

# Prohibited Transaction Self-Check

While not exhaustive, the questions below highlight common prohibited transaction risks with directly-owned real estate transactions. Complete this preliminary self-check before you open and fund your STRATA account.

## Disqualified person

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

## Personal benefit

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

## Improvements

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

## Income

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

### Open and fund your account

If you answered “No” to all questions above, you may proceed with opening and funding your account, subject to document review. You are responsible for compliance with IRC §4975, and STRATA cannot process transactions that violate IRS regulations.

### Legal opinion needed

If you answered “Yes” to any question above, the transaction probably presents prohibited transaction risk. STRATA will require a written legal opinion from a qualified ERISA or tax attorney confirming compliance with IRC §4975 before processing the investment.



## Disqualified persons

Engaging in a transaction with a disqualified person (as defined under IRC §4975) may cause the account to lose its tax-advantaged status and result in significant penalties. Disqualified persons include:

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



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# How to Invest

**STEP 1**

**Complete the self-check**

Review the Real Estate Prohibited Transaction Self-Check to confirm your investment aligns with IRC §4975.

**STEP 3**

**Make offer**

Once you have selected a property, make your offer. List your STRATA account as the buyer on the contract, ensure all documents reflect proper titling, and sign only as “Read and Approved,” as STRATA will execute on behalf of your retirement account.

**STEP 5**

**Prior to closing**

Email [NewInvestments@StrataTrust.com](mailto:NewInvestments@StrataTrust.com) to submit

- Closing documents
- Settlement statement
- Title policy
- Property management agreement (if applicable)

**STEP 2**

**Open & fund your account**

Open your STRATA account online in just minutes. Fund your account via transfer, rollover, or contribution. Ensure sufficient funds are available to cover:

- Purchase price
- STRATA account and real estate processing fees
- Earnest money deposit (if applicable)

**STEP 4**

**Submit instructions and documents**

Complete STRATA's Investment Direction form, including supporting documentation:

- Fully executed purchase agreement
- Title commitment
- Copy of deed of trust
- Submit STRATA's Earnest Money Deposit Authorization form

**STEP 6**

**After closing**

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



**Ensure a smooth transaction:**

- **Buyer/owner name:** All contracts, deeds, title policies, and other legal documents must be properly titled to reflect ownership by your STRATA account. The buyer and/or owner should be listed as:  
**STRATA Trust Company, Custodian FBO (Accountholder Name), Account (####)**
- **Signatures:** You will sign all of the closing documents as “Read and Approved,” and then STRATA will sign in its capacity as the custodian.

**Managing your investment**

**Income & expenses**

Income and expenses must flow directly through your STRATA account to preserve the tax-advantaged status.

**Property management**

Property management must be handled either by you without compensation or by an independent third party.

**Annual FMV**

Real estate holdings are required to report the fair market value (FMV) or good-faith estimate (GFE) each year.

**UBIT & UDFI**

Investments that involve debt financing or certain business activities may generate taxable income.



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