

# GETTING STARTED WITH **SELF-DIRECTED IRAs**

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## GETTING STARTED WITH SELF-DIRECTED IRAs

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In these market-turbulent times, many people feel somewhat frustrated with their existing IRA (Individual Retirement Account). Traditional IRAs, which limit investments to stocks, mutual funds and bonds, are not always ideal for investors with an eye towards the future.

For those concerned about sudden market changes and disappointing returns, a Self-Directed IRA, which provides more flexibility and personal control over investments, can provide an alternative to more traditional IRAs. A Self-Directed IRA is not right for everyone, but it can help market-savvy investors by providing more autonomy over their investment portfolio and assets.

A carefully managed Self-Directed IRA can boost your investment because you are no longer restricted to investing in stocks, bonds, mutual funds, or CDs.

At this point, you may be asking yourself why you have not heard about this before.

The answer is quite simple: banks and brokerage firms have done a great job advertising their services. They make money by offering bank products such as CDs, and money market savings accounts. Banks and brokerage firms are great at what they do, but because they cannot make a profit by sharing information on other options like Self-Directed IRAs, most people simply are not aware of their options.

# WHAT IS A SELF-DIRECTED IRA?

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The term “Self-Directed IRA” is somewhat of a misnomer. The phrase “Self-Directed IRA” is really more of a descriptive term, often used in the industry to describe an IRA that invests in assets other than stocks, bonds, and mutual funds.

You see, while all IRAs, including Traditionals, Roths, SEPs, and SIMPLEs can invest in the full breadth of what the IRS allows, banks and brokerage companies do not typically allow you take advantage of all the available options.

## Most People Don't Know They Can Self-Direct Their IRA

As many as 90% of our clients are surprised to learn that they can direct their own investments. Peter Lynch, manager of the Magellan Fund at Fidelity Investments between 1977 and 1990, which averaged a 29.2% annual return, famously said, “Invest in what you know.” We believe this is sound advice for people looking at alternative investments in their Self-Directed IRA.

A Self-Directed IRA allows you to invest in a wider variety of potentially lucrative opportunities such as real estate. This can include single-family homes, condos, commercial buildings, farm land, timberland, or any other form of property that has a deed.

You can also invest in non-publicly traded companies, business entities, commodities, tax liens, private mortgages, and yes, even livestock using a Self-Directed IRA.

While there are always risks involved in any form of investment, alternative investments are quickly becoming an attractive choice because they allow you to diversify your assets and grow retirement funds in a way that removes many higher-risk factors. This puts you in the driver's seat, offering you greater control over your investments and your future.

Moreover, many people are unaware that traditional investments, such as mutual funds, ETFs, and stocks, may no longer be the best option for everyone. That is one reason a growing number of investors are using their retirement accounts to invest in alternative assets, which may prove more robust in the event of an economic downturn.

## HEAR WHAT OUR CLIENTS HAVE TO SAY

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*“Bill Gulas and the staff have been taking care of my Self-Directed IRA needs for more than 10 years. My investments range from real estate at the Gulf to personal loans. IRA Innovations is the choice if you're looking for experienced personnel and reasonable fees!”*

- J. Hull

## Self-Directed IRAs Are Not New. They Have Been Around for Over 40 Years (For Good Reasons)

While you personally may be new to the idea of using a Self-Directed IRA to invest in alternative investments, the concept itself has been creating investment streams for savvy investors for over 40 years. Self-Directed IRAs have been allowed since 1975, as part of the Employee Retirement Income Security Act of 1974 (ERISA), which created all IRAs.

Self-Directed IRAs allow investors to invest in what they know rather than being restricted to only investing in publicly traded securities in their IRA. This guide is designed to help you discover how you can take control of your retirement savings using a Self-Directed IRA.

In this brief guide, you will learn about the kinds of assets you can purchase using the funds in your IRA. You will also learn about the risks and potential pitfalls, some of the mistakes to avoid, and how you can easily start a Self-Directed IRA with much less time (or trouble) than you might imagine.

 [READY TO LEARN MORE? LET'S GET STARTED...](#)

## THE POTENTIAL BENEFITS OF A SELF-DIRECTED IRA

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A Self-Directed IRA enables you to expand and diversify your investment options beyond traditional stocks and CDs. This can open new vistas of investment, which can protect your retirement assets in fluid markets.

Instead of being limited by banks and brokerage firms, you can choose where you wish to deploy your assets, choosing where and how you want to grow your IRA funds within permissible investments. Many people like to invest in areas they are familiar with, such as rental properties, homes, or apartment units. If you work in or know the mortgage arena, you can use your IRA as a lender. Likewise, those with specialized knowledge of other industries or asset classes can choose to invest in those.

While investments in your Self-Directed IRA are not guaranteed (there are risks involved in any form of investment including traditional IRAs), you should consider all your investments carefully to avoid losses (including the loss of principal). Retirement accounts do offer investors great tax advantages, which can incentivize the saving process. When these tax advantages are combined with the broad range of investment choices offered by a Self-Directed IRA, your potential to effectively save for retirement can be significantly increased.

# THE IRS TELLS YOU WHAT YOU CANNOT INVEST IN, NOT WHAT YOU CAN

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If you are wondering what kinds of assets you can invest in, the IRS has laid down some rules. The IRS code does not say what is allowed; rather, it states what is not allowed. The list itself is actually very short.

For instance, you are not allowed to invest in collectibles (remember Beanie Babies?), or life insurance. The IRS code also bans investments in collectibles such as art work, rugs, antiques, metals or gems, stamps, or certain coins.

Additionally, the IRS prohibits investments in alcoholic beverages such as fine wines. All of this makes sense. After all, you don't want to lose your retirement because of a drop in the value of a collectible that is suddenly not so collectable, or a bottle of Napoleonic cognac that goes bad.

If you are wondering what else is prohibited, there is nothing else.

## THAT'S IT!

Every other type of investment is perfectly legal and allowed. So why is this not common knowledge? Banks and brokerage firms certainly know this, yet they cleverly steer customers towards other types of IRAs instead. They lead people to believe that IRAs can only be invested in stocks, bonds, mutual funds, and CDs. All of which are considered traditional assets found in an IRA.

All other assets are termed "alternative assets." IRAs which can be invested in alternative assets are what the industry refers to as, you guessed it, "Self-Directed IRAs." And while a Self-Directed IRA can also invest in traditional assets such as stocks, bonds, and mutual funds, it is typically used to describe investing in alternative investments.



# WHAT ARE DIFFERENT TYPES OF ALTERNATIVE INVESTMENTS?

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As previously stated, the IRS does not give a list of what you can invest in, but rather tells you what you cannot invest in. Therefore, the different types of assets that can be held in a Self-Directed IRA is as varied and vast as your imagination.

While IRA Innovations does not sell investments or give investing, tax, legal, or other advice, we can offer a short list of assets permissible in these accounts that may interest you or at least help you envision the many investment possibilities available. These include:

- Real estate (commercial and residential/rental property, raw land, timberland, farmland, tax liens/deeds, etc.)
- LLCs, LLPs, and trusts
- Precious metals
- Crowdfunding options
- Notes
- Private placements
- Tax lien certificates
- Private equity and stock options
- Livestock
- Oil and gas
- Rights and warrants
- Accounts receivable
- ...and many more

Additionally, while plan owners do have the freedom to choose, it is always advisable to consult with investment and tax professionals to ensure that your choice is right for you, your family, and your retirement savings. As a custodian, IRA Innovations can help get you started on growing your future.

## You Are The Decision Maker

The simple truth is that with a Self-Directed IRA, you are the final decision-maker when it comes to your assets. With the ability to choose and direct what you invest in, you are literally in control of your future in a way that 95% of Americans, who don't utilize Self-Directed IRAs, miss out on.

**You are in complete control at all times. You choose where and how much you want to invest.**

# IMPORTANT CONSIDERATIONS AND POTENTIAL PITFALLS FOR YOUR SELF-DIRECTED IRA

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With the information at hand, it's important to keep in mind several factors. Investing outside of traditional investments is an enticing and potentially lucrative opportunity to grow your retirement fund, but it also comes with the responsibility of educating yourself.

You will need to do your due diligence, and take the necessary steps to reduce any risks by carefully planning your investments in the market. You must also be sure to comply with the Internal Revenue Code.

As a fully recognized IRA Self-Directed retirement account administration and education service provider, we help investors stay informed with superior services and educational support.



## You Need a Qualified Custodian

According to IRS regulations, an IRA must have a qualified custodian or administrator to act as an intermediary between the account owner and the account funds.

Banks and brokerage firms are how most individuals choose to invest, but as we've mentioned before, these institutions tend to limit investment offerings to mutual funds, stocks, bonds, and CDs.

IRA Innovations is a leading provider of Self-Directed account administration. As established experts in alternative investments, we are here to hold your IRA under IRS regulations for Custodians and Administrators, allowing you to invest in ALL assets, including real estate, precious metals, notes, private placements, and more as allowed by the IRS.



## Disqualified Persons

There are certain people that your IRA can not do business with. These are considered disqualified people. A disqualified person is not allowed to execute any transactions by any means with your IRA; otherwise it would result in a prohibited transaction which can incur penalties, taxation, and the possible disqualification of your IRA.

### Examples of disqualified people include:

- You and your spouse
- Lineal ascendants (parents and grandparents) and their spouses
- Lineal descendants (children and grandchildren) and their spouses
- Corporations, partnerships, trusts, or estates in which you or any other disqualified person own, directly or indirectly, at least 50%
- Where a disqualified person has undue influence over the affairs of an individual or company.

For example, you cannot buy a rental property with your IRA, and then allow a family member to move into it (even if they pay rent).

## Prohibited Transactions

Prohibited transactions occur when your IRA makes deals with disqualified persons. While the list is not comprehensive, some examples include:

- Borrowing money from the IRA for your own use
- Selling, exchanging, or leasing property you already own to your IRA
- Transferring IRA income or assets to disqualified persons
- Lending IRA money or extending IRA credit to disqualified persons furnishing goods, services, or facilities to disqualified persons

*Knowing the rules of the road is important. While there are not many rules, they must be followed.*



### HEAR WHAT OUR CLIENTS HAVE TO SAY

*"I wanted to send you a quick note and let you know how much I appreciate the service everyone at IRA Innovations gives me. All the staff is very helpful and willing to answer my continual questions and so helpful when I need something done quickly due to my error, or a title company mistake, or whatever. You are very special people and I have never regretted my decision to place my Self-Directed IRA and my Roth IRA with the company. I appreciate all that you do and the guidance you provide to keep me doing things correctly."*

*- C. Cline*

# ESTABLISHING A SELF-DIRECTED IRA (IT'S EASIER THAN YOU THINK!)

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Establishing a Self-Directed IRA is quick, easy and takes less time than you might think. There are three simple steps to begin self-directing your IRA funds:

## 1. Open a Self-Directed account.

In a matter of minutes, IRA Innovations can assist you in opening the Self-Directed IRA account that's right for you.

## 2. Fund your account.

If you already have a Traditional IRA or Roth IRA, you can transfer or rollover the funds to a Self-Directed account with no penalties. You can open an account by making a qualifying contribution. Contributing to a retirement account is better than contributing to a regular savings account, because IRAs offer tax-deferred or tax-free earnings. If you have retirement funds sitting in a 401(k) account with an old employer, you can request a direct rollover to move the funds into a Self-Directed account.

## 3. Choose an investment.

The greatest part about a Self-Directed IRA is that you get to choose your investment! IRA Innovations does not sell or recommend any asset; therefore there is no conflict of interest. Utilize the funds in your Self-Directed IRA to invest in what you know best: real estate, businesses, commodities, or any other type of alternative investment.

## CREATE YOUR FUTURE NOW.

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### Get started with a Self-Directed IRA TODAY!

If you decide that a Self-Directed IRA is right for you, we can help. We are experts in all areas of Self-Directed retirement account administration and education. Our highly trained and dedicated account advisors can provide you with the help you need to set up your Self-Directed IRA account. When you are ready to take control of your future, we are ready to help.

While we do not promote any investments, we do provide sophisticated tools and information, along with top-notch administrative services and recordkeeping, all of which helps you take charge of your retirement funds, chart your own course, and build your own path to financial freedom.

We are ready when you are. If you would like to know more about building the financial security you need to retire comfortably, please call us at 205.985.0860. We are always ready to answer any questions you may have about your financial options with a Self-Directed IRA.



**Contact for more information**

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\* Disclaimer: IRA Innovations does not sell investment advice, push investment products, or recommend specific business partners. Our obligation is to make all your self-direction options known, ask the questions required to ensure investments are compliant with the IRS, and make transactions as effortless as possible. This article is intended solely for informational purposes, and in no manner intended to sell any investment product or service.

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