



The Entrust Group



# Self-Directed IRAs

## The Basics Guide





# Take control of your investment.

## ◆ What A Self-Directed IRA Is

A [Self-Directed IRA](#) (SDIRA) is simply, an IRA. All IRAs abide by the same laws and possess the same capabilities. What separates a Self-Directed IRA from the rest is access and control—as a person with a SDIRA, yours are unlimited.

## ◆ Why It's Great

Control: with a Self-Directed IRA, you are the master, commander, and captain of your retirement account. While your account does require a custodian/administrator to do the recordkeeping for the assets in your account, nothing moves in or out of it without your say so.

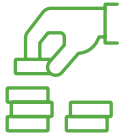
You decide how much, when, and most of all, what to invest in. You have the freedom to invest in the things that interest you and can pass on anything that doesn't. A Self-Directed IRA gives you the opportunity to build a truly diversified (thus, more resilient) portfolio, and take advantage of [alternative investments](#).

## What You Can Invest In

Any investment opportunity that is legally allowed can be held in your SDIRA. If the law allows the investment, your SDIRA can hold it—period. No other retirement plan or account can claim the same.

Most of all you can source, vet and decide which investments you choose to hold within your IRA. You will not be limited to the investments a given financial organization might offer since Self-Directed IRA providers do not offer investments.

Rather than insist on particular investments and restrict access to others (such as alternative assets), a Self-Directed IRA cracks the concept wide open to give you access to its full potential.



## Examples of what a SDIRA can invest in:

- Private equity
- Private placements
- Limited liability companies (LLCs)
- Limited partnerships (LPs)
- Joint ventures
- Startups
- REITs
- Single-family homes
- Office buildings
- Shopping centers
- Parking garages
- Hotels
- Retirement homes
- Industrial buildings
- Mobile home parks
- Developed or undeveloped land
- Farms
- Condominiums
- Mortgage notes
- Performing or non-performing notes
- Micro loans
- Oil and gas investments
- Livestock
- Crowdfunding
- Hedge funds
- Precious metals such as gold, silver, palladium or platinum
- and more

The ability to invest in alternative assets in addition to standard ones such as stocks, bonds, and mutual funds can help you weather market upsets and losses (per the diversification we mentioned in the previous section).



## What You Can't Invest In:

There are three types of investments that you are not allowed to invest in with your Self-Directed IRA. The three asset classes not permitted in your IRA are:

- Insurance
- Collectibles (some exceptions for coins and metals)
- S Corporations



# With great power, comes great responsibility.



## ◆ Responsibility

As we've discussed, with a SDIRA the power you have to control your retirement account is unmatched. However, the flip side is that you are now responsible for whatever occurs within it.

While the account must be administered by a custodian or administrator, [due diligence](#) is the responsibility of the account holder. Knowing and abiding by the laws surrounding IRAs is also the account holder's responsibility.

It is highly recommended that IRA holders consult with their legal and/or tax advisors before entering into any transaction.

## ◆ Disqualified Persons

Transacting with a disqualified person can cost your IRA its tax advantaged status and incur penalties. The following are disqualified persons:

- You
- Your spouse
- Your lineal descendants, their spouses, and lineal ascendants
- A beneficiary of the IRA
- Investment advisers and managers
- Any corporation, partnership or estate that you have at least a 50% stake in
- Your trustee, custodian, or anyone providing services to the IRA

## Avoiding Prohibited Transactions

Knowing what transactions are legally prohibited is essential to Self-Directing your IRA.

[IRS Publication 590](#) defines a prohibited transaction as any improper use of your IRA by you, your beneficiary, or any disqualified person.

Types of [prohibited transactions](#):



Sale, exchange or leasing of a property between an IRA and a disqualified person.  
*Example: Your IRA purchases a home, which you lease to your daughter.*



Extension of credit or cash loan between an IRA and a disqualified person.



Furnishing goods, services, or facilities between an IRA and a disqualified person.  
*Example: Hiring your son-in-law to paint the walls of a condo owned by your IRA.*



# Picking the Right Track

As an individual investor, you have two IRA tracks to pick from: Traditional and Roth. The two are very similar but differ in their retirement tax benefits. Investors who are business owners have options such as [SEP IRAs, SIMPLE IRAs, and Individual 401\(k\)s](#).



*Tax Break Now*

## Traditional IRA

A Traditional IRA is a tax deferred account which allows earnings to grow untaxed until distributed. Contributions made to a Traditional IRA are typically made on a pre-tax basis; taxes are collected when the account holder takes a distribution (withdraws funds from the account).

A Traditional IRA has required minimum distributions due upon attainment of age 72. You must take a required minimum distribution annually after reaching age 72 to avoid penalties, at which point you are no longer allowed to make contributions to a Traditional IRA.



*Tax Break Later*

## Roth IRA

A Roth IRA is taxed upfront, thus contributions can't be used as a tax deduction. The funds grow tax deferred, and can be distributed tax free after all [requirements](#) have been met.

Roth IRAs are not subject to required minimum distributions, so no distributions are required when you turn 72. Roth IRAs allow you to make contributions as long as you have earned income; there is no age-based cut off. However, there is an income limit.

# How to Get Started

The process of opening a Self-Directed IRA is simple.

1



## Open an account online

(it takes 10 minutes) or submit the required paper documentation.

2



## Fund your account

via contribution, transfer or rollover.

3



## Start investing.

Explore your investment options [here](#).

+



## Learn More.

Now that you have a basic understanding of Self-Directed IRAs, check out our article: [5 Reasons a Self-Directed IRA Might Not Be for You](#).



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