Everything You Need to Know About Self-Directed IRAs

What is a Self-Directed IRA?

An Individual Retirement Account is a personal savings plan that allows one to save for retirement in a tax-advantaged way. A Self-Directed IRA provides the flexibility to include alternative investments into your retirement planning. Most IRA custodians only allow stock, bonds, mutual funds to be held on their platform. A truly self-directed IRA custodian, such as Premier Trust, allows clients to hold non-traditional investments outside of the traditional stocks, bonds, and mutual funds.

What Types of Investments Are Allowed and Not Allowed?

Many different types of investments can be held in a Self-Directed IRA including, real estate, promissory notes, private placements, etc. When discussing Self-Directed IRAs, it is often easier to determine what cannot be held in an IRA than what can be held in an IRA.

Assets That Cannot Be Held in a Self-Directed IRA

- Collectibles (including works of art, rugs, antiques)
- Metals other than gold, silver, and palladium bullion
- Gems
- Stamps
- Coins (except certain U.S.-minted coins)
- Alcoholic beverages, and other tangible personal property as may be defined by the Secretary of the Treasury is prohibited.
- Insurance
- S-Corp Stock

What Are Some of the Risks Associated with Self-Directed IRAs?

- Prohibited Transactions

Prohibited transactions are certain transactions between a retirement plan and a disqualified person. If you are a disqualified person who takes part in a prohibited transaction, you must pay a tax. (IRS.gov)

For example, an IRA holder may not:

- Receive unreasonable compensation for managing property held by the IRA
- Use the IRA as security for a loan
- Transfer plan income or assets to disqualified persons

- Lend IRA money to disqualified persons
- Borrow money from the individual retirement account
- Sell, exchange or lease property to their IRA
- Extend credit on their IRA to disqualified persons
- Furnish goods, services, or facilities to disqualified persons
- Allow fiduciaries to obtain or use the plan's income or assets for their own interest.

A disqualified person is:

- The IRA holder and his or her spouse
- The IRA holder's lineal descendants, ascendants, and their spouses
- Anyone providing services to the IRA, such as the trustee or custodian (See IRS Section 4975 for a complete list of prohibited party's credentials)
- Investment advisers and managers
- Any corporation, partnership, trust, or estate in which the IRA holder has 50 percent or greater interest.

The Self-Dealing Rule

This is a legal principle that prevents IRA owners from making investments (or loans) that benefit themselves or certain family members, even indirectly. It also bars mingling of your IRA and nonretirement funds. Run afoul of the self-dealing rules and your entire IRA could be immediately taxed.

Do Your Due Diligence

Before diving into a self-directed IRA account, you need to perform your due diligence. Do extensive research on all of your investment options, ask your tax or legal advisor any necessary or looming questions. Take the opportunity to learn more about your investment opportunities and how it can benefit you and your future. The more you know about your investments, the more you are in control!

Contact Premier Trust

For more information on Self-Directed IRAs, call to speak with one of our IRA experts at (702) 507 - 0750 or e-mail us at ira@premier-trust.com.