

Got questions? We have answers.

FAQ's

1. Is it legal to purchase non-traditional assets using my self-directed IRA?

The answer is yes! The Employee Retirement Income Security Act (ERISA) of 1974 passed the responsibility of retirement saving from the employer to the employee. Created in 1975, IRAs provide individuals a chance to direct where their retirement funds are invested.

The IRS code, instead of distinguishing which investments are allowed, identifies which investments are not permitted under these laws. Under both ERISA and IRS Codes, there are only two types of investments excluded: life insurance contracts and collectibles such as works of art, rugs, jewelry, etc. Refer to Internal Revenue Code Section 401 (IRC § 408(a) (3)).

2. How come I haven't known about this?

It's a common misconception that the only investments allowed in a retirement account are stocks, CD's, and mutual funds. The truth is that broader investment options have been available to the public since the inception of the IRA in 1975.

The retirement industry has been dominated by large transaction-driven custodians who have focused on a narrow universe of investments. While these kinds of accounts may be right for some, they don't offer the kind of freedom that a self-directed IRA or 401k plan offers.

To fully maximize your investment options, you need to have a retirement plan that allows you to select your own investments. A fully self-directed IRA or 401k allows you the freedom to invest in many types of assets -- assets that are not prohibited by the Treasury Department regulations and the Internal Revenue code.

3. Are there a lot of people who have self-directed IRA accounts?

The self-directed IRA industry is growing very strong and is expected to see around \$2 trillion enter the market in the next two years. There are over 45 million IRA holders, and less than 4% of those are held in nontraditional assets. This number is expected to grow significantly over the next 5 years as more individuals and their financial advisors attain a greater awareness of self-directed IRAs.

4. My (CPA, attorney, broker, friend) said that buying and selling real estate in my self-directed retirement plan was illegal. Why?

This has been a long-lived myth. Neither the IRS nor the Department of Labor has ever published a list of legal investments. However, there is a list of Prohibited Transactions and Disqualified Persons that deal with what is not permitted. Real estate and other investments are permitted provided you follow the rules.

5. How do I open a self-directed IRA?

You can open a self-directed IRA account by contacting Entrust Arizona at 480-360-8404 or by visiting our website at EntrustArizona.com. You'll be asked a few questions regarding the type of account that you'd like to open. Then, we'll provide you with the account packet. Simply fill out the forms, sign them and return the originals to Entrust Arizona.

6. How much should I have in my account to get started?

While there is no minimum amount, the amount you should start with depends on the nature of the deal or investment you plan to make. Keep in mind that if you make a cash contribution to your account, check the contribution limits for that account type.

7. Can I transfer my current retirement funds to Entrust?

Yes, our application kit contains documents that assist you in transferring or rolling over your funds to Entrust Arizona.

8. Can I consolidate my IRAs?

Yes. You can consolidate:

- Your Traditional IRA and SEP IRAs into a single traditional IRA
- A SIMPLE IRA to a Traditional IRA after two years
- Multiple Roth IRAs to a single Roth IRA

Complete this process simply by filling out a funding form.

9. Are there different tax rules for self-directed IRAs?

The unique thing with IRAs and 401(k)s are the tax advantages. Most contributions are either tax deductible as is the case of a Traditional IRA or

401(k), or the distributions are tax free as in the case of a Roth IRA or

Roth 401(k). There are no unique rules for self-direction.

10. I have a 401(k) plan with my former employer. How can I self-direct the funds?

You can self-direct the funds by rolling over your account into a Traditional IRA or a qualified plan (if you are eligible to have a qualified plan) that permits complete self-direction, such as an Entrust Arizona self-directed IRA. Contact your former employer's plan administrator or benefits department to determine what, if any, special procedures may be required.

You may roll over the assets you have in your old plan to your Entrust IRA "in kind." "In kind" means that the assets you held in your old qualified plan, 401(k), or other plan are rolled as is into your IRA. There may be restrictions from the fund provider, broker, or annuity company about "in kind" rollovers or transfers. Your former employer will advise you about any restrictions.

If you are still employed, check with your current plan administrator to determine if self-direction is currently allowed within your plan or if this option can be added.

11. What type of services does Entrust Arizona provide?

Entrust Arizona is a retirement plan record keeper for self-directed IRAs and 401k. We offer the same IRA as other plan administrators with one exception - we show you how to purchase the investments that you choose with your IRA funds.

We will help you ensure that your investment is purchased quickly, safely, and accurately. As your account administrator, we don't tell you what to invest in; rather, we guide you in your transaction processes.

12. What are the fees and costs involved?

At Entrust Arizona, we realize that all investors have different objectives. To accommodate this, we've developed two fee structures for self-directed IRAs. Choose the fee structure that best suits your investment objectives from the options below.

Option One: Self-Directed IRA Fees Based on Number of Assets

- A self directed account establishment fee of \$50.
- A record-keeping fee of \$250 per asset, per year. This fee is paid when the asset is acquired.

For example:

- An account holding one asset = \$250 per year
- An account holding six = \$1,500 per year

Option Two: Self-Directed IRA Fees Based on Asset Value of Self-Directed Account

- An account establishment fee of \$50.
- A record-keeping fee that ranges from \$125 to \$1,850 per year.

13. What kinds of investments can I make?

You may purchase real estate, notes, commissions, options, private placements, accounts receivable, timber deeds, crops, cattle, stock, bonds, mutual funds, certificates of deposit, anything which is not prohibited or collectible as defined by the Internal Revenue code.

14. What is a prohibited transaction?

There are some transactions that are prohibited by the IRS. There are basic requirements and procedures needed to apply for exemptions from the prohibited transaction rules (includes ERISA and non-ERISA plans and Individual Retirement Arrangements).

15. Why do I need an administrator like Entrust Arizona?

The Internal Revenue Service requires a custodian to hold the IRA assets and the custodian is required to report transactions on the account. Due to some of the nuances with a self-directed IRA, a majority of custodians do not accept these types of assets. Entrust Arizona performs these requirements in an effective and efficient manner.

16. How do I determine which retirement plan is best for me?

The factors to consider are:

1. Your age
2. Your contribution and deferral capability
3. Whether you have common-law employees
4. When you wish to retire
5. Your tax situation

Seek to make the highest contribution to your retirement that you can. Then choose the plan that will give you the most flexibility.

You can review our IRA plans for more information regarding plan types and contribution comparisons. You should also seek the services of a tax professional to assist you in the proper selection of the plan best suited for you.

17. What happens to the money that isn't invested in assets?

Because all plans are self-directed, you may direct your money anywhere you wish. All money is held for your benefit in FDIC-insured accounts. Or you can direct us to deposit the funds in any financial institution.

18. How often do I receive a statement on my accounts?

Normal cycles are annually, although you may receive a statement at any time you wish. If you elect to enroll in online statements, you can view your account at any time.

19. I own a small business. Can I offer self-directed IRAs to my employees?

If you have no common-law employees, that is those that are not spouses, owners or partners, the best plan may be the Individual(k), which permits the highest aggregate percentage of contributions and flexibility. The administration is straightforward and you are the trustee, custodian and administrator, unlike any IRA plans.

20. How do I find out what the current contribution limits are for my IRA or 401k?

You can check out the contribution limits at www.irs.gov.

21. Where do I find more information on your workshops and seminars?

Visit our website at www.EntrustArizona.com for a complete list of FREE workshops. We are currently offering over 200 a year. As an added bonus, if you attend a workshop we will waive your application fee for 7 days. A \$50 value!

22. Where are your offices?

Entrust Arizona is located at 20860 N Tatum Blvd Suite 240, Phoenix, AZ 85050.

1-866-459-4580 480-306-8404 info@entrustarizona.com

23. What is Unrelated Business Income Tax?

UBIT comes in two forms. Unrelated Business Income Tax (UBIT) and Unrelated Debt Financed Income Tax (UDFI).

UBIT applies to IRAs invested in entities that do not pay taxes (such as many LLCs) that are an operating entity of a business that produces in excess of \$1,000 per year in income.

UDFI relates to an IRA that is debt financed provided that the net gain is more than \$1,000 in a year.

UBIT is applied to profits made on the sale of a debt financed property.

Preparation of the 990-T tax forms is performed by you. The trustee or custodian or appropriate agent will file such taxes and sign the tax forms on behalf of your plan.

24. What are the different funds I can use to open a self-directed IRA or 401k with Entrust Arizona?

Most employer-sponsored plans, like 401(k) do not let you roll your account into a new vehicle while you are still employed. Some employers, however, do allow you to roll a portion of your funds. To be certain, contact your current 401(k) provider.

If you can roll your funds into a new account, here is a list of the types of accounts that are eligible:

- Traditional IRA
- Roth IRA
- SEP IRA
- SIMPLE IRA
- Individual(k)
- Health Savings Accounts (HSA)
- Coverdell Education Savings Accounts

25. Can I use my 401(k) funds with my current employer to purchase non-standard assets?

Possibly. If the company has a self-directed 401(k), you may have the ability to self-direct your 401(k) into these types of investments. To be certain, contact your current 401(k) administrator.

26. What is the deadline to contribute to an IRA or Qualified Plan?

Qualified plans must be established by the last day of your fiscal year if contributions are to be made for that year. If you have a calendar year end, you need to establish the plan on or before the last day to contribute for that year. The contributions may be made until your company tax year deadline including extensions. 401(k) deferrals must be made no later than 30 days after which the contributions are received. For 12/31/2008, that deadline would be 30 days later.

SEP IRA and SIMPLE IRA contributions may be made by the company tax deadline plus extensions, except for defaults, which follow the above rules.

IRA contributions must be made by April 15 with no extensions.

27. What are required minimum distributions (RMD)?

Required minimum distributions are the minimum amounts that must be distributed to you from your retirement account(s) after you reach age 70 ½ (with the exception of the Roth IRA).

28. Can my IRA be sued?

Your IRA may be subject to legal action. IRAs are not always exempt from creditor claims, and are never exempt from federal or state taxing authorities; however, some states do not permit creditors to collect from IRAs.

29. Can I borrow money from my IRA?

You may not borrow funds personally from your IRA under any circumstances. This is a prohibited transaction. You may lend to any person other than disqualified persons or companies.

30. What do I do if I don't have enough money to buy real estate in my IRA?

You may partner with yourself or others; you make allowable contributions; you may obtain debt financing through private sources or financial institutions on a non-recourse basis; You may arrange a seller carry back loan; you may sell other assets in your IRA to raise cash to make the purchase; you may transfer funds from other IRAs or rollover funds from qualified plans, such as 401(k), 403(b) or government 457 plans you may have had at employers where you no longer work; If you have a profit sharing of 401(k) plan where you currently work, you may be able to make in-service withdrawals and roll those to the IRA within 60 days.

31. Where can I get a loan for real estate purchases using my IRA?

Normally private lenders, seller carry backs, and mortgage companies may lend to your IRA on a non-recourse basis. Sometimes banks and credit unions may make non-recourse portfolio loans to IRAs. Contact us for a list of resources.

32. Can my IRA take a loan to enhance the purchasing power of the IRA?

Yes you can. However the loan must be a non-recourse loan. Non-recourse against the IRA and the IRA holder.

33. What are the limits to the investments I can make?

You cannot invest in Collectibles or Life Insurance Contracts. There are also certain transactions in which you cannot participate when using IRA funds. These transactions are referred to as "prohibited transactions". Prohibited Transactions are defined in IRC § 4975(c)(1) and IRS Publication 590. These transactions were established to maintain that everything the IRA engages in is for the exclusive benefit of the retirement plan. Sometimes professionals refer to these as "self-dealing" transactions. Self-dealing happens when an IRA owner uses their individual retirement funds for their personal benefit instead of benefiting the IRA. If you violate these rules, your entire IRA could lose its tax-deferred or tax-free status. It is important that you work with a competent Retirement Account Facilitator to avoid violating these rules.

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