

LLC FAQs

LLC is an acronym for “limited liability company.” An LLC is a legal entity that limits the liability of the owners similar to a corporation. Here are the most frequently asked questions we receive about IRA LLCs.

How are LLCs structured?

A person with an ownership interest in the LLC is called a member. Investments in the LLC are referred to as membership interests or units. In specific states where LLCs are legally considered securities, the people and/or entities wishing to invest in them are required to meet certain state regulations before doing so.

What is a checkbook control IRA or an IRA LLC?

Checkbook control is the ability to have a physical checkbook that is linked to your IRA funds through your LLC. An IRA LLC is a legal entity that has been structured to allow the IRA owner to invest in it.

What advantages does using an IRA LLC have over simply purchasing an asset directly through my Self-Directed IRA?

Control. Having an LLC allows you to have a physical checkbook linked to your account. Purchasing an investment can be as simple as writing a check. The ability to write a check, checkbook control, reduces the delays involved in having funds sent from the IRA custodian to purchase the investment.

Cost. Checkbook control can help you avoid transaction fees and check-writing fees typically associated with a Self-Directed IRA. Also, if you own multiple investments within your LLC, your administrator/custodian only charges you for one asset: the LLC.

What options do I have if my IRA LLC is cash poor but I still need to use it to pay expenses?

You might want to add more money to your account. We recommend consulting a tax advisor before doing so. Here are a few methods you can use:

1. **Annual contribution:** Make your annual contribution if you're eligible and haven't made it yet.
2. **Transfers/Rollovers:** Transfer or rollover money from any other IRA or 401(k) accounts you hold.
3. **Lending:** You can add partners to your LLC or have someone lend to your LLC, as long as they're not a disqualified person. Disqualified persons include you, your spouse, a fiduciary, a beneficiary of the account, and lineal ascendants and descendants.

Can I partner with friends and family to create my IRA LLC?

While you can partner with friends, most of your family members will be considered disqualified persons, and can only be partnered with when your LLC is first created. Once you establish a percentage of ownership with a disqualified person you will not be able to change it. All income and expenses must be distributed in proportion to the percentage of ownership or it qualifies as a prohibited transaction.

Partnering your IRA can be a great way to raise additional capital for the purchases you want to make. Your percentage of ownership in an LLC is determined by your capital contribution. If your IRA puts \$40,000 into the LLC, and your spouse's IRA contributes \$60,000, it's a 40/60 split.

If your LLC has more than one member it's defined as having a partnership, which might require you to file Form 1065 every year. We suggest seeking advice from your tax attorney or CPA about filing Form 1065.

Will Entrust handle the legal work of incorporating my IRA LLC?

No, Entrust is solely the recordkeeper and administrator of the IRA. We do not create LLCs. The establishment and maintenance of the LLC is entirely separate from Entrust's services. We have a list of individuals and companies that have assisted other Entrust clients in establishing their LLCs that we can provide to you.

Will Entrust handle the accounting of my IRA LLC?

No, the LLC manager or its advisors are responsible for your LLC's accounting.

Can I pay myself a salary for managing my IRA LLC?

No, being paid a salary to manage your LLC is considered self-dealing. As the owner of the IRA, you can't benefit from your IRA investments until the assets are distributed. See **IRS Code 4975**, the benefit rule, for more detailed information.

Will Entrust need to review the investments I plan to make with my IRA LLC?

No, once you have checkbook control there is no reason to involve Entrust in your LLC's purchases.

What can my IRA LLC invest in?

Your LLC can invest in anything that isn't prohibited by the IRS. Prohibited assets include collectibles, life insurance, and S corporations. Consult your legal or financial representative to learn more about prohibited investments.

Why can't my current broker be the custodian of my IRA LLC?

Alternative assets which include LLCs, real estate, precious metals, and more are typically unavailable through banks and brokerage firms. The kinds of investments brokers offer are based exclusively on the stock market. Traditional brokers don't provide self-direction, but companies like Entrust specialize in recordkeeping alternative assets and have the expertise to guide investors through the process. Self-directed administrators such as Entrust do not offer investments. Instead Entrust offers a platform where IRA holders can hold a broader array of investments, such as LLCs.

Will having an Entrust IRA LLC provide different tax advantages than holding assets in my Self-Directed IRA without the LLC?

Your IRA LLC won't provide you with additional tax advantages, nor will it take any away. An IRA is a tax-deferred entity. Depending on the type of IRA you choose, you will have different types of tax advantages. It is vital however, that any income from the LLC be paid back to the IRA, which holds membership with the LLC to avoid taxation. Income from the LLC cannot be paid directly to you. Depending on the type of income received by the LLC, income received by the IRA may be subject to **unrelated business income tax (UBIT)**. Consult a tax advisor to understand what type of IRA might be best for you.

What is UBIT, and why might my IRA LLC be subject to it?

UBIT, or “unrelated business income tax,” is imposed on investments owned by charities or accounts that would otherwise be tax exempt, like IRAs. The most common triggers of UBIT are businesses, like limited partnerships or LLCs that have trade or business income, conducted within a tax-exempt retirement account, and IRA-owned real estate that has non-recourse loans against it.

For UBIT to apply, the income generated must meet the following criteria:

1. It is derived from a trade or business activity. Example: the sale of goods or services.
2. The business occurs regularly. Example: you receive monthly or quarterly income.
3. The business activity is not related to the tax-exempt status of the account.

Am I required to have an IRA LLC to purchase real estate with my Entrust IRA?

No. Entrust will allow you to invest in real estate without an LLC.

Can I use an LLC I already have?

No, because you, personally (as opposed to your IRA), are the owner of the LLC, that would be considered a prohibited transaction.

Will I need to provide my own EIN, or can I use Entrust’s?

Your LLC can not use Entrust’s EIN to report UBIT or UDFI to the IRS via Form 990-T. If you anticipate that your LLC will need to report income, then it will need its own EIN. If you’re planning on using an EIN solely for record keeping purposes and not to report income, then using Entrust’s EIN would be allowed.

Disclaimer: Entrust does not endorse or make recommendations on investments. It is best to seek the assistance of a tax, legal or investment professional before entering into any transaction.

How to Establish a Single-Member IRA LLC With Entrust



Open and initiate funding of Entrust account



Establish LLC

- ▶ Designate member of LLC “The Entrust Group FBO (client name) IRA (account number)”
- ▶ Designate responsible party to manage LLC
- ▶ Apply for EIN number



Write up operating agreement and send to Entrust



Open LLC bank account



Fund LLC



Start investing with your new IRA LLC