

Advanced Insights Self-directed Retirement Accounts



Jackee Knight
Corporate Training Director

STC, Inc.

- **STC is a retirement plan administrator only and does not provide legal, tax, or investment advice.**
- **STC is not a registered investment advisor and does not represent or sell securities or investments of any kind.**
- **STC does not represent or endorse any investment opportunities that may be shared in this presentation.**
- **We recommend you consult with your legal, tax and investment advisors prior to making any investments.**

Contents

- **Self-directed Retirement Accounts**
- **Account Specifics**
- **Roth Conversions**
- **Non-recourse Loans**
- **UBIT and UDFI**
- **Retirement Account/LLC Structure**
- **STC Services**
- **Q & A**

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
- ✓ You choose and control the investments and transactions
- ✓ You can increase your buying power by using 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 - \$6,500/\$7,500
 - SEP - \$66,000 (25% of W-2 income, 20% of SE income)
 - Simple - \$15,500/\$19,000
 - 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



UBTI / UBIT

- Unrelated Business Taxable Income
- Unrelated Business Income Tax
- Most IRA investments generate passive income
- Real estate investments

UBIT and UDFI

- Unrelated Debt Financed Income
- 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 Rental Investment

Rental Property - 50% debt financed

Annual Net Rental Income	\$12,000 (\$1000/month)
Income Subject to UDFI	\$5,000 (\$6,000-\$1000)
2023 Trust Tax Rate	10%-37%
UDFI Taxes	\$794
Net Income After UDFI	\$11,206



Unrelated Debt Financed Income

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



Benefits of the LLC Structure

- ✓ Offers maximum flexibility
- ✓ Provides additional asset protection
- ✓ 'Checkbook control' over Retirement Account funds
 - ✓ Immediate response to investment opportunities
- ✓ Simplifies asset titling
- ✓ Ease of pooling

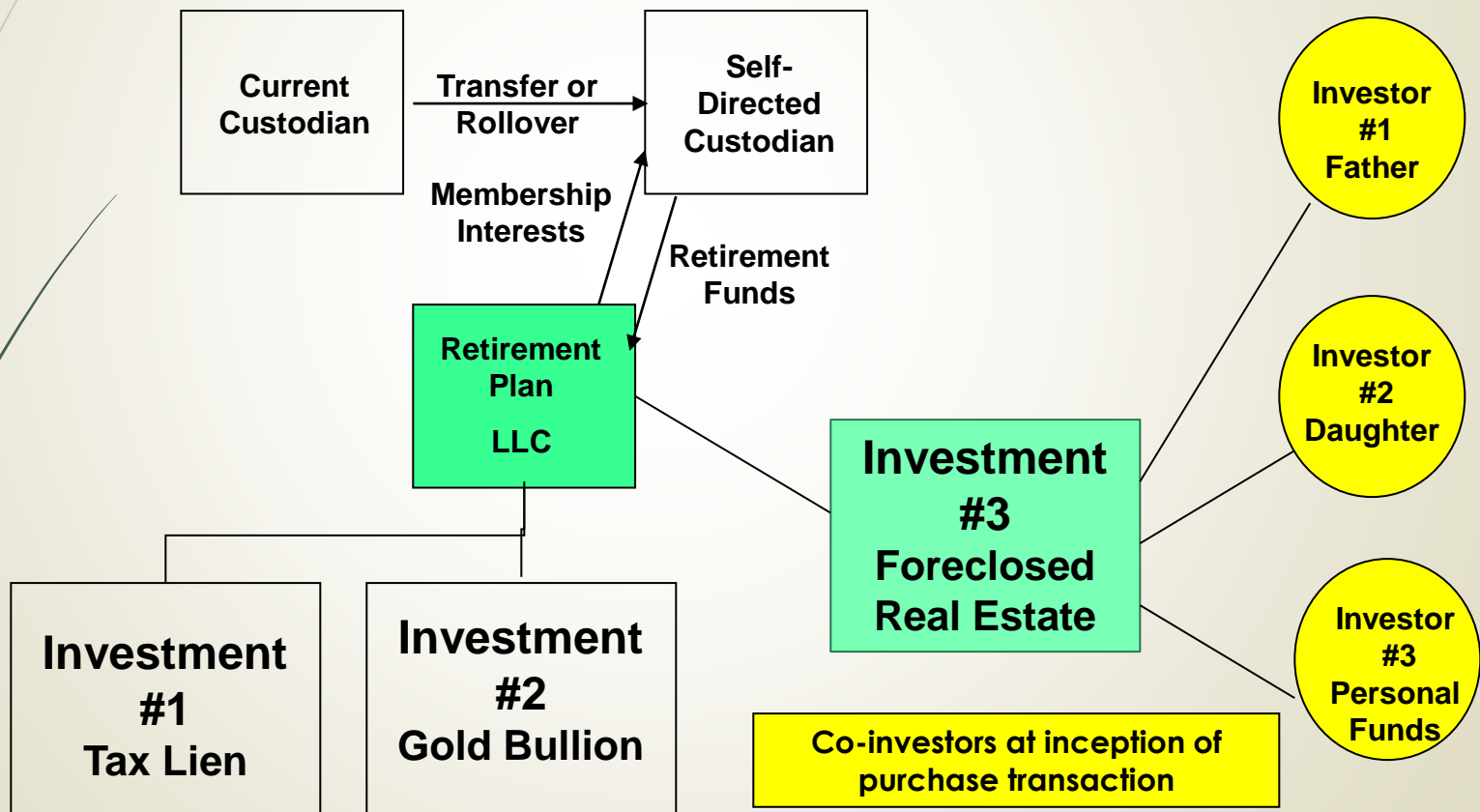


Partnering with Others

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



Retirement Plan LLC Structure



STC's Full-Service Approach

- Set up Retirement Account LLC structure
- 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?



Q & A

STC, Inc.

- ❖ **Website: www.stcira.com**
- ❖ **Corporate Office: 866-682-3683**
- ❖ **Jackee Knight: jknight@stcira.com**



CONTACT US