

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 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 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



This content is for educational purposes only and should not be considered as tax, legal, or other professional advice.

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 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. Review [STRATA’s Fee Schedule](#) and 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 - Real Estate](#) 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 Mgmt >

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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