

## Your Guide to Owning Your Own Company in Your IRA



American IRA, LLC





*Declare independence from Wall Street! Self-directed IRAs and other retirement accounts let you take personal control of your assets.*



## Take Control!

Wall Street has conditioned most investors to think conventionally, when it comes to long-term retirement investments. Too often, people limit their retirement investment thinking to the expensive, fee-laden mass market financial products currently packaged for them by investment bankers in faraway cities.

American IRA clients are a different breed. Most of our clientele are experienced business people with in-depth knowledge into specific industries - or who have had lifelong dreams of owning their own business, ranch, farm or any other enterprise. When expertise meets enthusiasm, no Wall Street product can beat it.

That's where the self-directed IRA or other retirement account comes in.

## Is it Legal?

It's absolutely legal. Everyone is familiar with the idea of owning equities in an IRA. But there is nothing that says the equity has to be publicly-traded. Indeed, IRS rules actually give you a wide

latitude when it comes to the types of assets you may own. And it is very easy to own an entire privately-held business within your self-directed IRA, 401(k), SEP or other retirement account.

Here are just a few of the closely-held private businesses Americans are starting or purchasing within their IRAs.

- Consultant practices
- Farms and ranches
- Retail stores
- Import-export businesses
- Bakeries and restaurants
- Rental real estate
- Service businesses.

...and much more.

## It's Easy.

As long as you avoid a few specific investments such as life insurance, jewelry and gemstones, collectibles and alcoholic beverages, keep your retirement money strictly segregated from your other assets, and observe a few commonsense rules designed to prevent conflicts of interest, it's very easy to get started using a self-directed retirement account.

When you open a self-directed account through American IRA, LLC, the sky's the limit, and *you* are in control.

## Roll Over to a Self-Directed Account

If you currently have a 401(k) from a former workplace, or even if you are still working there and your plan allows for inservice withdrawals, you can execute a tax-free rollover from a 401(k) to a self-directed 401(k) or IRA that allows you to invest in private lending.

## Advantages

The traditional form of the IRA allows you to shelter all the income generated from income taxation. In the case of Roth IRAs, the income generated and all capital growth is *free* of federal income tax, (provided the money has been in the Roth account for at least 5 years and you are at least 59 1/2 yrs. old). IRAs and other retirement accounts may also provide important asset and bankruptcy protection, depending on your jurisdiction.



*Using a self-directed IRA or other retirement account puts YOU in control. You aren't beholden to Wall Street. You select the deals you want to participate in, and keep more of the profits for yourself and your family.*



## Why Consider Self-Direction?

It's more important than ever to create retirement income that's independent of the government. Here are a few reasons why:

**People are living longer.** The number of centenarians is doubling every dozen years or so throughout the developed world. Chances are excellent that by the time you and your spouse reach your golden years, your retirement savings will need to provide 25 to 30 years worth of income. That's like making up for an entire career between the ages of 65 and 95!

**Social Security is in trouble.** Current projections forecast that the Social Security trust fund will be exhausted by 2036. To pay guaranteed benefits, Congress will need to draw more and more funding out of general revenue on the backs of a shrinking tax base. The funding needed to keep up current payouts simply isn't there; something has to give. Chances are excellent that Congress will eventually pass significant cuts, in one of two ways: raising the retirement age or means testing.

All of our clients need to be prepared; private savings in retirement accounts are critical.

**Interest rates and dividend yields are near historic lows.** Returns on investment in stocks and bonds – and by extension, mutual funds – are also way down. This makes accumulating retirement money with these conventional financial instruments much more difficult than it was a generation ago. Low interest rates and stock dividends mean it's tougher than ever to amass a sufficient nest egg with conventional IRA investments. That's where self-direction comes in.

**Traditional pension plans are going the way of the dinosaur.** The current workforce cannot rely on pension plans like previous generations did. Fortunately, many investors have learned the advantages of investing in a self-directed retirement account. The process of purchasing and selling assets is the same inside and outside the IRA – the only difference is that an asset owned by an IRA must be vested in the IRA's name.

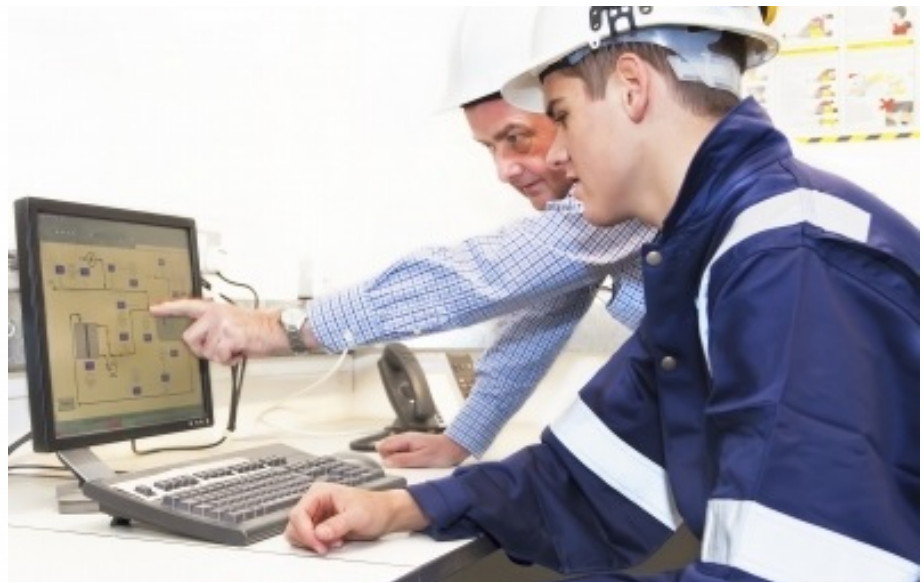
The other advantage is that assets inside an IRA are tax-deferred or tax-free depending on the IRA type.

A self-directed IRA combines the advantages of tax deferral (and in the case of Roth IRAs, tax-free growth) with the entrepreneurial and alternative investment opportunities normally associated with fully-taxable accounts.

## You Are In Charge.

With self-direction, *the choice is yours!* You are free to pursue a much broader and more flexible asset allocation strategy, combining tax lien investments with more conventional income investments, stocks, bonds, precious metals, annuities and other asset classes.

As your expertise develops in tax lien investing, chances are very good you will be able to extract extra yield from your portfolio, all the while reducing overall risk, and taking advantage of the substantial tax benefits of IRAs, SEPs, self-directed 401(k)s and other tax-advantaged retirement savings vehicles.



## Considerations

Because concentrating a retirement account in any one security can be risky, you should carefully consider the tradeoffs of concentrating a substantial chunk of your retirement assets in a single business or industry.

On the other hand, some entrepreneurially-minded investors regard the concentration as a plus: Since a self-directed IRA account places you in charge, you are free to implement risk management measures that few Wall Street products would take on your behalf. As a result, many people who choose self-direction feel *more secure*, not less secure, because their assets are concentrated in businesses that they know well, and in businesses in which they well understand the risks.

### Is it right for me?

Holding a small business entirely within a retirement account works best for entrepreneurially-minded investors who have a solid understanding of the businesses they own, who have substantial liquidity within the IRA and who will not need to make large,

unexpected cash infusions into these businesses.

Successful self-directed account owners should also be organized and disciplined, so as not to accidentally violate rules against prohibited transactions and prohibited counter parties to transactions (see below). Assets should be strictly segregated between the IRA and your other personal accounts. Owners can be paid employees of the corporation, partnership or other entity, but only under fairly narrow circumstances. This is because plan rules prohibit owner and their family members from benefitting from tax-advantaged retirement assets prior to their taking taxable distributions.

Furthermore, IRA owners should not make payments to their closely-held business directly. Any moneys coming from outside the IRA should be directed to the third-party administrator, along with a *deposit coupon*, prior to the funds being deposited into your IRA's cash account.

## Other Options

As we mentioned, you aren't limited to self-directing IRA accounts. See our other brochures in this series for information on how you can take personal control of the assets in your solo 401(k) plan, Roth IRA, SEP, SIMPLE IRA, and even in your Health Savings Account!

## About American IRA

American IRA, LLC, with offices in Asheville and Charlotte, North Carolina, specializes in providing third-party administrator (TPA) services for owners of self-directed retirement accounts, including IRAs, Solo 401(k)s, SEPs, SIMPLE IRAs and others. Founder James Hitt has decades of experience in private enterprise and in self-directed retirement investing.

We only charge for services that you actually use, rather than as a percentage of your total assets. All cash is deposited in an FDIC-insured account when not committed to other assets.

If it sounds like self-directed retirement account investing is for you, give us a call today, at 1-866-7500-IRA (472).



*Adhering to these rules concerning prohibited transactions is critical. Failure to abide by them can result in your entire IRA being disallowed.*



## Rules and Requirements

While IRAs are tremendously flexible vehicles, they do have limits. IRS rules place certain restrictions on the *kinds* of transactions you can make within IRAs and who you can make them with. In order to ensure the preservation of the preferential tax treatment your IRAs enjoy, it's critical to have experienced professionals on your side; otherwise you could inadvertently make a prohibited transaction or distribution - which could result in the loss of all the tax advantages of your retirement account and possible immediate tax liability.

## General rules concerning IRAs

☒ You may not lend to or borrow from your IRA. Nor may any prohibited individual, defined as your spouse, either of your descendants or ascendants, any professional advising you on your IRA or other relevant retirement account. The same goes for any entities these individuals may hold or control.

☒ Your IRA may not purchase/sell any assets whatsoever from/to you, nor from or to any of the prohibited counterparties listed above.

☒ You may not invest in any assets prohibited by the IRS. For example, you can't own jewelry, art, collectibles, unauthorized forms of gold, silver or platinum coin or bullion, life insurance or alcoholic beverages within your IRA (though your IRA may own stock in a business that owns these things). You also cannot buy property that was previously owned by prohibited persons or entities, as specified above. This also means you can't use a 'straw buyer' as an intermediary to create a 'back-door' prohibited transaction.

☒ You may not take personal possession or make personal use of property in your IRA or other retirement account.

☒ You must pay any expenses *from funds within the IRA*. You may not intervene with your own funds beyond the allowable contribution each year (see our Website), plus any allowable rollovers from other accounts.

☒ You may not pledge your IRA as collateral for any loan outside of the IRA.

☒ You may not lend to or borrow from your IRA. Nor may any prohibited individual or entity make a loan to or borrow from your IRA. The same goes for other types of self-directed accounts, too.

Contrary to popular belief, your IRA *may* borrow money, as long as it borrows on a *non-recourse* basis. That is, the creditor can retain no interest or lien on anything outside of the IRA itself. If your IRA does borrow money, and profits, a portion of those profits may become taxable as unrelated debt income.

## Liquidity Issues

In the event of a loss, the entire loss must be absorbed within your self-directed retirement account, including any allowable new contributions. You cannot dump money in from outside the IRA, beyond the specific limits allowed by law or by borrowing. If you have any doubt about whether a transaction is allowable or not, contact American IRA, LLC and/or your own investment advisor.

## Self-Directing your IRA Investments gives you...

- More choices
- More diversification
- Potentially higher income / yields
- More control
- Freedom to focus on your areas of expertise
- Personal satisfaction, for those who enjoy managing their own money

## *Declare Independence from Wall Street!*

To find out more, or for a detailed consultation, call us today at 1-866-7500-IRA (472).

*Notice: American IRA, LLC is a third-party administrator and does not give legal, accounting, tax, investing or other specific advice. For information and advice specific to your individual situation, you should seek the services of qualified and licensed professionals practicing in your state.*

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