6 OBSTACLES
THAT MIGHT PREVENT YOU FROM OPENING A SELF-DIRECTED IRA

The process of opening a Self-Directed IRA (SDIRA) is pretty simple, but if your investment strategy conflicts with how SDIRAs work, you might need to review your strategy.

Here are 6 obstacles that could prevent you from opening a SDIRA:

1

Trying to rollover funds in the 401(k) you have with your current employer.

Funds in 401(k)s from previous employers are easy to rollover, but if your 401(k) is current, it's unlikely you'll be permitted to roll it over. Consulting your current 401(k) plan administrator is recommended. Check out our Funding Basics Guide for more funding options.

2

Attempting to change from one account type to another.

A Roth IRA can accept a rollover from another Roth IRA or from a designated 401(k) Roth account. A Traditional IRA can be rolled over into a SIMPLE IRA and vice versa, but only after two years from the initial contribution. Check the IRS Rollover rules to ensure that rolling over your current retirement plan into a different type of plan is feasible.

3

Seeking an Individual 401(k) with employees in tow.

According to the IRS, you can only contribute to an Individual 401(k) if you're a sole proprietor without any full-time employees apart from your spouse or partners.

4

You plan to start taking distributions ASAP.

Alternative investments, particularly real estate, aren't the most liquid assets. If your plan is to start taking distributions soon, opening a Self-Directed IRA (SDIRA) might be prohibitive. How soon is too soon? **Chat with our sales team** about your investment strategy and they can give you a rundown of what they've seen other clients do.

5

The investment you're planning to make is prohibited.

A Self-Directed IRA's investment options are practically endless, but they're not without restriction. Per the **IRS rules**, your IRA can't invest in collectibles, life insurance, or S corporations. Here's a **list of 90 things** you *can* invest in with a SDIRA.

6

Your desired real estate investment doesn't play by the rules.

Real estate is the most popular asset type among SDIRA holders, but if you're thinking of investing your retirement funds in a single-family home and renting it to your daughter, for instance—you might want to think again. Or maybe you'd like to invest your IRA money in a hotel so you can stay there while on vacation? Unfortunately, both of those investment strategies include a prohibited transaction.

Prohibited transactions can occur for several reasons, often as a result of transacting with disqualified persons, which in the aforementioned scenarios, were you (the account holder), and your daughter (one of your lineal descendants). Prohibited transactions are restricted by the IRS and can result in severe penalties. Understanding and avoiding carrying out prohibited transactions is essential to maintaining your IRA's tax-advantaged status.

Ready to surmount these obstacles and move forward?

Check out your self-directed **investment options**.