Safeguard Advisors
UNLOCK YOUR RETIREMENT PLAN

Invest in What you Know with a Self-Directed Retirement Plan

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With a self-directed IRA or Solo 401(k) retirement plan you can break free of limited investment options and pursue a truly diversified path to wealth building.

Holding alternative assets such as real estate, private placements, or precious metals as investments in your tax-sheltered retirement plan can be a great way to secure your retirement future. When designing a long-term savings plan for growth and resiliency, a diversified mix of investment assets is key. Placing some of your savings into solid assets such as real estate that are decoupled from stock market volatility can be a great strategy, especially if the investments produce consistent income regardless of valuation as rental real estate can.

In this guide, we'll help you understand some of the basic concepts and benefits of utilizing a self-directed IRA to invest differently, including:

- The benefits of true diversification
- Types of alternative asset investments that can be held in an IRA
- What plan types are available to facilitate alternative asset investing
- IRS rules surrounding investing in an IRA

If you are ready to unlock your retirement plan and invest in what you know, our team at Safeguard Advisors is here to help you understand what is possible.

The Benefits of True Diversification

It is no secret that diversification is a key strategy for designing an investment portfolio. Financial advisors always make this point, yet typically only offer a very limited choice of investments in stocks bonds, mutual funds and other financial products.

Here's a little secret: stocks of publicly-held companies of different sizes, in different sectors and different geographies are still just stocks of publicly-held companies. There is little meaningful diversification taking place, and any major news or event driven market volatility will have a potential impact on all such sectors.

True diversification requires a mix of completely different asset types. A well-designed portfolio will certainly include an allocation of stocks, bonds or funds, but should also have assets that are distinctly separate such as real estate, private mortgage notes, stock of privately held companies, or precious metals.

These and other alternative or non-traditional assets provide meaningful diversification in many ways.

- Your IRA can hold an interest in a real asset and not just paper value. This provides a hedge against risk of total loss in value.
- While all asset classes are subject to certain value cycles, alternatives are often significantly decoupled from the financial markets and will likely be less volatile as a result.
- Some assets such as real estate, mortgage notes, and accounts receivables factoring provide consistent and predictable income in the form of cash flow or interest payments, regardless of what the underlying asset value may be.
- Assets that produce consistent income provide the opportunity to either reinvest that income or create a stream of liquidity for distributions to yourself from the IRA without having to sell the underlying investment asset.

Perhaps most importantly, expanding your choice of investment assets within your IRA puts you more directly in control of investment performance. Your expertise can be put to work in selecting the right projects and markets, as well as managing the lifecycle of an investment from purchase to eventual sale.

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What Kind of Investments Can be Held in a Self-Directed IRA?

The possibilities for investing with a self-directed IRA are almost limitless. IRS rules do not specify what you can invest in with a tax-sheltered retirement plan. Only a handful of investments are prohibited, including life insurance and collectibles such as art, antiques, jewelry, stamps, alcohol and the like.

Some of the more popular investment choices include:

- Real Estate in many forms
- Stock of privately-held companies & startups
- Precious metals
- Mortgage notes and trust deeds
- Cryptocurrencies like Bitcoin
- Tax liens
- Accounts receivable factoring
- Mineral rights
- Crowdfunds
- And much, much more.

One of the main advantages of such flexibility is the potential to invest in what you know. If you already own rental property personally and are achieving good results, why not have your IRA take advantage of similar opportunities? Maybe your professional network leads to an opportunity to invest in a startup in a field you understand?

Self-Directed IRA and 401(k) Plans that Allow for Alternative Asset Investing

Retirement plans offered by mainstream financial institutions are limited to investments in publicly traded assets such as stocks, bonds and mutual funds.

The processing of non-traditional investment transactions within an IRA is more complex, which is why most firms do not offer the ability to invest in real estate and other alternatives.

In order to invest in alternative assets, a specialty, self-directed IRA or 401(k) is required.

Such plans are identical to more common IRA and 401(k) offerings in all ways relative to the tax code. Rules for contributions, age thresholds for distribution, designation of account beneficiaries, and annual reporting are the same, and such accounts are federally regulated in the same fashion as conventional offerings.

What makes a self-directed plan different is simply the specialized services that support investing in anything the IRS rules allow for.

Several self-directed plan options are available, and most existing retirement savings can be converted to a self-directed format with no tax implications, including:

- Traditional IRA
- Roth IRA
- SEP IRA
- SIMPLE IRA
- Inherited IRA
- 401(k), 403(b) and 457 employer sponsored plans from prior employment
- Pensions and defined benefit plans

A current employer plan such as a 401(k) may not be eligible for transfer. Only when you terminate employment or continue working past age 59½ can these plans be moved to a plan of your choosing.

Why True Self-Direction Requires Checkbook Control

When it comes to managing a diverse and dynamic portfolio with a self-directed IRA or 401(k), plans that offer "checkbook control" provide many significant advantages.

There are self-directed IRA plans held by specialty custodians that have the capacity to invest in real estate and other alternative assets, but these accounts can be cumbersome and expensive to use.

In this arrangement, the custodian acts as a passive processing agency at your direction. They hold the funds, sign every document, issue funds for expenses associated with the investments you choose, and receive the income produced by those investments. When you factor in the 3-5 day processing queue and combination of per-transaction and per-asset fees such custodians typically charge, this can be a less than efficient means to invest.

Safeguard Advisors specializes in plans that offer you direct control over all investment activities and the ability to hold plan funds in a local bank account of your choosing for which you will have signing authority.

Rather than rely on 3rd party processing of your critical and time-sensitive investment activities, you can simply sign a contract and write a check.

Checkbook control is simply more effective and efficient than a custodian-held account, and will save you both time and money.

Checkbook IRA

A Checkbook IRA LLC provides the maximum amount of flexibility and control for IRA investors. A unique design featuring two layers is used to create this program:

1. A self-directed IRA account held by a registered trust company as custodian
2. A specially crafted Limited Liability Company (LLC) wholly owned by the IRA

All IRA accounts require a custodian by rule. In this structure the custodian serves the necessary compliance and reporting role, but otherwise remains in the background. All investment transactions take place within the LLC.

The LLC functions as your own personal IRA asset-holding company. The IRA is the 100% owner of the LLC. The IRA cash is invested into the LLC and remains under the umbrella of the IRA for reasons of tax treatment. You can serve as the manager of the LLC and have signing authority on behalf of the entity. This allows you to direct the capital of the IRA-owned LLC into the investments you choose.

It's similar to having a more conventional IRA invested into a mutual fund – but you get to be the fund manager.

You will only interact with the custodian-held IRA account for purposes of adding or removing IRA capital in the future; such as making contributions, taking distributions, or rolling over funds between this and another IRA plan.

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Checkbook Solo 401(k)

For investors who qualify by being self-employed and having no full-time employees, the Solo 401(k) is the preferred plan format.

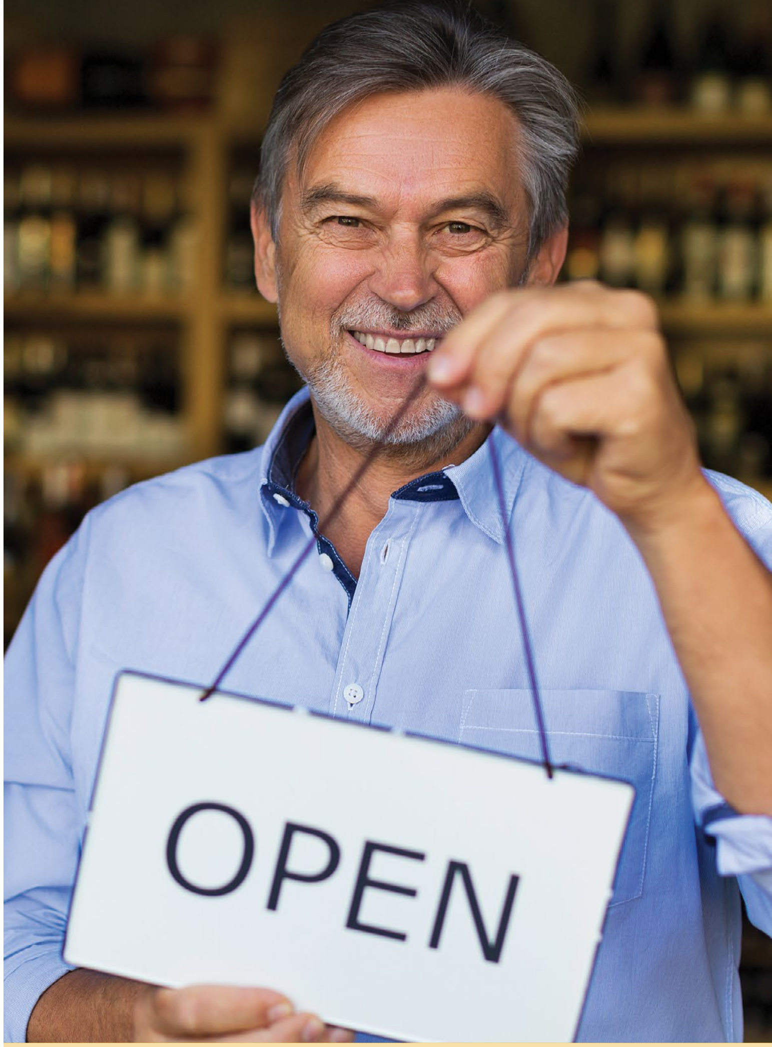
Our Solo 401(k) plan offers the same kind of checkbook control as the IRA LLC, with additional benefits as a more powerful retirement plan designed for self-employed individuals.

With the Solo 401(k), no 3rd party custodian is required. The plan itself is a trust, and you as the self-employed business person act as the trustee. This gives you direct control over plan transactions, which you will fund from a bank account of your choosing held in the name of the 401(k) trust.

401(k) plans offer very generous contributions up to $56,000 for those under age 50 and $62,000 for those age 50 and older (2019 limits). You can also make Roth contributions of up to $19,000 per year without any income limits.

Solo 401(k) plans also allow you to borrow personally from the plan up to $50,000. That can come in handy in an emergency of if you need capital for a personal venture outside of the plan.

The Solo 401(k) is popular with independent contractors, real estate agents, professionals like attorneys and CPAs, and other self-employed individuals. Many types of business formats qualify, including sole proprietorships, LLCs and corporations. You can even have qualifying self-employment to sponsor a Solo 401(k) while also working for a separate employer.



With the Solo 401(k), no 3rd party custodian is required.

IRS Rules & Guidelines

The key benefit of IRA and 401(k) retirement plans is the tax-sheltered income they provide. This sheltering allows you to grow your savings over time by reinvesting and compounding investment gains, rather than seeing gains eroded by taxation.

To maintain tax-sheltered status when investing your IRA, there are certain rules that need to be followed.

The number one thing to keep in mind is that all investment activities must be executed at arm's length and exclusively for the benefit of the plan.

You or those considered disqualified parties to your IRA may not personally benefit from the use of IRA funds. Disqualified parties include:

- You as the IRA account holder
- Your spouse if you are married
- Lineal antecedents such as parents and grandparents
- Lineal descendants such as children and grandchildren
- The spouse of a descendant
- An entity such as a business or trust where one or more of the above have controlling interest
- Fiduciaries to your IRA or 401(k) plan

Keeping things at arm's length means you should avoid transacting with disqualified parties such as having your IRA purchase a property from you or a lineal family member. Your Solo 401(k) should not purchase a property you intend to have a family member live in or rent, nor should your plan lend money to a disqualified party. It would also be disallowed if your self-directed IRA were to hire a disqualified party to perform services.

The prohibition against self-dealing applies in both directions. While you may administer the investment activities of your self-directed IRA, you may not add value to the IRA through the provision of goods or services. Providing your time and energy to the IRA would be the equivalent of making non-documented contributions to the IRA, and is therefore prohibited. This means you should not perform work on an IRA-owned property, or use personally owned furniture to decorate an IRA owned rental.

A good way to approach this concept is to realize that a self-directed IRA is simply a means to diversify the investments of the IRA. Such plans are not a way for you to access funds to make investments you wish, or achieve some personal financial goal today, but rather are a way to provide a better investment option for the retirement plan, and for your future, retired self.

Popular Investment Choices

Rental Real Estate

Investing in residential and multi-family real estate is one of the most popular investments for those with self-directed retirement plans. Real estate is a secure asset with the potential for income through cash flow and appreciation.

An IRA or 401(k) can purchase a property outright, partner with other investors or use mortgage financing.

The IRA is on title to the property, pays all expenses associated with the acquisition and maintenance of the property over time, and receives all income from rents and the eventual sale of the property. The income produced is tax-sheltered to the IRA.

Mortgages and Trust Deeds

Banks make a lot of money. Why not have your IRA be the bank and invest in mortgage notes? Because mortgages are backed by the underlying property, these instruments are a relatively secure and stable asset. Consistent and predictable interest income can be a great way to grow your savings.

The IRA is the lender and holds title to the note. The borrower pays principal and interest to the IRA, and any gain is tax-sheltered to the IRA.

Crowdfunds & Syndicates

Participating as an investor in a deal put together by professionals is a very common strategy. There are many kinds of opportunities of this sort, including syndicated real estate partnerships for large apartment or commercial properties, private note funds, and venture capital groups.

By leveraging the efforts and expertise of professionals and pooling your funds with other investors, you can mitigate risk while tapping into profitable ventures.

This type of investing is especially popular with busy investors who may not have the time or expertise to create their own deals.

Precious Metals

Precious metals such as gold and silver can provide a hedge against inflation and economic downturns. Holding a portion of your retirement savings in such real assets with intrinsic value may make sense. With a self-directed IRA LLC or Solo 401(k) you can directly hold allowable metals such as US Eagle coins.

Cryptocurrencies

Investing in cryptocurrencies such as Bitcoin has been very popular for the last several years. While certainly quite speculative, the opportunity presented by the long-term potential of blockchain technologies is appealing to many investors.

A self-directed retirement plan with checkbook control can directly transact in digital currencies. The plan will be able to open one or more exchange accounts and not have to rely on 3rd party brokers with processing delays and high commissions. You will have full control over token storage with a variety of wallet types.

For more visit www.ira123.com

Frequently Asked Questions

Is it legal to invest IRA funds in real estate and other alternative assets?

Yes, since IRA and 401(k) plans were created in 1974, a wide variety of investments have always been allowed.

Are my funds safe?

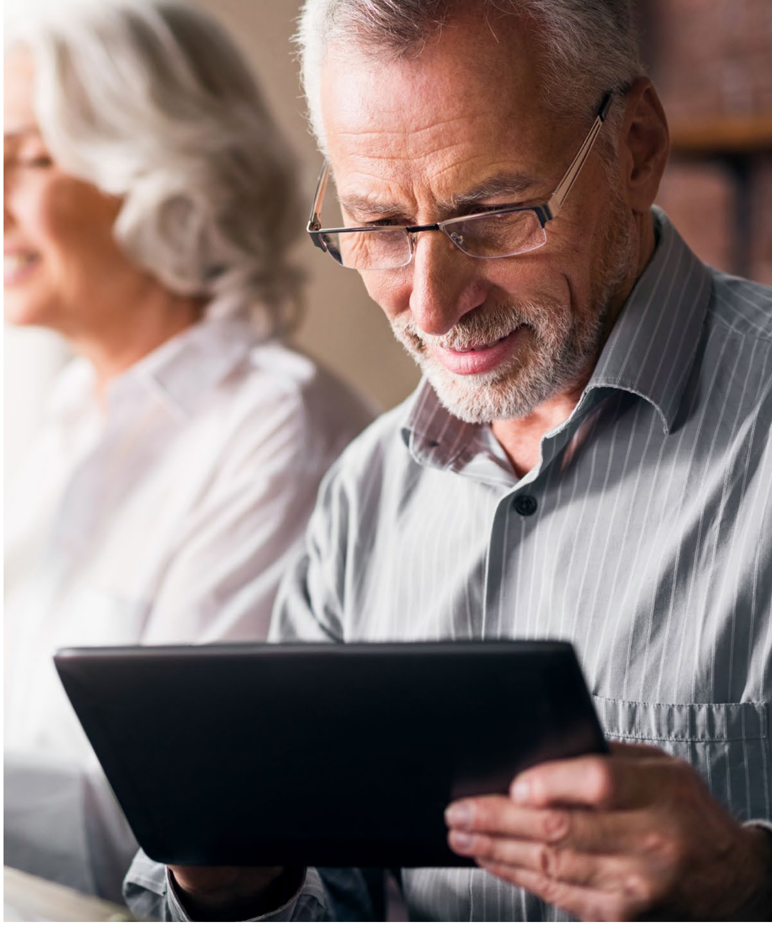
At the structural level, your funds are entirely safe.

Safeguard Advisors never holds client funds.

IRA plans utilize a licensed and registered self-directed IRA custodian operating under the exact same rules as any other bank or brokerage, and funds in cash are insured to $250K. Funds move quickly through the custodian to a LLC account of your choosing and under your control.

In a Solo 401(k), no 3rd party ever holds your funds. A rollover to the plan will land directly in a trust account with a bank of your choosing, also insured by FDIC to $250K while in cash.

Once you invest, then there is risk of loss due to poor performance of an investment, or potential fraud by a 3rd party investment providers if such are used.



Are there taxes for converting to a self-directed IRA or 401(k)?

No. These self-directed plans are still qualified, tax-sheltered vehicles. They just provide a different model of investing.

Why haven't I heard about this before?

The business model and financial self-interest of commission-based investment firms are centered on publicly traded assets. The mainstream financial services industry is simply not designed to provide access to real estate and other alternative asset investments, and cannot easily profit thereby, so there options are not on the menu.

Expert Guidance is Your Key to Success

Establishing your self-directed plan is only the first step.

How you use the plan is what matters when it comes to building your retirement savings safely and successfully.

Quality education and guidance is the real value behind every Safeguard-provided retirement plan.

At Safeguard Advisors, our team of investment, real estate, and legal professionals is uniquely capable of providing the full range of ongoing consulting services you need to invest with confidence.

As a client of Safeguard Advisors, you have ongoing, unlimited access to our team so long as you are using the plan – at no additional cost. You'll have a dedicated consultant who is a seasoned investor to help guide you as you take control of your retirement portfolio. If you want to understand the IRS guidelines surrounding a particular transaction strategy, learn how to use the power of leverage within your IRA, or just want help making your annual IRA contribution, we've got you covered.

Since 2005, we've implemented thousands of self-directed IRA plans for investors in all 50 states. Through dedication to excellent service for each and every investor we work with, we have earned an A+ rating with the BBB.

With an A+ rating from the BBB, thousands of clients in all 50 states attest to our integrity and our competency.

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Serving clients nationwide since 2005

The first step on your path to success is a conversation.

If you are ready to explore your options and learn more about investing with your self-directed retirement plan, give us a call. One of our expert advisors will be happy to evaluate your specific situation and investment goals and recommend a personalized strategy for success.

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As with any investment, there is risk associated with investing in alternative assets. Before investing, you should ensure you have the financial ability and experience to gauge and understand the risks, perform the necessary diligence, and properly administer such investments in compliance with both local laws and the federal tax code relating to IRA and 401(k) retirement plans.

Safeguard Advisors, LLC is not an investment advisor or provider, and does not recommend any specific investment. We provide properly structured self-directed retirement plan platforms that provide you as the investor with full control over investment decisions. The information above is informational in nature, and is not intended to be, nor should it be construed as providing tax, legal or investment advice.