



# Self-Directed IRA

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guide to directing your  
**investments**

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# Introduction to the **Self-Directed IRA**

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As an investor, you may be surprised that you can use your IRA funds to invest in asset classes outside of stocks, bonds, mutual funds, and other traditional assets.

Since IRAs were first introduced in 1974, the IRS has only prohibited a few assets from being invested with an individual retirement account.

You can find a full list of prohibited investments in Internal Revenue Code Section 4975.

A Self-Directed IRA allows you to diversify your retirement portfolio and offers tax advantages you won't receive from a traditional IRA.

**With a Self-Directed IRA, you can make investments in real estate, tax liens, precious metals and much more.**

A Self-Directed IRA is the **best solution** for IRA investors who:



Want more **control** over their retirement funds



Want to **diversify** their retirement portfolio



Want to invest in **hard assets** like real estate



Do not feel confident investing in **Wall Street**

# How you can benefit

There are 4 primary advantages of self-directing your IRA.

## Diversification

Over 90% of retirement assets go toward the financial market. If the stock market takes a dive, investors can lose quite a bit of money. When you invest in non-traditional assets, it diversifies your portfolio, which helps protect your assets when the market is down.

## Tax Deferral

With tax deferral, all income, gains and earnings accumulate in your retirement account tax free and grow at a much faster pace than if you held the funds personally. For example, if you put \$100,000 in a Self-Directed IRA in 2020, and the account earns \$10,000 in the same year, you won't owe tax on the \$10,000.

When it's time to take a distribution from your IRA, you will likely be at a lower tax bracket. Therefore, you will keep more of what you accumulated over the years.

## Inflation Protection

The increased price of food and energy, along with high federal debt levels and low interest rates can leave Americans worried about inflation. Many investors look for ways to protect their assets. Buying hard assets like precious metals and real estate hedges against inflation, protecting your hard-earned money. Real estate is a great asset class to invest in during inflation because price increases tend to lead to rent increases.

## Security

You may realize that several non-traditional investments are also tangible assets. Investing in types of real estate can provide psychological security. During times of financial instability, inflation, or political upheaval, this type of security can be very important to IRA investors.

*Most of the individuals I speak to who are looking at the self-directed IRA want to make alternative asset investments either as a way to diversify their retirement portfolios, make a hedge against inflation, seek higher returns, or gain the ability to invest in something they know, understand, or can touch.*

**Adam Bergman**  
**President of IRA Financial**



# Investments

## you can make



### Real Estate

- ✓ Residential or commercial
- ✓ Domestic or foreign
- ✓ Raw land
- ✓ Foreclosure properties
- ✓ Mortgage pools
- ✓ Tax liens and tax deeds accumulated over the years



### Entities

- ✓ Private businesses
- ✓ Limited liability companies
- ✓ Limited liability partnerships
- ✓ private placements
- ✓ Hedge funds
- ✓ Private equity
- ✓ Venture capital



### Precious Metals

- ✓ Gold
- ✓ Silver
- ✓ Platinum
- ✓ Coin issues under the law of any state
- ✓ Gold, silver, platinum or palladium bullion of a certain fineness

### Bitcoin

- ✓ ICOs
- ✓ Digital assets
- ✓ Control private key
- ✓ No broker fees
- ✓ Buy, sell, hold on your own

### Traditional Assets

- ✓ Stocks
- ✓ Equities
- ✓ Bonds
- ✓ ETFs (exchange traded funds)



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# Choose the SDIRA that's **best for you**

## Traditional

- Your account is funded with pre-tax dollars; your taxes are deferred until you take a distribution during retirement.
- If you are over 50, you can make higher contributions than individuals under the age of 50.
- There are no income limits to establish a self-directed IRA. You can contribute less than the maximum contribution, and are not required to make yearly IRA contributions, but you cannot make up the difference in the following tax year.
- Even if you are covered by an employer-sponsored plan, you can contribute to a Self-Directed IRA.

You can make a withdrawal without penalty at the age of 59 1/2; however, income tax would be due on the amount of the distribution. When you reach age 72, you must begin to make a required minimum distribution (RMD) each year. To calculate your RMD, divide your overall IRA account balance as of December 31 of the previous year by the applicable distribution period.

## Roth

- Your account is funded with after-tax dollars; you don't receive an upfront tax break, but when you take a distribution, all income and gains are tax free.
- There is no required minimum distribution—you don't have to make withdrawals at the age of 72.
- Because there is no RMD, your account can continuously grow without interruption—you can then pass the account over to your beneficiaries.
- Distributions are tax free if the account is open for five years and you're at least age 59 1/2.

Not everyone can establish a Self-Directed Roth IRA, as there are income restrictions. Your Modified Adjusted Gross Income (MAGI) must be within a certain limit. If you're married and filing jointly, your MAGI is lower than if you are single. However, you can still rollover funds from a traditional IRA into a Roth IRA.

# Traditional vs. Roth: who benefits most?



## Traditional

Everyone can benefit from a Traditional Self-Directed IRA. Investors may find it favorable if they don't feel confident investing in Wall Street.



## Roth

Investors who are younger, have confidence in their investment performance, or are currently in a low tax bracket.

## SDIRA for small businesses

Self-employed individuals and small business owners with few employees may qualify for a government-sponsored retirement plan.

### SIMPLE IRA

A Savings Incentive Match Plan for Employees (SIMPLE) IRA is best suited for start-ups and small business employers with no current retirement plan. An employer can establish this incentive-match plan if he/she has fewer than 100 employees who receive at least \$5,000 in compensation from the employer for the preceding calendar year.

### SEP IRA

A Simplified Eligible Participants (SEP) IRA is best suited for self-employed individuals and small business owners who have no full-time employees (excluding a spouse or business partner). This plan allows a participant to make **profit sharing** contributions as an individual, sole proprietorship or single member LLC.

# How it works

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- 1** Open an account with a custodian that allows you to make non-traditional investments, like **IRA Financial Trust.**



- 2** Choose your retirement structure: **Custodian Control** or **Checkbook Control**



- 3** Transfer/roll over funds and assets from your current institution to the trust company.



- 4** Begin investing in alternative and traditional assets with your IRA.



**At IRA Financial Group, our IRA and ERISA specialists will help set up your Self-Directed IRA.**

They will complete all necessary IRA rollover paperwork and help you transfer your funds to the new custodian. Your funds and assets will be available to you in a matter of days.



# Custodian vs. Checkbook control

When you establish a Self-Directed IRA with a custodian or passive custodian, you can choose the **Custodian Control** or **Checkbook Control** structure. Both structures allow you to make non-traditional investments and have more control over your retirement funds. The level of control depends on which structure you choose.

## Custodian Control

With this structure, you can make investments in non-traditional assets like real estate and precious metals, as well as traditional ones.

However, before you make any transaction, you will need the consent of the custodian. This can cause some delays, and you will also have to pay transaction fees.

If you're a moderately active investor and do not expect to have a high degree of transaction activity, we recommend this structure.

## Checkbook Control

If you prefer not to experience delays or higher custodial transaction fees, you may benefit most from this structure.

To make alternative asset investments, you must establish an LLC (limited liability company). Your IRA will own the LLC and you will be the manager, letting you authorize any transaction without custodian consent.

The LLC can have its own bank account. Your funds will be moved into the newly established LLC bank account with the help of a passive custodian. The LLC provides you with greater access to your funds and, ultimately, more control. When you see an investment opportunity, simply write a check or wire the funds from the LLC bank account.

Many investors like this structure because it lets them make immediate investments, and gives them more limited liability protection. As a result, creditors will not be able to attack assets outside of the LLC.

# Why you need a **custodian**

**An IRA can only be established and administered by a bank, financial institution, or authorized trust company pursuant to state law.**

An IRA trustee, also called a custodian, is the institution that administers your retirement account. By law, every IRA must have a custodian or trustee.

We provide services for custodian controlled and checkbook controlled Self-Directed IRAs, including assistance transferring funds, free tax consultations, and much more.

Are you ready to establish your Self-Directed IRA? Give us a call!

**1-800-472-0646**

## **IRA Custodian**

The IRA custodian is responsible for maintaining and administering the IRA. To this end, it is tasked with the responsibility of complying with all IRS reporting requirements with respect to the IRA, such as the filing of IRS Forms 5498 and 1099-R.

Banks and financial institutions that offer IRAs generally permit their clients to invest in traditional assets, such as stock, mutual funds, and exchange traded funds because they earn fees that way. The IRA custodian has the right to decide which types of assets it will allow its clients to invest in.

## **Passive IRA Custodian**

The custodian for Self-Directed IRAs is passive and allows IRA holders to engage in non-traditional investments. It does not offer investment advice or sell investment products; it earns its fees from the custody and administration of IRS approved alternative asset investments owned by an IRA or other retirement plan.

## **IRA Financial Trust**

IRA Financial Trust (our sister company) is a passive custodian. Our business model is centered on helping IRA investors use their funds to invest in IRS approved alternative assets.

# Stay IRS compliant

## Prohibited Transactions

As new investment options emerge, such as cryptocurrencies, the IRS must continuously update the tax code. As a result, the IRS doesn't tell investors what investments are permitted—they only state what investments are prohibited. These are known as the prohibited transaction rules.

There are two types of investments you can't make with a Self-Directed IRA: **life insurance** and **collectibles**.

Collectibles include: **works of art, baseball cards, jewelry, stamps, gems, certain coins**. You can find a full list of collectibles under IRC section 408(m).

## Direct & Indirect Prohibited Transactions

Purchasing life insurance and collectibles are two types of prohibited transactions. The third type of prohibited transaction concerns those that are direct or indirect. You can find direct and indirect prohibited transactions under IRC section 4975, or IRS publication 590.

## Disqualified Persons

The IRC states that you cannot perform a transaction with your IRA that directly or indirectly benefits a disqualified person.

Disqualified persons generally include: **you (IRA holder), your ancestors and lineal descendants, entities of which a disqualified person owns 50%**. You can find the list of disqualified persons under IRC section 4975, or IRS publication 590.

## UBTI Rules

Most passive investments that your SDIRA makes are exempt from the unrelated business taxable income tax (UBTI or UBIT). However, there are some types of income that may be subject to the tax, including: **income from the operations of an active trade or business through a passthrough entity, such as an LLC; using a non-recourse loan to purchase a property (there is an exception for a 401(k) plan); using margin on a stock purchase.**

## Co-Investing Your IRA

It is possible to co-invest your IRA; however, we don't recommend that you do it on your own. The IRS rules are intricate and it's possible to trigger a prohibited transaction. We advise that you work with professionals beforehand, such as IRA Financial Group. Our specialists have the expertise to help you circumvent the rules to stay IRS compliant.



## Experience

Our company has over a decade of experience helping more than 16,000 clients in all 50 states invest over 4.6 billion in alternative asset investments.



## Resources

Founder Adam Bergman is the nation's leading voice of self-directed retirement accounts. He has authored 7 books, including the first book on cryptocurrency investments with a Self-Directed IRA or 401(k). As a client, you will receive all 7 books and a spot for his exclusive live webinars.



## Assurance

When you establish an account, your IRA specialist will help you complete all necessary documents, agreements, as well as provide free and unlimited consultations.



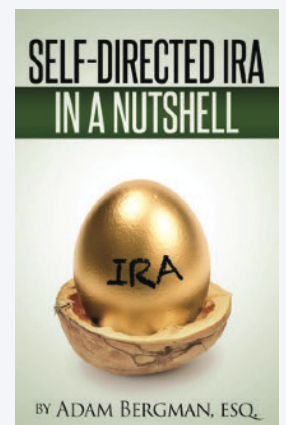
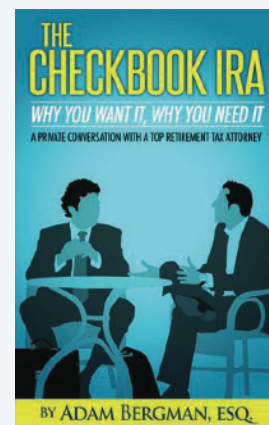
## IRA Financial App

Use the free IRA Financial App to set up and maintain your account. Everything is done on a secure, encrypted platform. Self-directing has never been easier.

# The IRA Financial Difference

IRA Financial Group was created by a former tax attorney to help investors take control of their retirement funds, and works to educate their clients about their retirement.

## Our books



# Testimonials



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"My wife and I have decided to take control of our own IRAs. Using IRA Financial Group has been very simple. Our account manager is very accessible and responsive. The service received compared to the price paid is very good."

**—William Davis, Oregon—**

"Thank you so much! You and your team have made this a wonderful experience for us. We are very grateful for your step by step help. We have already shared our testimony with our family and friends! I really appreciate all the links you shared and the reminders along the way. I am excited to start earning income from the rental and I know that the income will provide us with additional security in an uncertain economy! Thanks again for all your help, we couldn't have done this without you!"

**—The Padillas, California—**

"My experience with IRA Financial Group has been excellent. From the start they were prompt to answer calls and emails, answer questions and follow through at every step of the setup of my account. They are professional, knowledgeable and helpful in all aspects of providing excellent service. I highly recommend IRA Financial Group!"

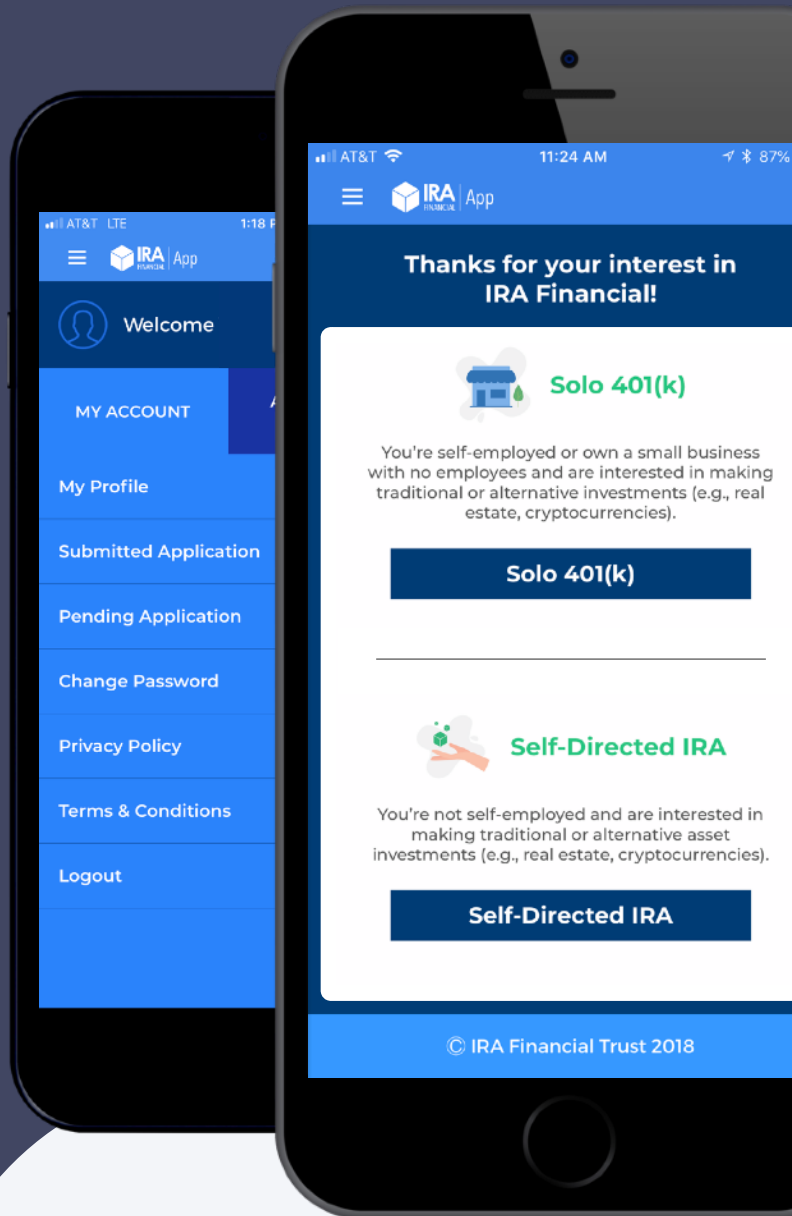
**—Tina Hanssen, Indiana—**

# Getting started is easy with IRA Financial

To establish your Self-Directed IRA with IRA Financial Group, you can use our app, call, or email a specialist.

Our new app lets you quickly and easily establish your account, and makes maintenance a breeze. The app is part of our company mission to make establishing your retirement plan and ongoing account management easy!

[GET STARTED](#)



## Contact Us

Hours of Operation:  
9:00am—7:00pm EST | M-F

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