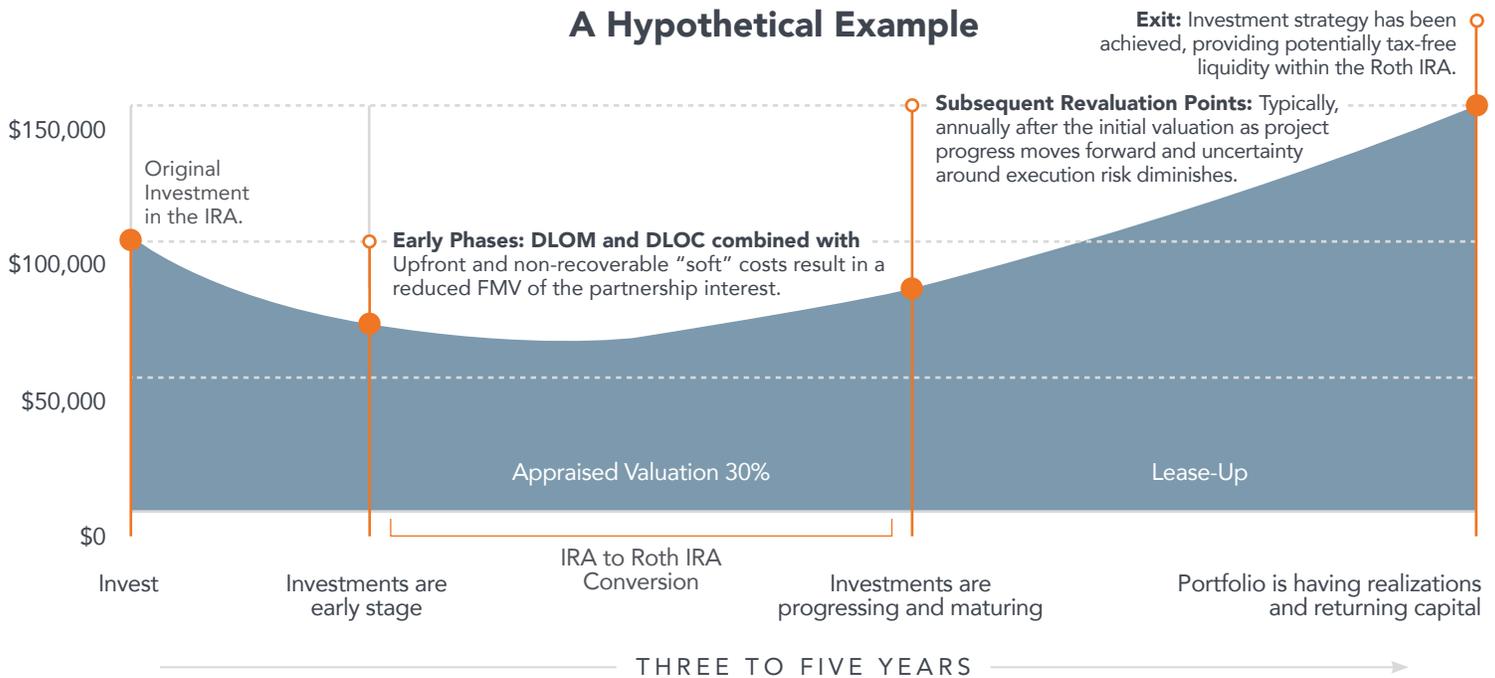


Enhanced Roth IRA Conversion Strategy

Tax minimization and financial planning are cornerstones of maximizing wealth. For many investors, converting all or part of a traditional IRA to a Roth IRA at the appropriate time can be impactful. Utilizing the benefits of certain valuation discounts to enhance this strategy could improve the outcome.

When determining the Fair Market Value ("FMV") of ownership interests, especially partial, non-controlling, or illiquid interests, it's often appropriate to apply valuation discounts such as a Discount for Lack of Marketability ("DLOM") and a Discount for Lack of Control ("DLOC"). These discounts reflect factors such as the absence of a robust secondary market or the investor's lack of control over decisions that impact the management of the interest. The FMV can be further reduced by the "J-Curve" depending on the investment's strategy, structure and expenses, as illustrated in the graph below. These nuances can potentially offer an ideal portfolio holding to effectuate a conversion strategy.

A Hypothetical Example



- 1. Initial Investment:** An investor allocates \$100,000 from their traditional IRA to a real estate partnership.
- 2. FMV Decline:** Following the initial investment, an independent valuation is commissioned of the Limited Partner's interest in the Fund. Due to the interest being illiquid and lacking control rights, DLOM and DLOC are applied along with the reduction in value from initial fund fees and expenses. The partnership interest value dips.
- 3. Strategic Tax Conversion:** Seizing this opportunity to effectuate a Roth conversion at an attractive valuation, the investor facilitates a conversion of all or part of the position from the traditional IRA to a Roth IRA, triggering a taxable event. The taxes owed on the conversion are based on the valuation at the time of conversion, not the capital committed initially.
- 4. Tax-Free Growth:** As the Fund executes its business plan, uncertainty is reduced and the time horizon to potential liquidity declines, the partnership interest in the Roth experiences potential growth.
- 5.** The return experienced by the investor is ultimately the value of the Fund's assets when sold, less its liabilities, and disposition proceeds sit inside the Roth to be reinvested moving forward.

About Griffin Capital Company

Griffin Capital Company is a leading full-service real estate investment and management company that for three decades has established a reputation for leadership and innovation. Griffin Capital is led by a highly experienced senior management team with deep knowledge across real estate and capital markets, and are pioneers in the development of tax-advantaged investment strategies.



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This information should not be construed as tax advice or a guarantee of the performance of any investment. You should consult your own tax professional before effectuating any tax-related transactions or filings.

The J Curve represents the tendency of private equity funds to post negative returns in the initial years and then post increasing returns in later years when the investments mature. The negative returns at the onset of investments may result from investment costs, fund fees and expenses, and an investment portfolio that is yet to mature.

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