

AltStreet Account Placement Cheat Sheet

Tax-Equivalent Yield Optimization: Match Investment to Account Type

Quick Rule: Tax-inefficient income (ordinary interest, short-term gains) → tax-advantaged accounts. Tax-advantaged structures (depreciation, capital gains, credits) → taxable accounts where benefits offset other income. Solo 401(k) is universal upgrade for self-employed investors with leveraged real estate exposure.

Asset Location Strategy by Account Type

Account Type	Best For (Asset Classes)	Why This Placement Works
Taxable Account	<ul style="list-style-type: none">• Real estate syndications• Opportunity Zones• Oil & gas (working interests)• Long-term private equity	Depreciation, deductions, and credits offset other income. Capital gains treatment on exit. Basis step-up at death eliminates embedded gains for heirs.
Traditional IRA	<ul style="list-style-type: none">• Private credit• Distressed debt• High-yield bonds• Income-focused strategies	Tax-inefficient ordinary income converted to tax-deferred growth. Avoid leveraged investments (UDFI trap—portion of debt-financed income becomes taxable).
Solo 401(k)	<ul style="list-style-type: none">• Leveraged real estate• Real estate partnerships• Private equity with debt• Any alternative using leverage	UDFI exemption for real estate means no tax on debt-financed income (IRC 514(c)(9)). Higher contribution limits (\$70K vs \$7K). Must be self-employed with no W-2 employees.
Roth IRA	<ul style="list-style-type: none">• High-growth startups• Venture capital• Early-stage equity• Assets with 10x+ potential	Tax-free growth on appreciation. Best for assets with exponential return potential. Contributions already taxed—maximize growth phase with highest-risk/highest-reward investments.
■ AVOID	<ul style="list-style-type: none">• MLPs in any IRA• Operating businesses in IRA• Leveraged RE in traditional IRA• High-depreciation in Roth	UBTI triggers, wasted deductions, structural mismatches. MLPs and operating businesses generate UBTI (taxed at 37% trust rates). Leveraged RE in IRA triggers UDFI. Depreciation in Roth wastes tax benefits. These placements destroy returns.

Key Tax Benefits by Asset Class

Asset Class	Primary Tax Advantages	Effective Tax Rate
Real Estate Syndications	Bonus depreciation (100%), passive losses, capital gains treatment, QBI deduction	2-5% on distributions (sheltered) 23-25% on sale
Private Credit	None—ordinary income	37-42% (federal + state)
Opportunity Zones	5-year deferral, 10% step-up (30% for rural), tax-free appreciation after 10 years	~6-8% on original gain 0% on OZ appreciation
Oil & Gas (Working)	100% IDC deduction year 1, depletion allowances	Year 1: negative (write-off) Production: 37% ordinary

Critical Tax Traps to Avoid

Tax Trap	What It Is	How to Avoid
UBTI in IRAs	Tax on active business income in retirement accounts. MLPs, operating businesses trigger it. Taxed at 37% trust rates on income over \$1,000.	Hold MLPs and operating businesses in taxable accounts. Verify investments don't generate UBTI before committing IRA funds.
UDFI in Traditional IRAs	Tax on debt-financed income. If IRA invests in leveraged real estate, portion of income = taxable. Example: 60% leverage = 60% of income taxed.	Use Solo 401(k) instead—UDFI exempt for real estate (IRC 514(c)(9)). Or invest IRA in unleveraged assets only.
Wasted Depreciation in Roth	Depreciation deductions have no value in Roth IRA (already tax-free). Wastes primary tax benefit of real estate investing.	Hold depreciation-heavy assets (real estate) in taxable accounts where deductions offset other income. Use Roth for high-growth equity.

Action Items: (1) Audit current holdings—identify misplaced assets (e.g., private credit in taxable, real estate in Roth), (2) Establish Solo 401(k) if self-employed with leveraged real estate exposure (\$500-2,000 setup saves \$30K+ in UDFI taxes), (3) Rebalance new investments using this framework—tax-equivalent yield analysis before committing capital, (4) Consult CPA for personalized analysis considering total tax profile, state residence, and estate planning objectives.

AltStreet Tax-Equivalent Yield Framework

This cheat sheet is educational and does not constitute tax, legal, or investment advice. Tax treatment varies by investor profile, state residence, and specific investment structure. **Examples assume federal taxation and do not account for AMT, NIIT (3.8% net investment income tax), or state-specific nuances.** Consult qualified tax professionals for guidance on specific situations.

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