions upon billions of dollars to "needy" corporations. Why such philanthropy? Well it is easy to give away billions of dollars when it isn't your money? Let's face facts; it was OUR money; yours and mine. The funny thing is I don't remember giving my approval; do you remember giving yours? For some strange reason those CEO's looking for "gas money" to fuel up their personal Lear jets just don't appear as needy as those poor third-world children with extended abdomens.

First there was AIG, then "Wall Street," the major banks, insurance companies and then the US auto industry. We must ask ourselves; where does it end? Who will be next in line with their hand out? We have entered a new era, an era of corporate and CEO welfare. We have allowed the government to create additional entitlement programs and nothing could be more economically or financially dangerous. Our government failed to remember the old saying "you can't un-ring the bell." Let's face it Pandora's Box has been blasted wide open and cannot be shut. These entitlement programs have resulted in a huge amount of debt to be repaid. Currently the US owes an amount equal to 41% of GDP and experts threaten that amount can escalate to 75% of GDP as expenses for social welfare programs grow and Social Security and Medicaid increase with the ageing population.

This government intervention has resulted in well over 1 Trillion dollars in new debt being added to the nation average. This now makes our national debt over 10 Trillion dollars which brings our federal deficit to just over 12% of gross domestic product. That is a post WWII high!

Now to add insult to injury in the most recent Social Security Board of Trustee's annual report it was predicted that the Social Security System will begin to run a negative cash flow by 2017 and can become completely insolvent by 2040. In fact, in present value the total in unfunded liabilities for the Social Security and Medicaid systems is 45 Trillion dollars. The estimated net worth of Americans is less than 40 Trillion!

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Higher taxes are inevitable. There will be less money to spend on everything from food safety, to road building, to education, to health care, to energy, to the environment; you name it. We can expect tax rates to increase and we must plan for the possible changes to capital gains and estate taxes as well.

Additionally, in order to coax foreigners to continue lending the US money, interest rates will have to be raised significantly higher. As interest rates rise, the value of bonds will fall. It is important to understand that the shift is not a one-to-one relationship, but is rather a multiple of the interest rate movement. A 30-year bond moves approximately 13% in value for every 1% change in interest rate. A 10-year bond moves approximately 7% in value for every 1% change in interest rate. Any upward rise in interest rates will have a negative affect on our already troubled real estate market. Think of the value of a house as fluctuating like the market for a Treasury bond. Higher interest rates place downward pressure on values.

US Government Securities are a massive bubble waiting to burst. When the global financial crisis first reared its ugly head it caused what experts termed a "flight to quality." Regardless of the US' economic problems the world still viewed US Treasuries as one of the safer places to temporarily park money. This rush to Treasuries caused such a spike in demand that yields were driven down to nearly nothing. This is a dangerous bubble because the market price for these Treasuries will fall when interest rates rise.

This also coincided with a temporary strengthening of the US Dollar well beyond its fair value, as flight capital left other currencies in a moment of panic. Now combine this with the Treasury's printing of over \$1 Trillion in new money and we simply cannot help but see devaluation in the US Dollar in the future. Stop and think about this for a moment; how much longer do you think the rest of the world is going to continue to loan us money (by purchasing Treasuries) when they are going to be getting paid back in devaluing dollars? Would you loan somebody a dollar if they were going to pay you back with a so-called dollar that is only really worth 40 cents? We must also remember that as the US dollar continues to fall in value, Treasuries lose global purchasing power. This of course will mean the "cost" of all our imported goods will increase. Those foreign imports that used to look inexpensive will suddenly appear to have skyrocketed in price. This double whammy scenario of rising interest rates and a declining dollar starts to make US Treasuries look like an unwise investment at this time.

Investment sage Warren Buffet has been quoted as stating, "The rest of the world owns \$3 trillion more of U.S. Government bonds than we do. Pretty soon there will be a big adjustment." We must prepare for the possibility that the governments around the world such as China, for example, may decide they no longer wish to purchase US Treasuries. Worse yet we need to think about the fallout if China, who recently made some disturbing threats and accusations, were to decide to start dumping the Treasuries they are holding. The short term results of such a move could have a devastating affect on the US financial markets and economy.

We must also account for the fact that the Government has effectively sponsored a merger with Wall Street by virtue of the Bailout Plan. With the Government taking the steps of

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nationalizing some of these once private businesses, the very same people who brought us the financial crisis are now working in concert with the government and Treasury Department. Do we really need the government in the investment banking business or the auto industry? Who will bail them out if they go the route of Fannie Mae, AIG, Bear Sterns or Lehman Brothers? Considering Washington's history of nepotism, special interests and entitlement issues can we really trust that they will make smart financial decisions? Do you believe that they can run a profitable business? Allow me to give you an example of how to NOT run a business properly; just days after receiving their first bailout of \$85 Million AIG had the audacity to throw a week long retreat at the St. Regis in Monarch Beach, California as a reward for its top executives. This little ditty cost the company and by extension ALL of us taxpayers nearly half a million dollars! Now if AIG were still a private company we could effectively divorce ourselves of its poor business decisions by selling its stock. However, now that it has been nationalized we can no longer get away from its bad business decisions. It will continue to cost each and every one of us. Worse yet, the Government is continuing to lend additional bailout funds to AIG given its continued capital constraints. Incidentally the CEO of AIG, Martin Sullivan had a reported take home pay of \$25.4 million for the last three years. If you were running a business that had the kind of losses AIG experienced would you still take home \$25 million a year? I'll bet you wouldn't take home anything at all; you would be bankrupt unless you personally "qualify" for a Government bailout!

I find it utterly appalling that these CEO's and their cronies make millions and millions of dollars while the hard earned retirement funds of the American public dwindle away to nothing. You need to recognize that the Government is bailing-out these companies (aka lining the CEOs pockets) with what is effectively your tax dollars and subsequently your hard earned savings.

Albert Einstein defined INSANITY as doing the same thing over and over again and expecting different results each time. It should be abundantly clear that the game has changed and what you used to do no longer works, nor will it ever work again. Think about this for a moment; now that the referees and the guys who make the rules are playing the game how on earth can we win? They have every advantage and we have none. You need to play a different game; one that is not rigged, one you can actually win. It is time to take responsibility for your own retirement and not make the fatal mistake of assuming Social Security or the Government is going to help you out. You need to explore new investment strategies and open your mind to new possibilities.

If you continue to leave money in this market it can take years to recover from these recent market losses. Remember if your portfolio loses 50% of its value, the remaining balance must see a 100% increase in value just to get you back to where you were prior to the loss. What is the likelihood of that happening in the near future and do you have time to wait? The savviest investors, just like the best gamblers know when to cut their losses, pick up their chips and walk away from the table before it is too late.

Diversifying away from a falling dollar and into hard assets outside the U.S. just might be the only way to protect your hard-earned wealth. Buying land outside the US can help to preserve wealth as the US dollar falls in value. In most countries around the world, real

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estate is not leveraged by a massive mortgage market. In fact real estate in most countries around the globe typically sells for a cash price. International real estate will serve as the best hedge against the falling dollar. Remember dirt is the ultimate hard asset. When the dollar falls, the price of dirt will go up by a corresponding dollar amount. With the dollar falling, international real estate has been, and will continue to be, a solid place to invest.

When diversifying one's portfolio it is extremely important to consider the current trends. You must consider both economic and social trends, both domestically and globally. In order to properly diversify you should look for a country that is NOT experiencing the same problems that the United States and many European countries are currently facing. The ideal country would be one which does NOT have any correlation to the US economy or the economy of any G-7 country. You should seek out countries with a long history of stable government, desirable social structure, excellent health care systems, progressive education and, of course, a booming economy. That economic boom must be sustainable and not just a "flash-in-the-pan" or specific to one economic sector, but rather broad and across all sectors.

One such country is Costa Rica. Costa Rica has been going on over 25 years without a single macroeconomic crisis. In fact, shortly after the current global financial crisis reared its ugly head the head of the International Monetary Fund (the IMF) went on record as saying "Costa Rica is financially sound due to good economic policies." He went on to further point out that there was no discernible correlation between Costa Rica's Stock Exchange and other markets around the globe. Year end 2008, Costa Rica's market was up over 12% while most other world markets ended the year down 40% or more. Costa Rica's banks and financial firms continue to be in very good shape as they did not get caught up in the toxic derivatives, sub-prime loans and securitization issues that plagued other such institutions around the globe. The president of Banco Central de Costa Rica has been quoted as saying that he "does not see any economical indications of the world financing crises affecting Costa Rica." In fact Costa Rica's economy is so strong that the unemployment rate is decreasing as many of the country's companies are adding new jobs daily. Additionally more and more International Fortune 500 companies are setting up shop in Costa Rica. **The Pentium Chip from Intel for example, is manufactured exclusively in Costa Rica. Colgate-Palmolive** recently relocated their world headquarters to Costa Rica noting such reasons as an excellent and well educated workforce. They also went on to say Costa Rica offers an all around favorable environment in which to conduct a profitable business. Additionally, Fortune magazine ranked San Jose, Costa Rica's capital, among its 25 best cities in the world to do business. According to the report, Fortune considered the city's ability to create opportunity for its residents, its business climate and how well it can satisfy the business needs of companies that invest there when formulating its ranking determination.

By all accounts Costa Rica is truly a highly enlightened society. A democracy for over 120 years, Costa Rica constitutionally abolished its military in 1948 and permanently redirects those funds into health care and education. Take a moment and let that settle in. Imagine if the United States took just a fraction of the billions it spends on military actions and redirected those funds into our education and health care. Don't you think we might just be a little better off? Is it possible our health care system wouldn't be in such a crises? Costa

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Rica's dedication to education has resulted in the country having one of the highest literacy rates in the Western Hemisphere. In fact students in many high schools around the country are being taught English and Chinese in addition to their native language studies.

Costa Rica is often referred to as "the world's most peaceful nation." Costa Rica's president, Oscar Arias, was awarded a Nobel Peace Prize and is one of the most highly respected leaders in the entire world.

Costa Rica has an untarnished International image; it has no enemies and no terrorism. Simply put, Costa Rica is conflict free and consequently has no need for a military. This is not only good for the country's economy; it provides for a peaceful and worry free state of mind for Costa Ricans. The effect on Costa Rica's populous is staggering. While Costa Rica is without question one of the most gorgeous places on the planet, it is spending time amongst the people of Costa Rica that will forever change you. I have traveled quite a bit and I can tell you that I have never met a people quite like them; they are simply amazing. In fact I can tell you that they are even a greater influence on my decision to move to Costa Rica than the financial benefits or the unspoiled natural beauty of the country itself.

A recent United Nations research study has concluded that Costa Rica has the best medical system in all of Latin America and it ranks in the top 20 in the world out of 200 countries worldwide. In fact the World Health Organization rates Costa Rica's medical and health care system higher than that of the United States and declared Costa Rica "one of the best places in the world to live." Costa Rica has a fantastic medical system with a large number of English speaking doctors. In fact, not only is Costa Rica's health care system rated among the top in the world, it has become a leading destination for cosmetic surgery and dental work. There are private insurance companies offering full medical insurance like Blue Cross Blue Shield at a FRACTION of what you would pay in the U.S. On average, the most comprehensive health insurance plan you could acquire in the U.S. would cost you about 1/4 the price for a comparable plan in Costa Rica. International health insurance and emergency MediVac coverage is also readily available and very, very affordable.

Costa Rica has the 2nd highest life expectancy in the world and a lower infant mortality rate than that of the U.S. There is only one other place in the entire world with more people alive over the age of 100. It is staggering when you realize that in this little country with a population of just under 4 million, there are over 1000 people alive today that are over 100 years old. Furthermore this segment of the population has grown by over 300% since the year 2000. This clearly indicates the life span and health of Costa Ricans continues to improve while other nation's situations are worsening. This has resulted in Costa Rica's classification as a Blue Zone. National Geographic declared Costa Rican's "the world's healthiest, longest lived people." And NASA researchers declared Costa Rica's climate "the healthiest in the world."

Costa Rica has always been "Green-minded." Costa Rica is the first country in the world to be designated as a "Bio Gem" and is ranked 5th in the world for sustainability, behind only Switzerland, Sweden, Norway and Finland. Currently 95% of Costa Rica's energy comes from renewable resources like Hydro, wind and geothermal. Costa Rica is clearly NOT

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dependant on oil and other fossil fuels. Additionally Costa Rica has recently committed to being Carbon-Neutral by 2021 and is currently on track to meet that goal.

To put things in perspective, Costa Rica is about the size of West Virginia; it is not a big country in terms of land mass. Amazingly, Costa Rica's land mass is less than one tenth of 1% of the entire world's, yet it contains over 6% of the world's biodiversity. The majority of that biodiversity is focused in Costa Rica's Southern zone. Costa Rica is so dedicated to conservationism that 30% of the land in the entire country is either federally or privately protected as preserves and national parks. That is the highest percentage of any country on the planet.

Forbes Magazine recently published a joint study by Columbia and Yale University whereby they developed the Environmental Performance Index (EPI) to highlight the cleanest countries in the world. Costa Rica was ranked #1 in all the Americas and 5th in the entire world. As a point of reference Switzerland was ranked #1 in the world and the United States was ranked a dismal 39th.

Another very interesting study was recently published by a well respected European based organization called the Economic Intelligence Unit. In their recent World Report they ranked Costa Rica the 8th most politically stable country on the planet. In compiling their study and determining a country's ranking, the Economic Intelligence Unit quantifies a country's vulnerability to social and political unrest using measures that encompass economic and financial statistics and data, the total analysis of social structures and a detailed study of the country's historical political structure. Frankly these are factors that any reasonable person should consider when choosing a place to live or invest their hard earned money. This is increasingly important as the financial and political stability of many countries around the globe are being tested in these difficult economic times. It is when times are tough economically that countries are most likely to face the prospect of civil unrest. This however is a NON-issue in Costa Rica as evidenced by its superior ranking of 8th most politically stable country in the entire world. To give you further perspective as to how good this ranking is, you should know that the United States was ranked 56th. That is so far below Costa Rica's superior ranking of 8th that it should be a wake up call causing you to rethink where you are keeping and investing your savings.

In fact, Costa Rica is one of the safest places in the entire world. Their crime rate per capita is 1/13th of what the crime rate per capita is in the United States. Unlike many foreign countries, Costa Rican law protects foreigner's investments. Costa Rica is a level playing field. Everyone foreign or national is treated exactly the same way in the eyes of the law. All foreigners have exactly the same rights and protections as native Costa Ricans. There are no restrictions on property ownership. Just like in the United States you can purchase fee simple property, receive a warranty deed and even purchase title insurance. The overall cost of living in Costa Rica is significantly less than the cost of living in the United States and Europe; about 50-70% less in most instances!

Property taxes in Costa Rica are 0.25% of the "declared value" or purchase price. That is not a misprint; taxes are ONLY ¼ of one percent. Additionally there are NO capital gains taxes in Costa Rica. Furthermore Costa Rica does not impose any tax on money earned

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outside its borders by its full or part-time residents. Commonly referred to as "the Switzerland of the Americas," Costa Rica has had and continues to have very favorable tax, banking secrecy and privacy laws. This offers unbeatable asset protection. You can have anonymity in the ownership of bank accounts, real estate and even corporate ownership. Furthermore, Costa Rica is arguably one of the least litigious societies on the planet. It simply is not part of their culture, in other words, it is not in their nature to instigate lawsuits.

Consequently Costa Rica has been drawing in billions of dollars from some of the most successful and savvy investors around the globe, including Swiss financiers, Chinese premiers and government, Saudi princes, multi-national business conglomerates, international pharmaceutical giants, technology and computer companies like Intel, Acer, Microsoft and well know American investors like Steve Case (of AOL) and most recently one of America's most successful and legendary investment gurus, the well respected Henry Kaufman. Kaufman who has always been credited with getting into investment arenas just as they are about to experience explosive long term growth, has indicated that he searched the world over and concluded that Costa Rica is the best place for him to invest his enormous wealth. Kaufman also indicated that the Baby Boomers will have a significant positive effect on Costa Rica's long term growth.

As an educated investor you really must consider the Baby Boomers and their impact on the economy! There is a looming Baby Boomer crisis, which will have significant economic, social and political ramifications. You must stop and consider that the roughly 50 million Baby Boomers are getting older everyday. Some are very affluent, however most are not. From a statistical perspective, less than 25% of them have saved anywhere near enough to maintain their current home and lifestyle throughout their retirement. Couple that with the massive losses they have recently sustained in the financial markets and you will be able to realize just how big a problem they are facing. Do you think there is enough time for Wall Street to make up for the losses incurred? Not likely. Now you when you compound this with the fact that most have been spending away their home equity for the past 5 years and we have an even bigger problem. Additionally, since we no longer manufacture much of anything in the U.S. and nearly everything is imported, we need to consider how expensive those foreign imported goods will become against the falling dollar. The U.S. is looking at 50 million Baby Boomers who feel they are entitled to a certain retirement income and lifestyle, but they simply don't have the means to support it. A wise thinker would be prone to ask: What happens in a democracy when the "HAVE NOTS" outnumber the "HAVES?" Don't you think it would be smart to globalize a portion of your net worth before we have to find out?

Since it is becoming obvious that most retirees will be unable to afford the lifestyle they want in the United States, many are retiring to destinations such as Costa Rica. In 2006, the first Baby Boomers began to turn 60 years old. They are just the first in a massive wave of soon-to-be retirees seeking affordable housing, sunshine, safety and quality of life. It is not just the retiring Americans; there are also Canadians, Germans, Swedes, British, Italian, French and others that are looking to escape unfavorable weather, poor economies, expensive housing, crowded suburbs, complicated health care systems and unfair tax burdens.

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Costa Rica estimates that there may be as many as 300,000 expatriates living full or part time in Costa Rica. A recent report released by the US Government indicates that more Social Security checks go to Costa Rica than any other country in the world outside the United States.

So how can a savvy investor profit from these trends? When you consider what retirees typically look for, ideal climate, accessibility, advanced infrastructure, excellent health care, affordable housing, safety and quality of life, one place comes up over and over again - Costa Rica!

As a result of this international trend, Costa Rica is experiencing the early stages of a land boom. Costa Rica's real estate market will absolutely have a long-term sustainable boom because it is based upon new flows of wealth, not just speculation or currency and interest rate manipulations like the United States real estate market.

So how can you profit from this trend? You can invest in raw land, single-family housing, town homes, luxury rental units, land banking partnerships and Limited Liability Real Estate Partnerships. Investing with this trend in mind doesn't mean you have to, need to or even plan to retire in Costa Rica, anymore than you need an engineering degree to invest in a technology mutual fund or a medical degree to invest in a biotech fund! It is just the most prudent and timely investment you can make.

If you simply want to invest in the Costa Rican land boom and acquire desirable property in the path of current development, without the formalities of home ownership, an innovative concept you might want to explore is a land banking partnership. Designed as a secure and guaranteed investment, a Costa Rican land banking partnership can return as much as 10-18 % annually! Investing in a portfolio of undeveloped land within a land banking partnership allows you to participate in locking up cheap land today, to sell in a few years when developers show up in force and are willing to pay a premium. Most land banking partnerships typically have a 3-7 year investment horizon and a minimum investment of \$50,000-\$100,000. Your investment could even be made within your IRA or other retirement accounts!

SUPERCHARGE YOUR IRA RETURNS WITH REAL ESTATE INVESTMENTS.

After completing a successful real estate transaction, do you ever wish the profits weren't taxable, giving you more money to do the next deal? How many more deals could you do if you didn't have to give away a portion of your profits to the tax man?

A little known option for investing in real estate is using your Individual Retirement Account. So how do you do it? You simply complete a tax-free rollover of your existing IRA from your current retirement account custodian to an IRS approved custodian that allows you have a Self-Directed IRA. These custodians are commonly called "Self Directed IRA Administrators."

Investing in real estate within an IRA is not a new concept. In fact, there are more than 7 trillion dollars held in retirement accounts with 3% of those retirement accounts currently in Self-Directed IRA's with real estate holdings. Real estate investment within your IRA is a

viable, productive alternative to mutual funds, stocks, bonds and your typical brokerage accounts. Which do you know more about: stocks or real estate? If you answered real estate, then consider using your expertise to boost your retirement funds.

Are you asking, "Why haven't I heard of this before?" Who would tell you, your stockbroker? They will only let you invest your IRA in investments their firm offers. The traditional investment community has control of over 97% of retirement accounts, and they have been making a great living off your accounts. Why would they want to let you know about alternatives that they would not be able to charge for? They make commissions, brokerage fees, management fees and account administration fees handling your stock, bond and mutual fund investments.

What types of retirement accounts can be moved into a Self-Directed IRA? That's easy; traditional IRA's, SEP IRA's, Roth IRA's, 401K's, 403B's, Coverdell Education Savings, Qualified annuities, profit sharing plans, money purchase plans, Keoghs, government eligible deferred compensation plans. In other words, virtually any and every retirement account! You can even self-direct your HSAs or health savings accounts! Once you have opened your Self-Directed IRA, you are free to use those funds to purchase raw land, improved real estate or a variety of investments previously unavailable to you with your traditional retirement accounts. The rules governing allowable investments by Self-Directed IRA's preclude an IRA's investment in life insurance, collectibles (artwork, antiques, coins, gems etc.) and S-Corporations. Virtually, all other types of investments are permitted, and thus the range of possible investment choice is nearly unlimited. Consequently, your Self-Directed IRA can purchase any form of real estate.

As to be expected, there are important rules and regulations to follow, however, they are very simple and reasonable. Some of the most notable are: 1) the real estate must be an investment property, not a personal residence for you or family members. 2) You are not allowed to personally guarantee a loan for your Self-Directed IRA; you can however obtain a non-recourse loan from a bank or even utilize seller financing. 3) When you buy real estate the seller cannot be a disqualified person. A disqualified person is yourself; your spouse, your children, your parents or a corporation in which you or any other disqualified person owns a 50% or greater beneficial interest. 4) The Self-Directed IRA is responsible for all expenses related to the asset for the life of the investment, additionally, any income generated by the asset must be received by the Self-Directed IRA. Although some additional rules apply, the aforementioned are the most pertinent. Not to worry however, a good Self-Directed IRA Custodian will ensure that you are always in compliance with IRS rules and regulations. There are roughly about a dozen Self-Directed IRA custodians around the country and they are fairly similar. Some of these custodians are better suited than others for particular types of investments. This author has decades of experience with the various custodians and would be happy to share his knowledge and experience with interested individuals.

Some additional features of a Self-Directed IRA include the ability to partner with other individuals, their IRA's, any other qualified or disqualified individual, and even yourself (with your personal non-retirement funds). The Self-Directed IRA is responsible for all expenses related to its asset for the life of the investment.

If your Self-Directed IRA is partnering with another investor, each bill must be paid according to the initial established ownership ratio. As previously stated, it is acceptable for your Self-Directed IRA to partner with personal funds or disqualified persons. However, it is extremely important to remember that the ownership percentages must be kept constant throughout the deal and all expenses as well as income must be split according to that ratio. It is also important that the dollar amounts be proportional to percent ownership among all qualified and disqualified persons. Because all property expenses, including taxes, insurance and repairs, must be paid from funds in your Self-Directed IRA, you'll need liquid funds available in your account. All income generated from the property will be deposited in your Self-Directed IRA account so you can use that money to cover costs. Additionally, you can make annual contributions to your Self-Directed IRA according to federal guidelines.

Investments in your Self-Directed IRA are NOT just limited to individual parcels of land and improved real property. You can even purchase shares of a Limited Partnership, Land Trust, C-Corporation, Limited Liability Company, TIC (tenant in common interest), REIT's and more! For the long term investors out there, you will be happy to know that you can even choose to withdraw real estate from your Self-Directed IRA and use it as a residence or second home when you reach retirement age. At that time, you can elect either to have the Self-Directed IRA sell the property, or take an in-kind distribution of the property. Under that arrangement, your Self-Directed IRA custodian assigns the property title to you. You will then have to pay income taxes on the current value of the property (at your then current tax rate, presumably much lower than during your working years). These taxes are just as you would pay for any distribution from an IRA, regardless of whether the asset is real estate, cash, stocks, bonds or mutual funds. However, if the property was held in a Self-Directed Roth IRA, you won't own taxes at all! This makes a Self-Directed Roth IRA extremely attractive if you anticipate that your real estate investments may one day become your retirement home.

Most IRA's are neglected and left to languish at the direction of others. You have the power to take control of your retirement, to direct your IRA to the level of risk/return that fits your comfort zone and to make it grow at a rate that will cause it to be self-sustaining in your retirement years. Investing in real estate for your retirement is clearly the best way to diversify your retirement portfolio. Real estate provides you with the best way to hedge against the cyclical changes in the stock market, bond markets, the economy, and government based investments. Land and property are loosely correlated to the stock market; the value of real estate tends to rise when stocks are going down. Real estate is the ultimate hard asset. There are no corporate and accounting scandals. It is a tangible asset, and not just a paper certificate. There is great downside protection because real estate inherently maintains value, as contrasted with stocks, where the entire investment could go to zero!

Now consider factors like the current domestic and global economic data, the Baby Boomer demographics and the need to diversify out of the falling dollar and into appreciating hard assets it should become abundantly clear that you now must be proactive and take action immediately! You have choices. Investing in the right international real estate is a smart way to diversify your retirement portfolio! And, investing in Costa Rican real estate is your best option!

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Now, having read this, do you have an uncomfortable feeling about your financial future? Are you having second thoughts about having all of your investment assets in stocks and bonds? Are you comfortable in having your financial future dependent upon the fiscal responsibility of those in Washington? If you answered YES to any of these questions than you must recognize it is time to stop the INSANITY. It is time to get proactive about your financial future.

In our global economy, you now have new investment options available to you. You can decide to diversify some of your assets into real estate in a stable, desirable country outside the U.S. How many times have you thought, "If I only knew then what I know now?" Have you ever regretted letting an opportunity go by that you knew could be a home run? Now you have the opportunity to stop regretting past decisions and begin to implement the necessary steps and strategies to secure your financial wealth. I assure you that it is as easy as deciding to make it so. Oh, and by the way the headline of this article, "How to Make Several Million Dollars Just by Picking Your Nose", that's a misprint. It should read, "How to Make Several Million Dollars Just by Picking What You Know" - **REAL ESTATE!!!**

About the author: Upon graduation from Hofstra University with a BBA in Banking and Finance Michael began his "Wall Street" career. In addition to earning his Series 7 and 63 SEC Licenses he also acquired several other designations and licenses in the insurance, tax planning and financial planning disciplines; all of which he used to launch a successful financial planning career in his home state of New Jersey. In addition to his financial planning expertise Michael's clients also benefit from his 22 years of extensive real estate experience. Currently Michael is the Chief Sales Officer of Centam Partners LLC and Vice President of Sales for Pegasus Star Limitada, the Developer of Hacienda Matapalo. Hacienda Matapalo is arguably the most sought after and fastest selling Master Planned Community on the Southern and Central Pacific cost of Costa Rica. Although quite busy, Michael is diligent about returning emails, if you wish to ask Michael's advice regarding Self-Directed IRAs or other financial strategies you can email him at Michael@CostaRicaForMe.com