

## Real Estate Fair Market Valuation - Instructions & FAQs

### General Information

A **fair market valuation** is used to assign or change the value of an asset.

The Fair Market Valuation Form must be submitted on a yearly basis. Valuation of real estate assets in your self-directed account must be provided to The Entrust Group, Inc. (Entrust) to ensure proper tax reporting to the Internal Revenue Service (IRS).

#### Entrust is required to:

- Provide the fair market value (FMV) of your account as of December 31 of each year to the IRS
- Provide you Form 5498 with the same FMV information for your account

To properly report the FMV of a real estate asset, you may need a qualified, independent third-party to perform the valuation. A qualified, independent third party may be a:

- Certified Appraiser
- Licensed Real Estate Professional (such as a broker/real estate agent)
- Knowledgeable Party (such as a CPA, attorney, financial planner, etc. who is strictly at “arm’s length” from both you and the investment)

**Every FMV must be accompanied with acceptable supporting documentation.**

### Instructions

- Complete, sign, and date** the Fair Market Valuation Form. You must complete one form for each asset held in your account.
- If an appraisal is required, the appraiser does not have to sign the form; the appraisal report is sufficient.
- If a third-party valuator is used, **the third-party valuator must sign and date the form.**
- Send the Fair Market Valuation Form with supporting documents to Entrust.

### Supporting Documents Accepted by Entrust

#### Property Tax Bill

A Property Tax Bill is acceptable, as long as it is not used to calculate or take a required minimum distribution. See Real Estate Appraisal section.

#### Comparative Market Analysis (CMA)

A CMA is a detailed report examining the homes currently on the market, under contract, recently sold and recently expired, withdrawn, or canceled to determine what a property is worth in the current market. A licensed real estate professional, who is strictly at “arm’s length” from both you (the account owner) and the investment, can provide the CMA. If providing a CMA, the licensed real estate professional must sign and date the Fair Market Valuation Form.

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### Supporting Documents Accepted by Entrust Continued

#### Real Estate Appraisal

An appraisal is acceptable, but not always required. An appraisal is **REQUIRED** when:

- Taking an in-kind asset distribution
- Converting
- Recharacterizing an asset
- Calculating and/or taking a required minimum distribution

#### Other Supporting Documents

An opinion letter on company letterhead from a qualified, independent third party is also acceptable. If providing an opinion letter, the third party must sign and date the opinion letter itself and the Fair Market Valuation Form.

### Worthless Assets

Indicate the status and value on the Fair Market Valuation Form and sign it yourself. Provide the necessary documentation that will support the status and value. You will not need a qualified, independent third party to perform the valuation. However, in order to remove the real estate asset(s) from your account, the Internal Revenue Code requires that there be specific types of documentation to do so.

The following are some acceptable examples of documentation for a worthless asset:

- Tax Form 1099-C (Cancellation of Debt)
- Deed in lieu of Foreclosure or a copy of the recorded Trustee's Deed (for defaulted mortgage)
- County's recorded Tax Deed (for defaulted property taxes)
- A "cease and desist order" from an entity such as the SEC or a similar state agency

### Submission Options



#### Email

fmv@theentrustgroup.com



#### Fax

510-587-0960



#### Mail

The Entrust Group  
555 12th Street, Suite 900  
Oakland, CA 94607

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### Frequently Asked Questions

**Q: May I provide my own valuation of my account assets?**

**A:** No. For assets where a FMV cannot be determined by the market, the valuation must be provided by a qualified, independent third party that is not a disqualified person.

**Q: Who is considered a disqualified person to my plan?**

**A:** According to IRS Publication 590, disqualified persons to your plan are:

- You
- Your Beneficiaries
- Your Spouse
- Your Ascendants
- Your Direct Descendants
- Your Direct Descendants' Spouses
- Fiduciaries

**Q: How should plan assets be valued?**

**A:** To comply with the Internal Revenue Code requirement, plan assets must be valued at FMV, not cost. A FMV is an estimate of the market value of a property or asset, based on what a knowledgeable, willing, and unpressured buyer would probably pay to a knowledgeable, willing, and unpressured seller in the market.

**Q: What happens if I do not turn in my Fair Market Valuation Form?**

**A:** Entrust is required to obtain the most current FMV available for the investment(s) in your account at least once a year. If Entrust does not receive the Fair Market Valuation Form, the last known value of the assets in your account will be reported. Please note that the IRS requires annual valuations.

**Q: Is this only a requirement for self-directed accounts?**

**A:** No. All IRA custodians are required to provide a year-end value to the IRS. Non-traditional assets are not easily determined by the market and require individual valuation.

**Q: Who pays for this valuation?**

**A:** Your account does. If your account does not have sufficient un-directed cash to cover the cost, you will have to make an annual contribution, transfer, or roll over funds from another custodian to pay for the valuation services.

## 1 Account Owner Information

Check box to update your contact information

NAME (as it appears on your account application)	ENTRUST ACCOUNT NUMBER	ACCOUNT TYPE	
EMAIL ADDRESS (required)	MOBILE	DAYTIME PHONE NUMBER <input type="checkbox"/> Home <input type="checkbox"/> Work	
ADDRESS	CITY	STATE	ZIP CODE

## 2 Asset Information

**NOTE: Please attach supporting documentation with regards to this valuation/appraisal.**

ASSET DESCRIPTION/NAME	CURRENT TOTAL ASSET VALUE \$
PERCENTAGE OF OWNERSHIP FOR YOUR INVESTMENT %	CURRENT ASSET VALUE BASED ON PERCENTAGE OF OWNERSHIP \$
NOTES:	

## 3 Third Party Valuator Information and Signature (if applicable <sup>1</sup>)

**NOTE: This section must be completed by a qualified, independent third party, and submitted with supporting documentation.**

VALUATOR NAME	TITLE		
COMPANY NAME	COMPANY DAYTIME PHONE NUMBER		
COMPANY ADDRESS	CITY	STATE	ZIP CODE

I certify that I am qualified to give an independent valuation/appraisal for this particular asset. I understand that this valuation/appraisal will be used for reporting purposes to the Internal Revenue Service and that any false or misleading valuation/appraisal of any assets may result in penalties and fines for both the valuator/appraiser and the account owner.

VALUATOR'S SIGNATURE:	DATE:
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## 4 Account Owner Signature

I certify that I am the owner of the above referenced account and that the information contained herein is true and accurate to the best of my knowledge.

ACCOUNT OWNER'S SIGNATURE:	DATE:
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<sup>1</sup> Please refer to Fair Market Valuation Instructions & FAQs for information on when a qualified, independent third party is required to perform the valuation.