SHORE ACRES
CAPITAL

THE INVESTOR'S GUIDE TO A TAX-SMART RETIREMENT

SHORE ACRES CAPITAL · INVESTOR EDUCATION

The Question Nobody Asks About Safe Money

Most people choose where to keep their savings by comparing one number: the rate.

It leaves out the part that decides what you keep. Investment income is not taxed uniformly — treatment depends on the kind of income, how long you held it, and the account it was earned in. Two investments paying the same rate can leave you with very different amounts.

> Twenty minutes. No recommendations, no projections — only how the tax code treats different kinds of income, and what the law permits a retirement account to hold.

What's Inside

Why Safe Money Is Taxed the Hardest

Certificates of deposit, savings accounts and most bonds share a tax treatment — and it is the least favourable one the code has.

Interest is taxed as ordinary income at your marginal rate, no matter how long you held it — the 2026 federal range runs from 10% to 37%. There is no preferential rate for patience.

2.96%

What a 5.00% CD keeps in the top federal bracket, after the surtax below.

A 5.00% CD, BY FEDERAL BRACKET

22%	
YOU KEEP	3.90%
YOU GIVE UP	1.10%
24%	
YOU KEEP	3.80%
YOU GIVE UP	1.20%
32%	
YOU KEEP	3.40%
YOU GIVE UP	1.60%
35% + NIIT	
YOU KEEP	3.06%
YOU GIVE UP	1.94%
37% + NIIT	
YOU KEEP	2.96%
YOU GIVE UP	2.04%

Illustrative arithmetic at federal statutory rates. State income tax is not included and would reduce these further.

And above certain incomes, another 3.8%

The Net Investment Income Tax adds 3.8% to investment income once modified adjusted gross income clears the threshold for your filing status. It is not withheld and does not appear on a statement.

FILING STATUS	MAGI THRESHOLD
Single	**$200,000**
Married filing jointly	**$250,000**
Married filing separately	**$125,000**

> Because the surtax is triggered by total income rather than by the investment, one large realization can pull an ordinary year over the line.

How Everything Else Compares

Set beside the alternatives, the pattern is plain: the code rewards holding assets, and taxes being paid to wait.

Interest — CDs, savings, most bonds

TREATED AS	Ordinary income
FEDERAL RATE	10% – 37%

Short-term gains, held ≤ 1 year

TREATED AS	Ordinary income
FEDERAL RATE	10% – 37%

Non-qualified dividends

TREATED AS	Ordinary income
FEDERAL RATE	10% – 37%

Long-term gains, held > 1 year

TREATED AS	Capital gains
FEDERAL RATE	0% / 15% / 20%

Qualified dividends

TREATED AS	Capital gains
FEDERAL RATE	0% / 15% / 20%

Real estate depreciation recapture

TREATED AS	Section 1250 gain
FEDERAL RATE	25% max

Which long-term tier applies depends on total taxable income for the year.

Two exceptions worth knowing

Municipal bonds. Generally exempt from federal tax, and from state tax if issued in your state of residence.

U.S. Treasuries. Exempt from state and local tax, fully taxable federally.

Losses help, within limits.
Capital losses offset gains; up to $3,000 of the excess can offset ordinary income each year, with the rest carried forward.

> State treatment varies widely. Confirm the rules where you live.

The Account Changes the Answer

Everything so far describes income earned in a taxable account. The same income earned inside a retirement account is treated differently.

Taxable brokerage or bank		
	WHILE IT GROWS	Taxed every year
	AT WITHDRAWAL	Gains taxed at sale
Traditional 401(k) or IRA		
	WHILE IT GROWS	Tax-deferred
	AT WITHDRAWAL	Ordinary income tax
Roth accounts		
	WHILE IT GROWS	Tax-free
	AT WITHDRAWAL	Qualified withdrawals tax-free

Income not taxed in the year it is received stays invested in full, and next year's growth is calculated on the larger number. Removing the annual drag lets gains build on gains.

> An account does not change what an investment earns. It changes how much of that earning you keep — and over decades, that is the whole point.

How much it is worth depends on your bracket, your horizon and the investment itself. None of that is a promise of any return. Your CPA can model it for your situation.

The Account Most Investors Have Never Seen

A self-directed IRA is an ordinary IRA in every tax respect — same limits, same deadlines, same Roth or Traditional treatment. The only difference is what it may hold.

A brokerage IRA restricts you, by the broker's choice, to publicly traded securities. A self-directed IRA is held by a custodian whose platform permits alternative assets, real estate chief among them. You direct the investments; the custodian holds title and handles the reporting.

Three parties

You.
You choose every investment and direct the custodian to act.

The custodian.
A regulated trust company holding the assets in the IRA's name. It does not give advice or vet your deals.

The investment.
Owned by the IRA. You never take personal title to it.

> The mental shift. The IRA is its own pool of money. It buys, it owns, and it receives the income. You make the decisions, but the dollars and the deeds belong to the account until you take a distribution.

Why you may never have heard of it

Large brokerages earn fees on the funds they offer, so they don't support direct real estate. Self-direction has always been permitted; it just needs a custodian built for it.

What It Can and Cannot Hold

The code defines what an IRA cannot hold, and the list is short. Almost everything else is permitted.

ASSET	IN AN IRA?
Real estate, whole or fractional	**Permitted**
Private companies and funds	**Permitted**
Promissory notes — the IRA lends	**Permitted**
Precious metals meeting IRS standards	**With rules**
Collectibles — art, antiques, gems	**Prohibited**
Life insurance contracts	**Prohibited**
S-corporation stock	**Prohibited**

> Permitted is not the same as simple. Each carries its own diligence, valuation and custody requirements.

Real Estate Inside a Retirement Account

For an investor who understands property, this is where a self-directed IRA earns its name.

How it works

The IRA holds title.
Title reads “[Custodian] FBO [Your Name] IRA”. The account owns the property, not you.

The IRA pays and collects.
Every expense is paid from the IRA; all rent and proceeds flow back into it.

Income compounds sheltered.
Rent and gains accrue inside the account, deferred or tax-free, rather than taxed each year.

Forms it can take

- Direct ownership of a rental, building or parcel.
- A fractional interest alongside other investors.
- Passive participation in a professionally managed deal.

> One caveat to plan for. If the IRA borrows to buy, income from the debt-financed share can trigger a tax called UDFI — even inside the IRA. Manageable, but model it in advance.

The Old 401(k) You Stopped Thinking About

Most people who reach this point already hold the capital in question. It is sitting in a plan from an employer they left.

That balance is generally eligible to move. A rollover into a self-directed IRA is a transfer between retirement accounts — handled correctly it is not a distribution, not a taxable event, and does not use a contribution limit. What changes is the menu.

How the move works

1

Open the account.
With a custodian that supports alternative assets.

2

Request a direct rollover.

Custodian to custodian. Never take personal receipt — a direct transfer avoids withholding and the 60-day clock.

3

Decide Roth or Traditional.

A Roth conversion is taxable in the year it happens, and can push income over the surtax threshold. Model this one first.

4

Direct the investment.

The custodian acts on your instruction. The IRA takes title.

> The capital is already yours and already tax-advantaged. The only question is what it is permitted to own.

The Rules That Protect It

The account exists for future you, not present you. Cross that line and the IRS can treat the whole account as distributed.

1 No self-dealing

The IRA cannot transact with you, or be used for your benefit today.

- You cannot buy what the IRA owns, or sell it your own property.
- You cannot live in or personally use an IRA-owned property.
- You cannot do the repairs yourself — the IRA pays third parties.

2 Disqualified persons

The same prohibition covers your spouse, parents, children and their spouses, and entities you control. Siblings fall outside the circle — but confirm every relationship with your advisor.

3 UBIT and UDFI

Active business income, or income from a debt-financed share, can be taxed even inside the IRA.

> The stakes. A single prohibited transaction can disqualify the entire account as of the first day of that tax year. This is where a knowledgeable CPA earns their fee.

Glossary

Self-Directed IRA

An IRA held by a custodian that permits alternative assets — real estate, private holdings, secured lending.

Custodian

The regulated trust company holding an IRA's assets and handling IRS reporting. It does not give advice.

Prohibited Transaction

A dealing between the IRA and a disqualified person, or any present personal benefit, that can disqualify the account.

Disqualified Person

You, your spouse, lineal ascendants and descendants and their spouses, and entities you control.

UBIT / UDFI

Tax owed inside an IRA on active business income or the debt-financed share of leveraged real estate.

NIIT

Net Investment Income Tax — a 3.8% surtax above the MAGI thresholds in Chapter One.

Let's Talk About Your Retirement Capital

If you hold retirement funds and want to know whether a self-directed IRA could put that capital to work in real estate, a short call is the fastest way to find out.

Our Investor Relations team will walk you through how it works and what it would look like for your capital — with your own advisors on the call if you'd like. No obligation at any step.

SCHEDULE A DISCOVERY CALL

Important Disclosures

This guide is provided by Shore Acres Capital for general educational purposes only. It is not legal, tax, accounting or investment advice, and does not constitute an offer to sell, or a solicitation of an offer to buy, any security or interest in any investment.

Rates, thresholds and rules are stated for the 2026 federal tax year and are subject to change. State treatment varies and is not covered. Figures shown are illustrative arithmetic at statutory rates, are not a quotation of any rate available from any institution, and are not a forecast or guarantee of any result.

Self-directed IRAs involve significant tax and compliance complexity — including prohibited-transaction, disqualified-person and UBIT/UDFI rules — and the risk of full account disqualification if executed improperly. Outcomes depend on your circumstances and on current law.

Before acting on anything here, consult a qualified IRA custodian, a CPA or tax attorney, and where applicable securities counsel.