



## Broadleaf Partners, LLC

### **A New Bailout Plan?**

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Okay, first of all, this isn't one of our typical Economic Updates.

But here's my idea for a bailout plan. Bear with me a moment, because I'd like to hear your feedback.

We all know that the banks need liquidity.

We also know that there is a huge surplus of assets in many contribution based retirement plans and in particular, IRA and IRA rollover accounts.

At this time, an individual can use assets in a 401k plan to make a down payment on their home, but they can't do the same with their IRA account.

The IRS says that you can not currently invest your IRA assets in an investment from which you also benefit. I think it is called self dealing. So under the current rule, you can't own your mortgage in your IRA account, because you also benefit by living in your house.

My point is this. Get rid of this rule. If I have \$500k in an IRA and a \$250k mortgage, why not allow me to take \$250k from my IRA and hold my own mortgage as an investment on which I pay my future retirement account interest rather than a bank? In any event, isn't any investment you make in your IRA something that you benefit from eventually?

The bank gets the liquidity it needs and I benefit from an investment rate that would otherwise go to a bank, but now can go towards my retirement.

Concerned about suitability? Well, who else knows the value of their home and the appropriate mortgage level on it but the homeowner? Certainly they would know better than a banker or new buyout fund set up by the government.

I shared this idea six months ago or so with a fraternity brother of mine who served on the house ways and means committee as a tax policy analyst for most of the last seven years. At the time, he thought House Democrats might push back on it under the assumption that only "rich" people have IRA accounts.

I don't have any of the details to know if that's the case or not, but I would tend to doubt it and believe someone should look into it. Lots of autoworkers/teachers and tradesmen all have nice retirement funds. In any event, given how bad things are in credit land, hopefully, we can get beyond class warfare issues and focus on ideas that can help even a few folks in the neighborhood.

I've broadcast the idea to several investment strategists I know who are close to the Treasury Department in D.C. and may try to mention it as an idea worth considering when I am on CNBC Monday morning.

In the meantime, I would love to hear your feedback. In particular, what am I missing? Please feel free to email me directly, comment on this issue on our blog or forward it to others for their thoughts.

Have a great weekend.

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