

Take Charge of Investments With an IRA LLC





The Entrust Group ("Entrust") does not provide investment advice or endorse any products.

All information and materials are for educational purposes only. All parties are encouraged to consult with their attorneys, accountants and financial advisors before entering into any type of investment.

Agenda

- 1 Self-Directed IRA Basics
- 2 Introduction to Limited Liability Companies
- 3 Benefits & Drawbacks
- 4 How to Create & Maintain an LLC
- 5 Learning the Rules
- 6 Misconceptions & Risks
- 7 Q&A

Meet Your Presenter

John Paul Ruiz

Director of Professional Development at The Entrust Group



26

Years of retirement education development



Educating investors and professionals on tax-preferred retirement accounts



CISP and QKA certified

About Entrust



\$4B

Assets Under
Administration



22k

Active
Accounts



40

Years of
Service



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds

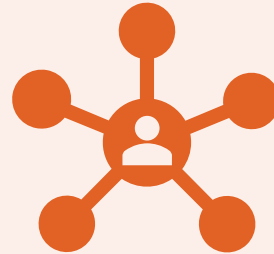


All securities and investments are held in a retirement account administered by a regulated custodian or trustee

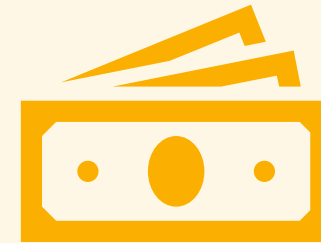
Benefits of Self-Direction



Take Control



Diversification



Tax Benefits

Demystifying Limited Liability Company (LLC) as an IRA Investment: Common Investor Questions

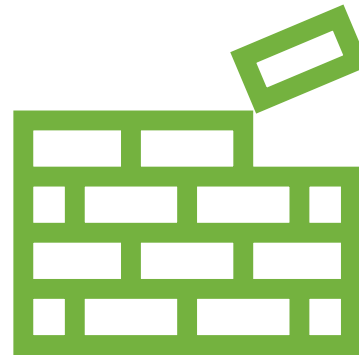
“Is it legal to have an LLC investment?”

“Why are investors using IRA LLCs to invest?”

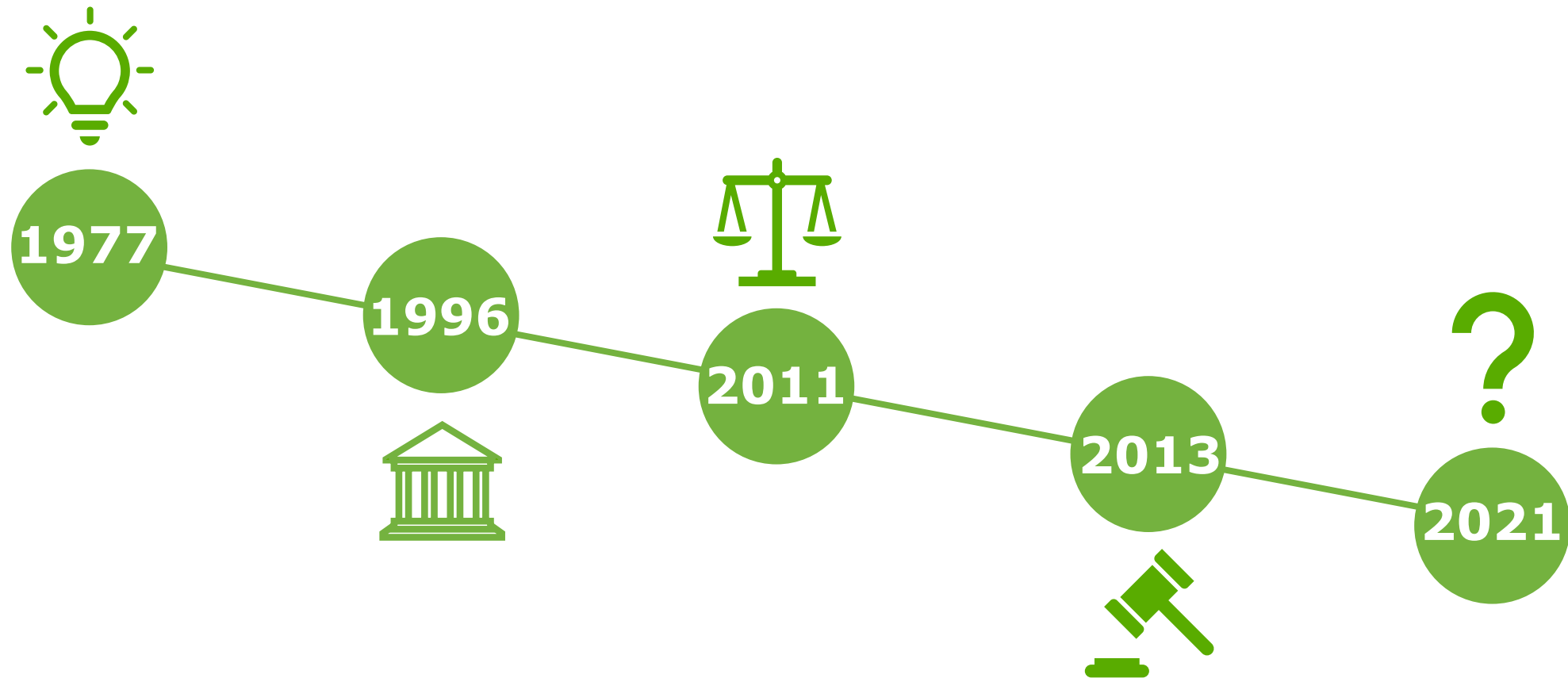
“Do I need to establish an LLC to invest with a SDIRA?”

Building a Foundation

What is a **Limited Liability Company (LLC)**?



History of LLCs in IRAs: How Did We Get Here?



Benefits of an LLC



Limited Liability



Faster Transactions









Checkbook Control



Fewer Administrative Fees

Understand the Drawbacks

-  Legality is not clearly defined
-  Annual cost that may vary per state
-  Potential additional state tax filings
-  All income must be redeposited to the IRA
-  Higher potential to engage in a prohibited transaction
-  Additional tax filings (Federal: trade or business income)
 - Taxed at trust rates
 - Double taxation

IRS Publication 3125



An Important Message for Taxpayers with IRAs

The IRS Does Not Approve IRA Investments



If you have an Individual Retirement Arrangement (IRA), you should be alert to questionable advertisements and solicitations for "IRS Approved" or "IRA Approved" investments. These advertisements or solicitations, often for highly speculative or non-traditional types of investments, mislead by falsely claiming that the IRS has approved a particular investment.

Here is an Example of a Fraudulent "IRA Approved" Sales Pitch

"This investment has been approved for your IRA. You can use your IRA for this investment by filling out the forms in the attached information package, and our agent will take care of the rest. This has been reviewed by the government (or IRS). This investment is so safe you can use it for your IRA. Only certain investments are approved for IRAs."

We urge you to carefully consider the soundness of your IRA investments and to be aware of the current tax rules for IRAs.

Protect Yourself Against "IRA Approved Schemes"

(reprinted with permission from the North American Securities Administrators Association)

- Exercise extra caution during the tax season when it comes to making IRA investments.
- Avoid any investment touted as "IRA Approved" or otherwise endorsed by the IRS.
- Don't buy an investment on the basis of a television "infomercial" or radio advertisement.
- Beware of promises of no-risk, sky-high returns on exotic investments for your retirement account.
- Never transfer or rollover your IRA or other retirement funds directly to an investment promoter.
- Proceed with caution when you are encouraged to invest in a "general partnership" or "limited liability company."
- Don't be swayed by the fact that a bank or trust department is serving as an IRA custodian.
- Always check out an investment and promoter before you turn over your money.
- Educate yourself about IRAs and retirement planning.

The IRS does issue letters to IRA sponsors, trustees and custodians certifying that they are complying with requirements concerning investor rights, account administration, and standards for the establishment of documents that allow contributions to be deductible.

The IRS does not

- review or approve investments.
- endorse any investments.
- advise people on how to invest their IRAs.
- issue any statement that an investment in an IRA is protected because a particular trustee or custodian has been approved by the IRS.

Federal and state government agencies investigate and regulate companies and individuals who offer investments for IRAs. Before you invest, you should check with your state securities regulator to see if there have been complaints about the investment or the person selling it. To find the number for your state's securities regulator, go to the government listings section of your local telephone directory. If you have questions or complaints about IRA investment promotions that you've received by telephone, mail or online, contact either:

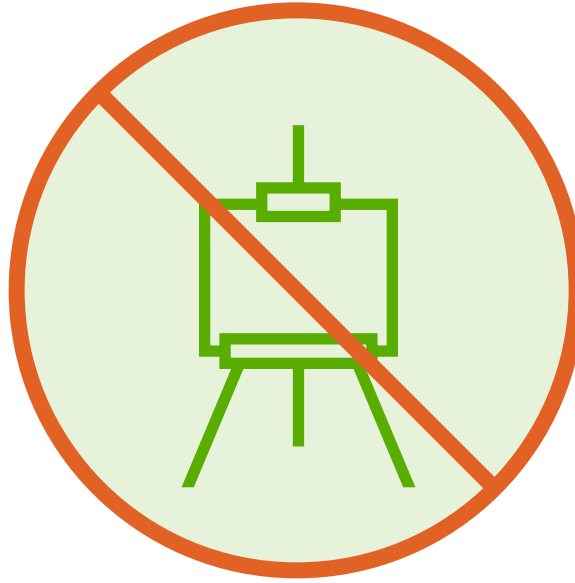
The Federal Trade Commission
877-FTC-HELP (382-4357)

The Securities and Exchange Commission
800-SEC-0330 (732-0330)

Prohibited Investments



Life Insurance



Collectibles



S Corporations

How to Create an LLC

Step 1: Complete Legal Due Diligence



Review LLC laws for the state of establishment

How to Create an LLC

Step 2: Assign Key Roles



Member



Manager



Registered Agent

Naming an LLC Member

The Entrust Group FBO (client name) IRA (account number)

How to Create an LLC

Step 3: Create Articles of Organization



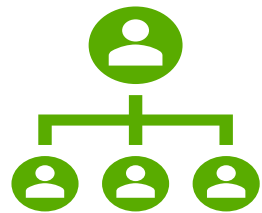
LLC Name & Address

Roles

Future Formation Date

How to Create an LLC

Step 4: Create Operating Agreement



Structure per state requirements

State roles and terms of operation



Signed by manager of LLC

Turn into state for approval

How to Create an LLC

Step 5: Acquire EIN for Approved LLC



Request an EIN for the LLC: Some use the name of the IRA especially if the IRA must file a return called the IRS Form 990-T for taxable income

How to Create an LLC

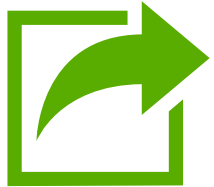
Step 6: Create Subscription Agreement for the IRA as the investor



Outline transaction terms between the IRA & LLC
LLC shares & member interest

Provide verification that the IRA holder has reviewed and approved the subscription agreement, and is ready for the custodian/trustee to sign

How to Fund an LLC



Send instructions to the Custodian/Trustee to:

- **Sign** the subscription agreement
- **Send funds** to the LLC checking account

Flow of Funds

LLC Issues Shares to IRA → IRA → LLC Bank Account



Maintaining an LLC



Follow The Rules

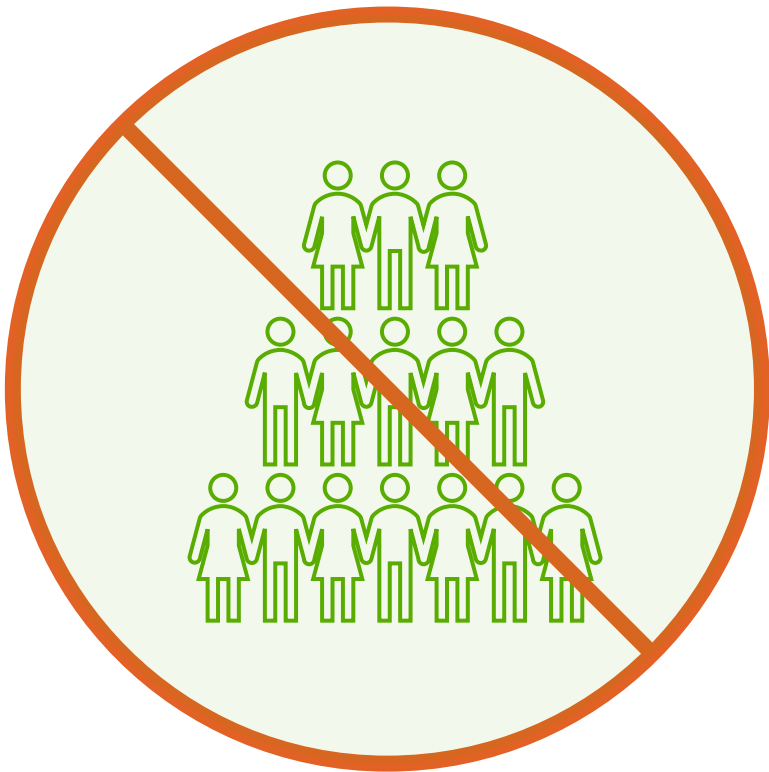


Proper Tax Reporting



Cash Flow Health

Learning The Rules: Disqualified Persons



You

Grandparents

Son | Daughter | Grandson | Granddaughter

Spouses of disqualified persons

Anyone with 50+% ownership

- Corporations, partnerships, estates or trusts

Learning The Rules: Prohibited Transactions



**SALE,
EXCHANGE &
LEASING**



LENDING



**FURNISHING
OF GOODS,
SERVICES OR
FACILITIES**



INCOME & ASSETS



SELF-DEALING

Debunking LLC Misconceptions



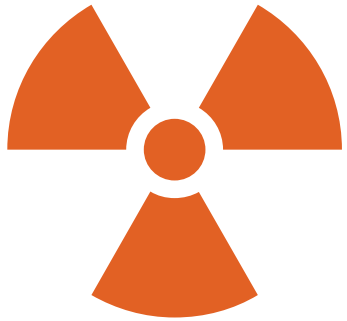
"I have zero liability"

"I can pay myself a management salary"

"I can never partner with friends or family"

"I can pay for expenses with personal savings"

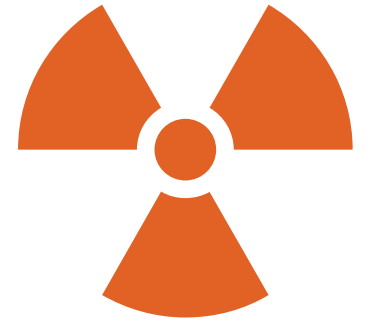
Remember: Risk is Always Involved



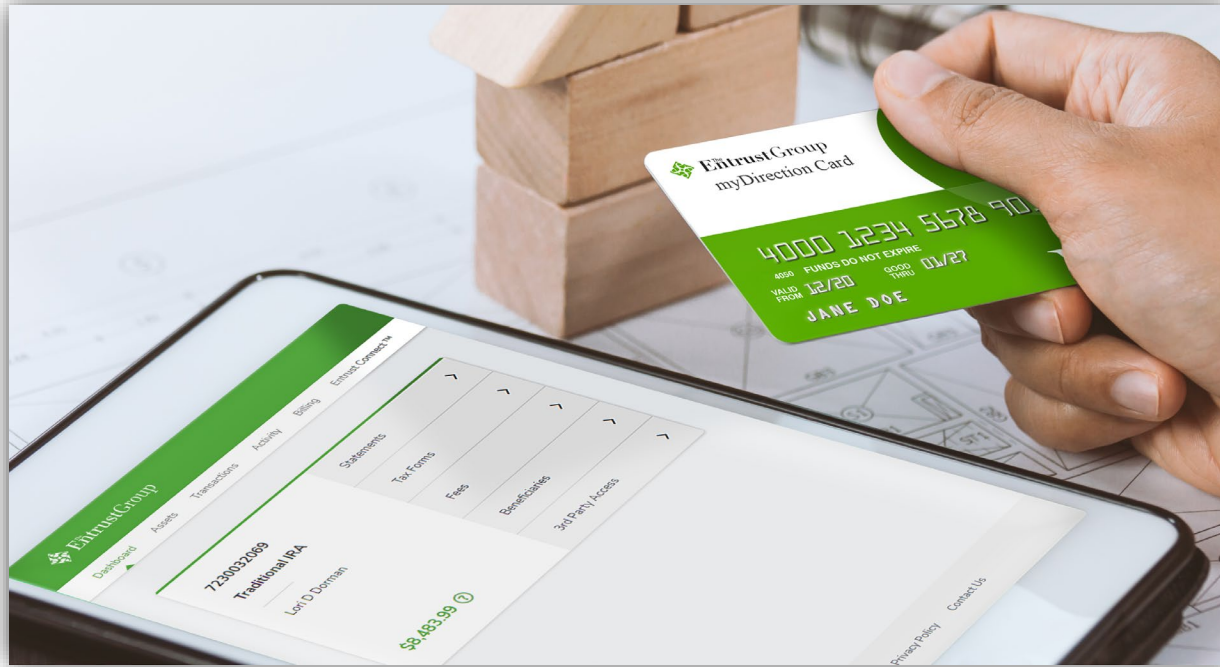
Losing IRA Tax Qualified Status

Prohibited Transaction Penalties

Poor Maintenance Can be Costly



The Alternative to LLCs: myDirection Card



Save Time



Save Money



**Streamline
Transactions**

What's Next?



Want more information regarding today's topic?

➔ Complete our brief webinar survey



Need more information on SDIRAs?

➔ Visit our website and Learning Center



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Time for Questions



Stay Connected



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Director of Professional Development



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“

Education is the passport
to the future, for tomorrow
belongs to those who
prepare for it today.

- *Malcolm X*

