



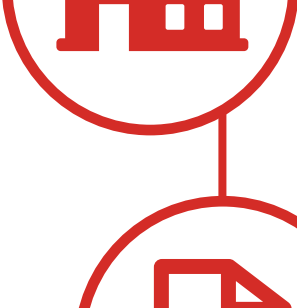
# SELF-DIRECTED IRA INVESTMENT PROCESS

## How Does a Self-Directed IRA Investment Really Work?

Investing in alternative assets with an IRA can be similar to investing in the same assets outside of an IRA. There are several primary differences and important rules to be aware of, but follow these 5 steps and you could be on your way to your first (or next) self-directed IRA investment!

## 1 Identify an Investment & Perform Due Diligence

- Residential Real Estate
- Commercial Real Estate
- Tax Liens & Tax Deeds
- Land/Land Contracts
- Notes, Mortgages and Private Loans
- Entities & Private Stock
- Traditional Options - Stocks, Bonds or Mutual Funds
- Much More!



### Find an Investment

A self-directed IRA gives you the freedom to invest in a wider variety of options!

### DO YOUR HOMEWORK



- Research your investment and any third-parties involved
- Evaluate risk-return potential

### Consult with Tax, Legal or Financial Professionals

- Verify all IRS rules are followed
- Structure and review all paperwork, agreements, contracts, etc.



## 2 Request Funds and Direct Your Investment

### Complete a Direction of Investment Form (DOI)

Contains instructions and details about the investment, such as:

- The amount to invest
- Where to send the funds
- If documentation requires signing



### Include Supporting Documentation with Your DOI

Lack of supporting documentation is one of the most common deficiencies that can delay the investment process. Ask us for a list of required documentation for the investment and work with your tax attorney or financial professional.

### Examples of Supporting Documentation

- Real Estate examples:
- Purchase Agreement
  - Settlement Statement
- Promissory Note examples:
- Proposed Note
  - Collateral documentation (if applicable)
- Tax Lien examples:
- Proof of auction
- Entity examples:
- By Laws
  - Articles of Incorporation
  - Private Placement Memorandum
  - Private Equity Representation Letter (PERL)
  - Subscription Agreement
  - Investor Questionnaire

### Ensure Correct Title for Your Investment!

Your investment, and all documents related to it, must be titled in the name of your IRA, not you personally. (Titling may vary slightly depending on the account used.)

### Single Owner IRA titling example:

Equity Trust Company Custodian FBO (your name or account number) IRA

### Did You Know?

It may be possible to partner with your IRA in many ways – including with other retirement accounts, investors, or businesses by using co-ownership titling on your investment

[Discover 10 Ways to Partner Your IRA](#)

### Co-Ownership titling example:

Equity Trust Company Custodian FBO (your name or account number) IRA Undivided Interest 40%, John Doe Undivided Interest 40%, and Example Company LLC Undivided Interest 20%



If the co-ownership title includes more than one Equity Trust IRA, a separate DOI must be submitted for each Equity Trust IRA involved in the transaction.

## 3 Equity Trust Processes Your Investment

Equity Trust processes your Direction of Investment form and sends the funds, per your instructions, to complete the investment purchase



After the purchase and closing is final, your IRA owns the asset!

Ensure all final documentation is executed and recorded, if applicable, and sent to Equity Trust to settle the asset.

(We retain all documents you provide for safekeeping)

Typically takes 3-5 business days to process a DOI unless corrections are required.

Keep copies for your own recordkeeping!

## 4 Manage the Investment within Your IRA

### Let Your IRA Work for You!

(Both as You Invest for and Enjoy Your Retirement)

This step in the process continues as long as your IRA owns the investment.

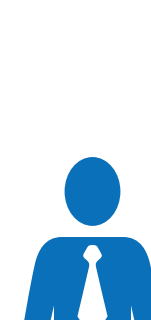
After you reach age 59½, you can receive distributions without having to pay the 10% additional tax. Even though you can receive distributions after you reach age 59½, distributions are not required until you reach age 70½ (for Traditional, tax-deferred accounts). Roth, or tax-free, accounts are not subject to the age 70½ Required Minimum Distribution requirements.



You must remain at arm's length from your IRA investment at all times and avoid Prohibited Transactions

Consult with your tax attorney or financial professional

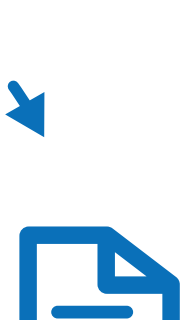
Reference: IRC 4975 and IRS Publication 590



Account Owner



Your Equity Trust IRA



All expenses paid from IRA

Funds flowing to and from the IRA are tax-advantaged!

- Traditional (pre-tax) accounts = tax-deferred
- Roth (after-tax) accounts = tax-free

All income returned to IRA

Include a deposit coupon with all incoming payments which contains the debit instructions

Ensure correct title on all investment-related income and expenses (See Step 2)

### Important:

For investments with co-investment titling, all expenses must be paid and income returned in direct proportion to the percentage of ownership arrangement of the co-investment investment titling structure.

## 5 Act on Your Exit Strategy & Plan Your Next Steps



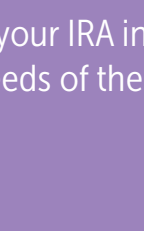
### What are your next steps?

The lifecycle and direction of your self-directed IRA investment is up to you!

### Selling the Asset?

1. Negotiate the sale of your investment with a buyer.
2. Complete a Sale Direction of Investment form and include supporting documentation
3. Equity Trust will process the sale transaction, per your instructions, on your IRA's behalf
4. Asset is removed from your IRA in exchange for the proceeds of the sale

All proceeds of a sale are returned to the IRA without being taxed!



Available to reinvest into another investment opportunity to potentially benefit from compounded, tax-advantaged growth

### Taking Distributions?

- Cash from the account?
  - Cash from income earned from the investment?
  - Distribute the asset in-kind?
1. Complete a Distribution Request form
  2. Provide verbal authorization for cash distributions of \$25,000 or more.
  3. Equity Trust will process the distribution, per your instructions, on your IRA's behalf

Distributions available after age 59½

Traditional (pre-tax) accounts = taxed as ordinary income and subject to Required Minimum Distributions (RMD) at age 70½

Roth (after-tax) accounts = tax-free!

### Passing to a Beneficiary?

(Creating a Tax-Advantaged Legacy)

It's possible to pass your assets to beneficiaries after death – with little or no tax – to create a tax-advantaged legacy for loved ones or charity.

Stretch wealth over generations and provide your beneficiaries the tax-advantaged wealth you created with all your hard work!

Select your account's beneficiaries when opening an account or change at any time with a simple form.

Work with your tax attorney or financial professional to help with estate planning.

If you are interested in a self-directed investment account at Equity Trust, schedule a consultation with a Senior Account Executive.

**SCHEDULE CONSULTATION**

Or call **855-673-4721** to get started.



Equity Trust is a passive custodian and does not provide tax, legal or investment advice. Any information communicated by Equity Trust is for educational purposes only, and should not be construed as tax, legal or investment advice. Whenever making an investment decision, please consult with your tax attorney or financial professional.

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