INVESTOR'S GUIDE TO SELF-DIRECTED IRAs

Combine IRA tax benefits with alternative investment opportunities.

New Direction
TRUST COMPANY

Self-Directed IRA

Introduction

At New Direction Trust Company, we give investors the freedom to invest in what they know, and the power to direct their retirement goals on their own terms.

Few retirement account holders are aware of the fact that they can use their IRA, 401(k), or even HSA to purchase more than just traditional stock market investments. These tax advantaged retirement dollars can pursue investments outside of the stock market.

The IRS allows IRAs and HSAs to acquire a wide variety of "alternative" assets without penalty and while keeping the tax benefits associated with that account type. An IRA can buy and sell any type of real estate, certain precious metals, equity/stock in private companies, and more. An IRA can even be a lender. In fact, your IRA can make money for your retirement in almost any way that you know how to make money outside of your IRA.

It has always been possible for IRAs to invest in alternative assets; however, finding an IRA provider that allows alternative investments has historically been difficult. The IRS requires an authorized provider for every IRA, and most providers don't have the capacity to document and service alternative assets. At New Direction Trust Company, we've built our business by being expert providers of self-directed IRAs and HSAs that can invest in all kinds of alternative assets.

You, the IRA holder, along with your chosen financial team (CPA, CFP, attorney, family, etc.), find the investments you want, perform due diligence, and negotiate the acquisition by your IRA. Your New Direction Trust Company team keeps the books for your IRA, making sure the paperwork substantiates that the asset is part of your IRA, and therefore deserves the tax benefits associated with the account type.

This report will give you strategic information about how investing in alternative or hard assets with your self-directed IRA works. Once you have looked at this primary information, give our IRA professionals a call at 877-742-1270 x155 or email us at info@ndtco.com and let us fill in the details.

Benefits of a Self-Directed IRA

With ongoing stock market volatility and the uncertain future of social security, more investors are turning to self-directed IRAs to invest their retirement funds in the assets they personally know and understand.

Tax Benefits: A self-directed IRA that invests in alternative assets enjoys the same tax advantages as an IRA that is limited to publicly traded securities.

Diversification: Ability to adapt to economic conditions – retirement investors enjoy the flexibility a self-directed account provides, as it allows account holders to choose the types of investments that meet their needs.

Control: Investors can rely on their own market expertise. Almost any money-making strategy that account holders use outside of their IRA can be used inside their IRA while keeping the tax advantages of the account type.

Private Knowledge: Account holders can access private investments which the general public may not know about. A self-directed IRA allows investors to combine IRA tax advantages with private investment opportunities

Self-Directed IRA

Tax Advantaged Plans Eligible for Self-Direction

- Traditional IRA
- Roth IRA
- SEP IRA
- SIMPLE IRA
- Solo 401(k)
- HSA

Investment Options

All Roth IRAs are allowed to hold many types of investments:

- **Real Estate:** commercial, residential, land, mineral rights, timber, cattle, etc.
- **Private Loans:** business loans, construction loans, mortgages, convertible notes, promissory notes, etc.
- **Private Equity:** startups, local businesses, private funds/developments, LLCs, C-Corps, LPs, etc.
- **Precious Metals:** gold, silver, platinum and palladium bullion and coins allowed by the IRS
- **Public Securities:** stocks, bonds, mutual funds, ETFs, etc.

New Direction Trust Company permits clients to invest in these assets, while most companies restrict their clients to publicly traded securities only.

A Self-Directed IRA is a Legal Entity

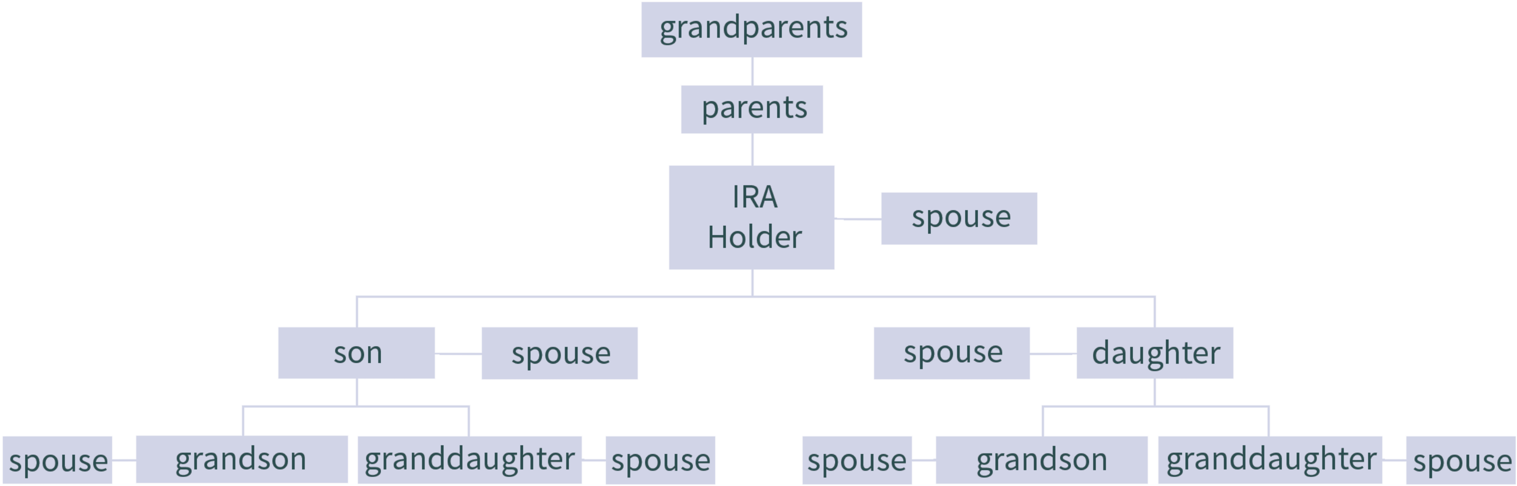
An IRA is its own financial and legal entity, separate from your personal finances. As a separate legal entity, your IRA has its own name: NDTCO as custodian FBO *Client Name* IRA. All legal documents related to an IRA-owned asset must be in the name of the IRA, not your personal name. The IRA is the owner of the assets, not the person who is the IRA holder. Therefore, purchase cost and all other expenses associated with the acquisition and maintenance of the asset(s) are paid by the IRA and all income (e.g. rent, note payments, profit from sale, etc.) goes back to the IRA. Documents associated with your IRA's investment are signed by New Direction Trust Company (as the custodian for that account).

Self-Directed IRA

Disqualified Persons

All IRAs have a list of people who are disqualified from certain interactions with that account. The graphic below illustrates which family members are considered disqualified. Keep in mind that any entity that is owned or controlled by a disqualified person is also disqualified.

Disqualified Persons Include:



Please note that this graphic is not comprehensive. Certain fiduciaries and others may be disqualified as well. Call NDTCO today for more information about disqualified persons.

Prohibited Transactions

The disqualified persons/entities noted above have some restrictions on how they can interact with an IRA. IRC Section 4975 sets forth these limitations which are summarized below.

- Sale, exchange or lease of any property
- Loans or extensions of credit
- Furnishing of goods, services or facilities
- Transfer to, or use by or for the benefit of, a disqualified person of any income or assets of a plan
- Dealings by a fiduciary with the income or assets of the plan for his/her own interest or account
- Receipt by a fiduciary of any consideration from a party dealing with the plan in connection with a transaction involving income or assets of the plan

Distribution Strategy Considerations

Traditional IRA holders may generally begin taking distributions without penalty from their accounts at 59.5 years of age. Distributions made prior to age 59.5 will result in an early distribution penalty of 10%. Required minimum distributions begin at age 70.5.

Qualified Roth IRA distributions are tax free as long as the 5-year rule has been satisfied and the account holder is more than 59.5 years of age. (Annual contributions to a Roth IRA can be taken as a distribution without tax or penalty at any time.)

Self-Directed IRA

HSA distributions for Qualified Medical Expenses (QMEs) are tax and penalty free at any time. HSA distributions for non-QMEs are taxed and penalized 20% unless the account holder is at least 65 years old, in which case the distribution is taxed but not penalized.

A distribution can be taken in cash or in-kind, meaning that the asset itself (or some percentage of the asset) is distributed to the account holder.

If the distribution is being taken from a Traditional IRA, SEP, SIMPLE, or most 401(k)s, tax is due on the value of the distribution, cash or in-kind.

Similar to the way account holders can distribute a percentage of the cash in their IRA over a number of years to spread out the tax burden, an in-kind distribution can take place over a number of years by distributing partial percentages of ownership.

Valuation of non-cash assets is required prior to distribution.

Getting Started

Complete Account Application

Fund Account (transfer, rollover, or contribution)

Make an Investment

**The time it takes to move funds from other institutions will vary according to that institution's responsiveness.*