

**February 2009**

**In our newsletter we explore current economic conditions in the Panama and how you can use your IRA to invest in real estate here.**

From the *Latin Business Chronicle* (Click link to visit)

<http://www.latinbusinesschronicle.com/app/section.aspx?id=197>



You would need a subscription to access the article so here are some important excerpts:

The banks in Panama are extremely liquid. Nevertheless, the Panamanian and foreign banks have assumed a defensive posture as the foreign correspondent banks have cut the lines of credit to all the local banks. This has resulted in the continuation of real estate projects that had already started, but with more stringent credit policies. The developers have to come up with their part of their investments upfront, and any cost overruns have to be met by the developer. Some projects in very early stages have been put on hold. On the other hand, all new projects, since September/October, have been put on hold until further notice. The exception to that rule are projects geared to the lower brackets local market, say from units that sell from \$100,000 or less. Panama's economy has had GDP growth of over 11 percent in 2007 and over 9 percent in 2008. The expected growth for 2009 is around 5 percent. Retail sales in 2008 were at an all-time high. If you walk in the streets of Panama, you could never tell the world is in recession. The boom is still strong in Panama. We find that there is no inventory of unsold finished residential units so far, but there is definitely some pressure on the pricing, especially on larger luxury units, as some foreign clients have difficulty in closing now that their home economies have grown sour. The effect on pricing is positive, as now new projects, once they get started, will be able to be built at cheaper construction costs (remember that drop in commodity prices?). Also, there will be an opportunity for additional buyers to once again return to Panama to purchase units at reasonable prices per square meter. Later in the year, there may begin to be a larger inventory of unsold luxury apartments. It is difficult to tell at this stage, if the demand for those units at lower prices will keep up with the supply, as there are still many Latin American and North Americans that seem to come to Panama looking for a relatively safer place politically and economically to establish themselves. But, we are in "wait and see" mode.

What is the outlook in general for real estate in Latin America this year? To what degree has the growing credit crisis affected the sector? To what degree will it affect the sector the rest of the year? What is the outlook for individual real estate markets like Brazil, Mexico, Panama and others?

Here is what David L. Berger, managing director for Latin America and the Caribbean for NAI Global, one of the largest real estate services providers worldwide.

There are three types of countries -- top-tier, middle-tier and bottom-tier – which will see different effects of the credit crisis. The top-tier group consist of countries like Brazil, Chile, Panama, Mexico, Colombia and Peru and should weather this situation the best, Berger argues. “They have been either good at attracting investment capital and/or have developed enough of an internal economic engine/demand to keep the real estate sector moving forward,” he says. And if he were to choose two countries that may weather the economic crisis the best in 2009, they would be Brazil and Panama.

On the opposite end are countries like Venezuela, Ecuador, Bolivia, Nicaragua, according to Berger. “Their real estate sectors will feel the brunt of the economic [slowdown] the worst,” he says. “They have not been adept at attracting foreign investment and they have not developed enough of an internal economic engine/demand that would keep up demand in the real estate sector.”

In the middle are countries like Costa Rica, Jamaica, The Bahamas, Uruguay, Argentina and El Salvador, which have real estate sectors that will probably feel the “hit” of the economic slowdown more deeply than the top tier but not as badly as tier three, Berger argues. “These are countries that have been moderately successful at attracting foreign investment, have institutionalized governmental systems and stable economic systems based upon pragmatic practices and/or have developed enough of an internal economic engine/demand to keep real estate demand moving, albeit at a much slower rate,” he says.

### ***Use your IRA to invest in real estate in Panama***

[http://www.nafep.com/ICO/self\\_directed\\_ira\\_public.htm](http://www.nafep.com/ICO/self_directed_ira_public.htm)

A **Self Directed IRA's ownership** of a LLC, referred to after this as "ICO" ("IRA "Co"mpany), is a special purpose limited liability company, which is either fully or partially owned by an IRA (Individual Retirement Account). Since the self directed IRA owns the ICO, IRA funds can be legally transferred to the ICO in exchange for member units (shares) of the ICO. After this funding, both traditional and non-traditional investments may be purchased by the ICO instead of directly in the IRA.

[Self Directed IRA Brochure](#)

[Self Directed IRA Presentation](#)

#### **Self Directed IRA Benefits:**

1. An ICO allows you to hold real estate or other non-traditional investments in an IRA with checkbook control. Very few IRA custodians permit direct ownership of real estate or other non-traditional investments in an IRA, so indirect investment via the ICO is usually the only choice.
2. When the ICO sells real estate or other investments, the capital gains are deferred through the IRA, like any other IRA investment. The headaches of 1031 exchanges are never necessary.
3. Ownership of the property in an ICO allows you, as manager, to have direct, hands-on control of and investment decisions over ICO assets, including control of the checkbook. Custodian involvement and hassles are eliminated, regardless of whether the investments are in securities, real estate or other assets.

4. An ICO can use its IRA funding as a down payment for a real estate purchase, with the ICO financing or borrowing the balance. But an IRA cannot directly participate in such a financing arrangement.
5. Since you control and handle all ICO transactions, the custodian for the IRA can be paid an inexpensive, flat fee, typically under \$200 per year
6. Litigation threats which accompany investments such as real estate are substantially reduced. This is done by isolating the investment inside the ICO, and away from the rest of your IRA funds and estate.
7. Continues to provide deferral of income and gains inside the IRA.

## Plan Contents

- Setup of LLC
- Filing of state articles
- Filing of Tax Identification Number with the IRS
- IRA, prohibited transaction compliant operating agreement
- Setup and operating guide
- Banking authorizations for checking account
- Handling your rollover to our sister co. [American Estate & Trust](#), the IRA custodian
- Audit Support Warranty
- Unlimited consulting

## How It Works

- Setup of LLC
- Setup a IRA custodian, [American Estate & Trust](#), who handles self directed IRAs
- Create the LLC (NAFEP Creates the LLC along with a very unique and special operating agreement). You can operate as the Manager.
- Transfer IRA to custodian (NAFEP helps you do this)
- Setup checking account at a local bank
- Direct the ira custodian, American Estate & Trust, to transfer money to LLC in the form of purchasing membership units in the LLC
- Direct investments from the LLC

## Investments

- Real Estate
- Hard money lending
- Precious Metals (Gold, Silver, Platinum)
- Private placements or offerings (oil & gas, real estate, etc)
- Foreign Real Estate
- Funding a business
- Trust deeds
- And Many Others!

## IRA Custodian

The use of a qualified IRA custodian is required to complete this process. NAFEP uses the services of its sister company [American Estate & Trust](#). The benefits to using us and our Trust company as your IRA custodian are:

- Experience - dedicated to dealing with self directed IRA accounts
- Flexibility - focused on providing self directed IRA account services tailored to the needs of the self directed IRA account holder

- Seamless integration - NAFEP and American Estate & Trust are owned by the same principals with common support staff, so you will get a completely integrated, one-stop solution for your self directed IRA needs

[Self Directed IRA Brochure](#)

[Self Directed IRA Presentation](#)