

Advanced Insights

Self-directed Retirement Accounts



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Self-directed Retirement Plans

- *What is a Self-directed Retirement Plan?*
 - **You** may choose any allowable type of asset
 - Includes non-traditional assets like real estate
 - **You** manage your retirement plan's investments
 - **You** have control



Why Self-direct?

- True Diversification
 - Include non-traditional assets
 - Real estate
 - Mortgages & notes
 - Private business
- Control
- Ability to use leverage

Retirement Plans

- Traditional IRA
- Roth IRA
- SEP
- SIMPLE
- 401 k – former employer
- 403 b – former employer
- TSA – former employer
- TSP – former employer
- Solo 401(k)



Account Specifics

- Rollover Portability & Consolidation
 - IRA to SEP & SEP to IRA
 - IRA, SEP, Simple to Roth*
- Contribution Limits & RMD
 - Traditional & Roth - \$6,000/\$7,000
 - SEP -\$58,000 (25% of W-2 income, 20% of SE income)
 - Simple - \$13,500/\$16,500
 - Required Minimum Distribution (RMD)
 - No RMD for Roth Accounts

Account Specifics

- Early Distributions & Penalties
 - Payments you receive before age 59 ½
 - Usually subject to an additional 10% tax
 - Must be reported to the IRS
 - Amount of early Roth distribution attributable to contributions is not taxed



Roth Accounts

- Advantages
- Qualified distributions/No RMD
- 5 year Holding Requirement
- Income Limitations
- Conversions
 - Taxes Due and Payable
 - Paid from converted account?
 - Multiple Accounts
 - Partial Accounts
 - Check with your Accountant



Non-recourse Loans

- What is a non-recourse loan?
- No income/employment verification
- Industry standards:
 - Required documentation
 - Loan guidelines
 - Eligible & ineligible properties



Unrelated Business Taxable Income

- UBTI or UBIT
- Most IRA investments generate passive income
- Real estate investments

Unrelated Debt-Financed Income

- UDFI
- Applies to income generated from an asset that was purchased using financing
- Based on Net Income of property
- First \$1,000 exempt
- % of taxable income based on ratio of debt on the property
- When asset sold, % of gain subject to UDFI tax

Example Investment

Rental Property - 50% debt financed

Annual Net Rental Income	\$12,000 (\$1000/month)
Income Subject to UDFI	\$5,000 (\$6,000-\$1000)
2021 Trust Tax Rate	10%-37%
UDFI Taxes	\$836
Net Income After UDFI	\$11,164



UBTI & UDFI

- Reported on IRS form 990-T
- Taxable at the Trust Tax Rate
- Discuss with your Tax Advisor



Benefits of the LLC Structure

- Offers maximum flexibility
- Provides additional asset protection
- ‘Checkbook control’ over retirement funds
 - Immediate response to investment opportunities
- Simplifies asset titling
- Ease of pooling

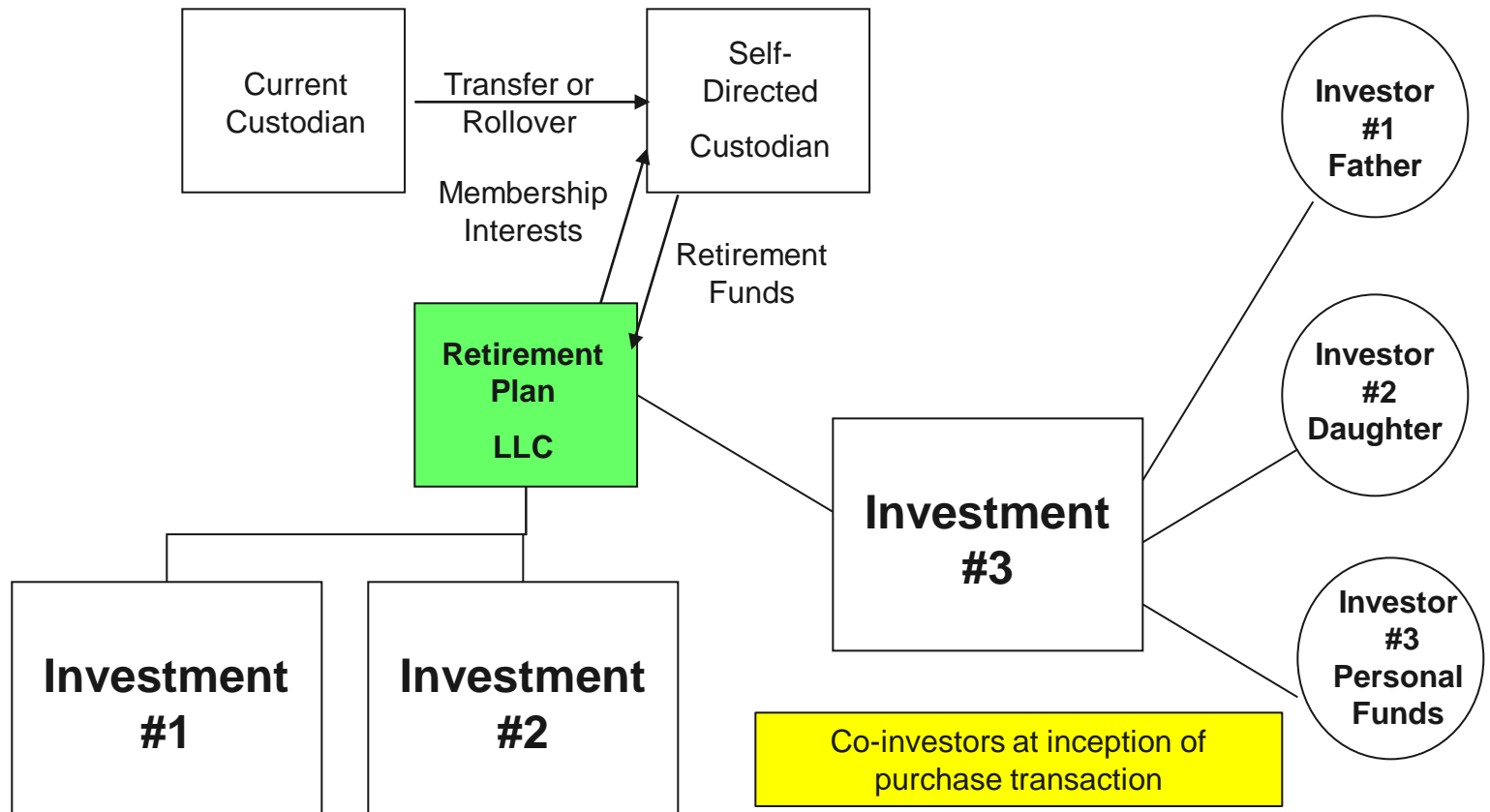


Partnering with Others

- Self
- Spouse
- Family members
- Colleagues
- LLCs
- Investment Syndications



Retirement Plan LLC Structure



STC's Full-Service Approach

- Retirement Account LLC structure setup
- Protected 'checkbook control'
- CPAs & attorneys to answer technical questions
- Guidance on transaction compliance
- Handle all the 'back office' support
- Maintain LLC financial statements
- Supervise regulatory reporting
- Oversee annual valuation



How can STC serve you?

Do you...

- want to open a self-directed account now?
- have clients or colleagues who would be interested in self-direction?
- need more information?



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