

# 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 -\$61,000 (25% of W-2 income, 20% of SE income)
  - Simple - \$14,000
  - 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)
2022 Trust Tax Rate	10%-37%
UDFI Taxes	\$815
<b>Net Income After UDFI</b>	<b>\$11,185</b>



# 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



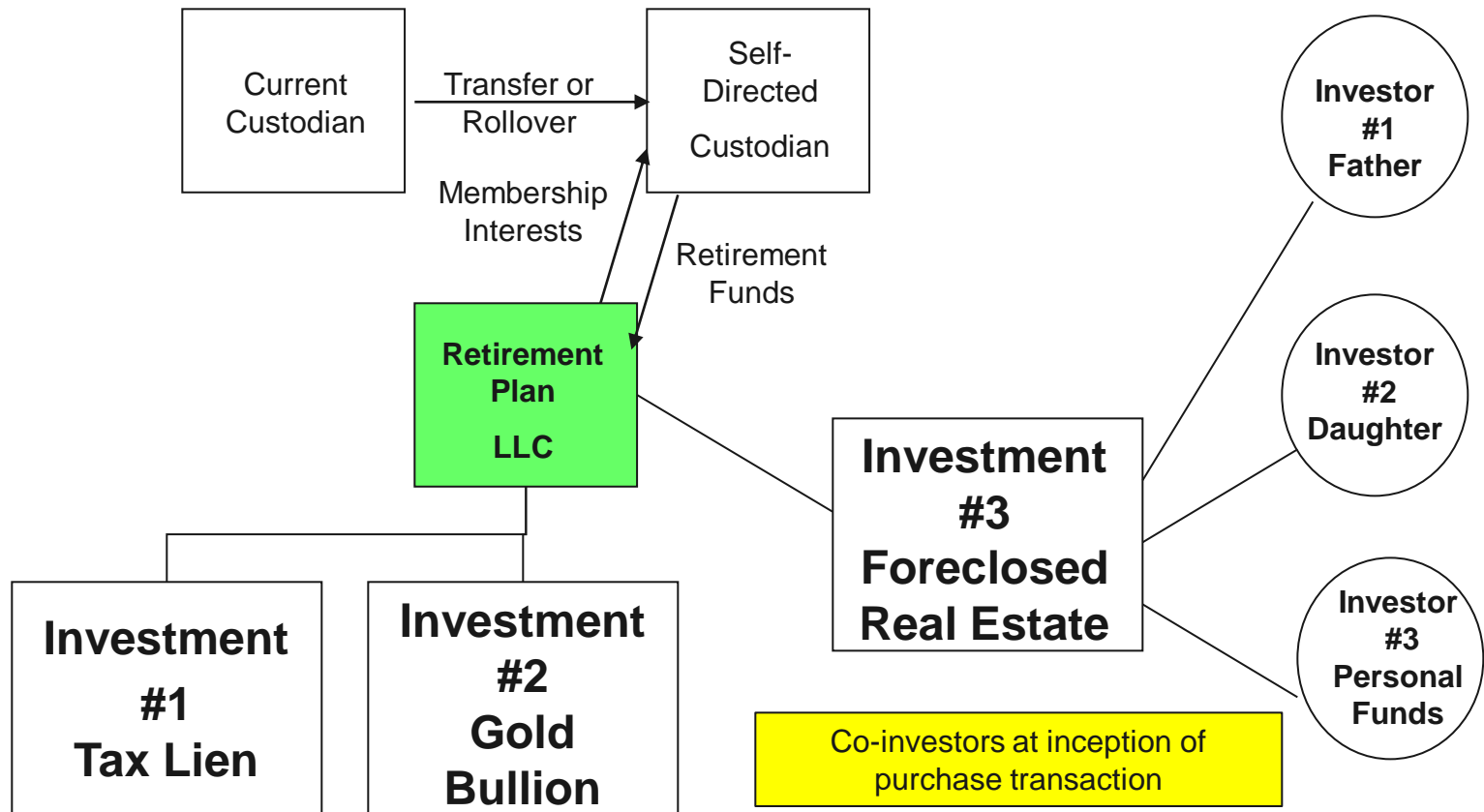
# Partnering with Others

- 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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