



# The Ultimate Guide Self-Directed IRA



# Introduction to the **SELF-DIRECTED IRA**

Think your IRA is limited to stocks, bonds, and mutual funds? Think again. Since 1974, the IRS has only prohibited a handful of investments, leaving savvy investors a wide range of opportunities. With a Self-Directed IRA, you can diversify your retirement portfolio into alternative asset investments.

Beyond diversification, a Self-Directed IRA offers powerful tax advantages, letting your money

grow faster and more strategically than with a traditional IRA. It's your retirement—take control and make it work harder for you.

*Break free from traditional investing: Self-Directed IRAs open the door to real estate, cryptos, precious metals, and beyond.*

## *How you can* **BENEFIT**

*There are four primary advantages of self-directing your retirement funds:*

### ➤ **Diversification**

More than 90% of retirement assets are tied to the stock market. If the market drops, so can your savings. By adding alternative assets to your portfolio, you spread your risk and reduce your exposure to market downturns. This strategic diversification helps safeguard your wealth and gives you more control over your financial future.

### ➤ **Tax Deferral**

With tax deferral, every dollar your retirement account earns, whether from income, gains, or interest, grows without immediate taxation. That means your money compounds faster than it would in a taxable account. For example, if you invest \$100,000 in a Self-Directed IRA and earn \$10,000 that year, you won't pay tax on those earnings now. When you eventually take distributions, you'll likely be in a lower tax bracket, allowing you to keep more of what you've built over time.

### ➤ **Security**

Many alternative investments are tangible, real-world assets, such as real estate, that provide more than just financial returns. They can offer peace of mind. In times of market volatility, inflation, or political uncertainty, holding physical assets can give retirement investors a reassuring sense of stability.

### ➤ **Inflation Protection**

Rising costs for essentials like food and energy, combined with high national debt and low interest rates, can erode purchasing power. Alternative assets like precious metals and real estate can act as a hedge against inflation, protecting your savings. In particular, rental real estate can be especially effective—when prices rise, rents often rise too, helping your income keep pace with inflation.

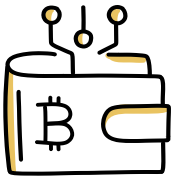


# Investments YOU CAN MAKE



## REAL ESTATE

- > Residential or commercial
- > Domestic or foreign
- > Raw land
- > Foreclosure properties
- > Mortgage pools
- > Tax liens and tax deeds



## CRYPTOCURRENCY

- > Bitcoin
- > Ethereum
- > Solana
- > Ripple



## TRADITIONAL ASSETS

- > Stocks
- > Equities
- > Bonds
- > ETFs (exchange traded funds)



## PRECIOUS METALS

- > Gold
- > Silver
- > Platinum
- > Certain coins
- > Gold, silver, platinum or palladium bullion of a certain finesse

## ENTITIES

- > Private businesses
- > Limited liability companies
- > Limited liability partnerships
- > Private placements
- > Hedge funds
- > Private equity
- > Venture capital

## A Self-Directed IRA is the *Best* Solution FOR INVESTORS WHO WANT:

- > More **control** over their retirement funds
- > To **diversify** their retirement portfolio and want to invest in **hard assets**.



# Choose the SDIRA that's BEST FOR YOU

## TRADITIONAL

- > **Immediate Tax Deduction** - Contributions are often tax-deductible, reducing your taxable income for the year you contribute. This can lower your current-year tax bill and free up cash to invest more aggressively.
- > **Potential for Lower Taxes in Retirement** - Since contributions are made pretax, you defer taxes until withdrawal. If you expect to be in a lower tax bracket in retirement than you are now, this strategy can save you money over the long term.
- > **Tax-Deferred Growth** - All investments grow tax-deferred, meaning you don't pay taxes on interest, dividends, or capital gains until you withdraw the money. This allows compounding to occur more efficiently over time.
- > **Eligibility for Catch-Up Contributions** - Individuals age 50 or older can contribute extra "catch-up" amounts to help accelerate retirement savings. This is especially helpful for those who started saving later in life and want to build a larger nest egg.

## ROTH

- > **Tax-Free Growth and Withdrawals** - Contributions are made with after-tax dollars, so all future earnings grow completely tax free. Qualified withdrawals in retirement are not taxed, which can be a huge benefit if you expect your tax rate to rise over time.
- > **No Required Minimum Distributions (RMDs)** - Unlike traditional IRAs, Roth IRAs don't require you to start taking mandatory distributions at age 73. This allows your money to continue compounding without tax for as long as you like.
- > **Flexible Access to Contributions** - You can withdraw Roth contributions (not the earnings) at any time, for any reason, without paying taxes or penalties. This makes the Roth IRA a flexible tool not just for retirement but also for emergencies or major life expenses.
- > **Tax Diversification in Retirement** - Having a mix of taxable, tax-deferred, and tax-free accounts gives you flexibility to manage your tax liability in retirement. A Roth IRA lets you strategically withdraw funds to minimize taxes and maximize your spending power.

## Traditional vs. Roth: WHO BENEFITS MOST?

**Traditional:** Best for high earners, older savers, or anyone wanting to lower taxable income today.

**Roth:** Ideal for younger savers, early-career professionals, or anyone expecting higher taxes later.



# *SDIRA for* **SMALL BUSINESSES**

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Self-employed individuals and small business owners with few employees may qualify for a government-sponsored retirement plan. These plans can also be self-directed.

## **SIMPLE IRA**

A SEP (Simplified Employee Pension) IRA is a retirement plan designed for self-employed individuals and small business owners who want a simple, tax-advantaged way to save for retirement. Employers make contributions directly to employees' SEP IRA accounts (including their own if self-employed), and contributions are tax-deductible. Only employers can contribute, and they must contribute the same percentage of compensation for all eligible employees. The contribution limits are much higher than a traditional IRA, making it attractive for high earners, but employees cannot make their own salary deferrals.

## **SEP IRA**

A SIMPLE (Savings Incentive Match Plan for Employees) IRA is another retirement plan for small businesses, but it allows both employer and employee contributions. Employees can make salary deferrals, while employers are required to either match employee contributions up to 3% of compensation or make a fixed 2% contribution for all eligible workers. It's easier and less costly to administer than a 401(k), but contribution limits are lower compared to other plans. SIMPLE IRAs are ideal for small businesses that want to encourage employee participation in retirement saving without the complexity of larger plans.

## *Why you need a* **CUSTODIAN**

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*An IRA can only be established and administered by a bank, financial institution, or state-authorized trust company.*

By law, every IRA must have a custodian (also called a trustee), which is the institution responsible for holding and administering your retirement account. While the custodian ensures your account complies with IRS rules, the level of control you have over day-to-day transactions depends on the structure you choose. Some investors prefer the traditional custodian-controlled model, while others opt for checkbook control through an IRA-owned LLC for more flexibility.

## **IRA CUSTODIAN**

The IRA custodian is responsible for maintaining and administering the IRA. To this end, it is tasked with the responsibility of complying with all IRS reporting requirements with respect to the IRA, such as the filing of IRS Forms 5498 and 1099-R.

Banks and financial institutions that offer IRAs generally permit their clients to invest in



traditional assets, such as stock, mutual funds, and exchange traded funds because they earn fees that way. The IRA custodian has the right to decide which types of assets it will allow its clients to invest in.

## **PASSIVE IRA CUSTODIAN**

By contrast, a passive custodian for Self-Directed IRAs does not sell investment products or provide investment advice. Instead, it focuses on custody and administration, handling the IRS reporting for non-traditional investments. A passive custodian earns fees for recordkeeping and compliance, while giving account holders the freedom to

choose from a much broader range of IRS-approved assets.

## **IRA FINANCIAL TRUST**

IRA Financial is a passive custodian that specializes in self-directed retirement accounts. Unlike traditional custodians that limit you to stocks and mutual funds, our model is built around giving investors the freedom to use their retirement funds for IRS-approved alternative assets. Our role is to handle custody and compliance, so you can focus on building the retirement portfolio that works best for you.

# *Custodian vs.* **CHECKBOOK CONTROL**

## **ESTABLISHING A SDIRA**

When you establish a Self-Directed IRA with a custodian, you can choose the “Custodian Controlled” or “Checkbook Control” structure. Both structures allow you to make alternative asset investments and have more control over your retirement funds. The level of control depends on which structure you choose.

## **CUSTODIAN CONTROL**

With a custodian-controlled Self-Directed IRA, you can invest in non-traditional assets like real estate, private businesses, and precious metals, as well as traditional investments like stocks and mutual funds. Each transaction must be submitted to and processed by the custodian, which can add some time to the process. This structure is often a good fit for investors who don’t anticipate frequent transactions and who value the extra layer of compliance oversight the custodian provides.

If you’re a moderately active investor and do not expect to have a high degree of transaction activity, we recommend this structure.

## **CHECKBOOK CONTROL**

If you want to avoid delays and reduce custodial transaction fees, checkbook control may be the best fit. With this structure, your IRA owns a specially created LLC, and you serve as its manager. The LLC has its own bank account, funded directly from your IRA with the assistance of a passive custodian. As manager, you can authorize investments by simply writing a check or wiring funds, without waiting for custodian approval.

This structure gives you immediate access to opportunities and adds a layer of limited liability protection, since creditors cannot reach assets outside of the LLC. Many investors prefer this option for the flexibility and control it provides.



# Stay IRS COMPLIANT

The IRS does not publish a list of permitted IRA investments. Instead, it only identifies what is not allowed, known as the prohibited transaction rules. With a Self-Directed IRA, there are three main compliance areas you need to keep in mind: prohibited assets, prohibited transactions, and disqualified persons.

## PROHIBITED ASSETS

By law, your IRA cannot invest in life insurance or collectibles. Collectibles include items such as artwork, jewelry, stamps, baseball cards, gems, and certain coins. (See IRC Section 408(m) for the complete list.)

## PROHIBITED TRANSACTIONS

A prohibited transaction can occur in two ways:

- > Investing in a prohibited asset, or
- > Engaging in direct or indirect dealings with disqualified persons.

For details, see IRC Section 4975 or IRS Publication 590.

## DISQUALIFIED PERSONS

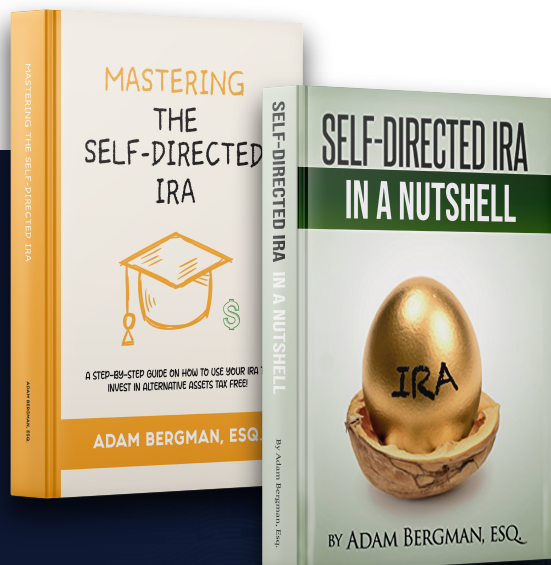
Your IRA cannot engage in a transaction that directly or indirectly benefits a disqualified person. These include:

- > You (the IRA owner)
- > Your spouse, parents, grandparents, children, and grandchildren (lineal family members)
- > Any business or entity in which a disqualified person owns 50% or more

## UBTI RULES

Most passive investments in a Self-Directed IRA are exempt from the Unrelated Business Taxable Income (UBTI) tax. However, UBTI may apply if your IRA:

- > Invests in an active trade or business through a pass-through entity (e.g., an LLC)
- > Uses a non-recourse loan to acquire property (note: 401(k) plans are exempt from this rule)
- > Buys securities on margin



We wrote the books on  
**the Self-Directed IRA**



## Why IRA FINANCIAL

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IRA Financial was created by a former tax attorney to help investors take control of their retirement funds. We work to educate our clients about the tax-advantaged investments they can make with their Self-Directed IRA plan.

IRA Financial has over 15 years of experience helping more than 24,000 clients in all 50 states invest over \$4.2 billion in alternative asset investments.

We “literally” wrote the book on the Self-Directed IRA plan. Our founder, Adam Bergman, Esq., has written nine books on self-directed retirement plans.

IRA Financial Self-Directed IRA is specifically designed and customized for each type of investment. Whether it is real estate, private

equity, venture capital, hedge fund, private business, cryptos, precious metals, hard money loans or much more, our tax experts will work with you to design the perfect retirement solution for your investment. Additionally, IRA Financial is the only self-directed retirement company that provides annual consulting, IRS tax reporting/filings, BOI FinCEN reporting, and full IRS audit guarantee.

Use the newly redesigned IRA Financial mobile app to set up and maintain your account. Everything is done on a secure, encrypted platform. Self-directing has never been easier.

See for yourself why IRA Financial is one of the leading providers of self-directed IRAs in the country:

- > Customized Self-Directed IRA design for your investment
- > Flat annual fees
- > No transaction or asset value fees
- > IRA & 401(k) personalized rollover support
- > IRS tax reporting, including IRS Form 5498 & 1099-R
- > BOI Reporting with FinCEN
- > LLC IRS tax filing (Form 1065) and UBIT tax filings (Form 990-T)
- > Free Roth conversion
- > Free RMD support
- > Free tax research on Self-Directed IRA plan topics
- > One-on-one tax support on the “disqualified person” and “prohibited transaction” rules.
- > One-on-one tax consultation on UBTI and UDFI rules
- > Free access to our Self-Directed IRA books
- > Free access to our educational webinars and guides
- > Self-Directed IRA IRS audit guarantee
- > Free HSA & Coverdell account for one year (a \$240 value)



# Get Your Questions Answered

Let us help you plan for the future. Schedule a consultation with our New Accounts team to learn more about creating wealth with your Self-Directed IRA, or other retirement account.

**Schedule a Free Consultation**

## Contact Us

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