The Investor's Guide to Self-Directed IRA's

Whether or not you are new to investing with a Self-Directed IRA this guide will help you understand all of the options so that you can make an informed decision.

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What you need to know about a Self-Directed IRA

With hundreds of Self-Directed IRA providers offering a plethora of educational events, videos, seminars and podcasts, what exactly matters to you? Are you looking for a legal definition or do you want to learn how a tax-advantaged IRA can work in your investment?

Time and Money

You will spend a lot of both finding the answers. Smart investors know there is always a tradeoff. nvstIRA is helping investors like you save precious time by getting down to the answers, ultimately saving you money. In our Self-Directed IRA Guide, we discover facts about IRAs that give you complete control over your investment choices.

Self-Directed IRA Defined

A Self-Directed IRA is the same as the IRA account you now hold, or can open with a custodian like Vanguard, Fidelity, Wells Fargo, and many others. The main difference is that your Self-Directed IRA account is held with a custodian that permits you to "self-direct" funds into an investment of **your choice**.

Self-Directed IRAs have the same contribution limits, distribution rules and guidelines for all IRAs as provided by IRS.

Self-Directed Investment Vehicles

In researching Self-Directed IRAs, you will find a lot of talk about real estate, but there are other options that are permissible to hold in an IRA.

- Real Estate
- Commodities
- Mineral Rights
- Private Lending
- Accounts Receivables

What you need to know

There is no shortage of Self-Directed IRA information, but how do you sift out what matters to you? How do you know if the Self-Directed IRA even works in your investment? Here is what you need to know and apply.

- Everyone can have a Self-Directed IRA, not everyone should.

- TAX FREE savings is a strategy.
- Self-Directed IRA investments can be long or short term.

When these points are explained, you can better understand the topic and your next step in having a Self-Directed IRA.

Everyone can have a Self-Directed IRA.

Yes, even your minor aged child and those who make too much money can have a Self-Directed IRA. There are creative strategies to open and fund Self-Directed IRAs. The only caveat is if you do not have existing IRAs and/or have zero earned income, you might be the exception.

Have you ever called a Self-Directed IRA "expert" or salesperson and asked about your options? If you call more than one, you may get more than one answer. You might even get confused.

It's imperative to have the conversation with an experienced expert. Defining what a Self-Directed IRA is and the eligibility requirements does not provide enough for investment success. However, knowing the types of accounts available can open a lot of opportunities for you and your family. Let's face it, retirement savings is for you *and* your beneficiaries.

7 Self-Directed IRAs to consider

Most people are not aware that it is not just the Traditional or Roth IRA that can be self-directed. There are 7 accounts you may be eligible for. If you have existing IRAs, that's even better since they are often a great way to fund your Self-Directed IRA account.

- Traditional IRA
- Roth IRA
- Health Savings Account (HSA)
- Coverdell Education Savings Account

SMALL Business Plans

- Solo 401(K)
- Simplified Employee Pension Account or SEP
- Savings Incentive Match Plan or SIMPLE

Not everyone should have a Self-Directed IRA.

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Flexibility and tax savings are fantastic. Saving taxes and investing in what you understand often means building more wealth or positioning a portfolio for accelerated returns. A Self-Directed IRA is a great tool for mitigating taxes and even inflation. However, having the account opened and funded guarantees none of these benefits.

If you are one to push square pegs into round holes, listen carefully to this. With a Self-Directed IRA, the Custodian will not be investing your money and providing you any returns. And they will not be paying you interest on your money. With **your** due diligence upfront in the selection of your investment and IRA Custodian. your money will be safe. That alone can be a hedge against a volatile stock market. But for your investment to grow, you will be the one deciding on how that will happen. You will pick the players in your investment, and you must know who they are and their track record.

With its history and foundation being in real estate, the Self-Directed IRA industry became explosive in the late 1980's. Investors that understood real estate and were comfortable with investing in it, quickly found that investing in the absence of taxation was a game changer.

Yes, you can find an App and invest in the stock market or cryptocurrency with IRA funds. This "set it and forget it" strategy does not necessarily mean success. In talking with investors nationwide and around the globe, we have heard some horror stories. Lending to Ponzi schemes, investing in a house that doesn't exist, offering unsecured promissory notes or involving a prohibited person in the deal. It's not a problem until it is. Knowing the risk and accepting it can make or break your financial health.

If you like "easy" or a guaranteed return, a Self-Directed IRA may or may not be for you. Don't get stuck with a Self-Directed IRA account paying annual, quarterly, or transaction fees unless you are seeking investment alternatives you are comfortable having.

Active investors often open a Self-Directed IRA before making the investment decision so they can properly title the investment upfront – in the name of the IRA. That is essential and smart. No one wants to lose the deal. However, if you have no idea when or what you will be investing in with your Self-Directed IRA, it just might not be the tool or just not the right time.

Tax Savings or TAX FREE

One of the most exciting things that happened in the Self-Directed IRA world was in 1997, with the introduction of the Roth IRA. Why? It provides the ability to grow retirement wealth tax-free. Yes, tax-free.

Here is how that works. A Roth IRA is funded with after tax contributions, meaning the contribution is not tax deductible unlike the Traditional IRA annual contribution. However, once the account is funded the earnings or growth inside of the Roth IRA are tax-free upon withdrawal, (with some exceptions).

First, provided you have earned income; you can open and fund Roth IRA.

(For the high-income earners or those who do not have earned income, but you have Traditional IRA funds, you can have a Roth IRA via the Roth conversion. Be sure to contact us to find out how that works).

Secondly, your Roth IRA must be seasoned. Meaning, from the time your Roth IRA is opened and funded, the clock starts ticking. After 5 years, your account is seasoned. You can then take distributions from the growth of your Roth without tax or penalty, (over the age of 59 ½). For the younger crowd, do not fear, you can draw from your Roth contribution without tax or penalty anytime. It’s a 10% penalty if you take a distribution from the growth. Not bad especially if you are in the higher 37% federal income tax bracket.

If you have or are considering taking early withdrawals from your IRA, the big difference between a Roth or a Traditional IRA distribution is the tax. Your Roth distribution is not added to your net ordinary income – ever.

So, it sounds fabulous, right? But what are you investing in with your Self-Directed Roth IRA? Are you subject to other forms of taxation? Will you have leveraged debt in your IRA? Are you doing a Roth conversion? Will the conversion be added to your net ordinary income?

The reason IRAs came into existence was to provide working Americans a way to save money for retirement. (Provided in ERISA; Employment Retirement Income Security Act of 1974) If your IRA is “doing business” or appears to be engaged in an activity other than saving for retirement, the tax man may be at your door sooner than later.

At nvstIRA we have the knowledge to guide you in potential scenarios to help you avoid surprises down the road. Tax-Free is a strategy and the Roth IRA must not be overlooked.

Patience is defined by you.

You may remember when we went from dial up internet to DSL. The speed was incredible. Now we often complain of “slow” internet connections. If someone doesn’t answer a text immediately, we may feel put off or ignored. Patience for one person can look quite different for another.

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Cash flowing assets typically aren't realized overnight. Think about it. Start up companies, Apartments, distressed real estate, flipping or wholesaling houses and short sales. Someone must find the asset, acquire it, improve, or develop it and have a lot of conversations along the way. Especially when involving private lenders.

Financial advisors start with a financial survey or assessment that asks about your financial risk tolerance. Low, medium, or high and your age is the driving factor in your asset allocation.

Self-Directed IRA holders, being a bit rouge or non-traditional, take higher risks with less patience. (Lol and true). If you have lost in the stock market, have experienced a financial collapse or catastrophic medical or personal injury, your patience might be short.

On the other hand, despite any loss or "life event" you might be considering alternative investments and investment diversification for the first time.

Often it is with loss or discomfort we try new things and explore different avenues we would have never considered before.

So, be sure to keep yourself open to both short and long-term investment options. Some short-term wins in your IRA may include things like transactional funding, a promissory note secured by a mortgage, investing in a real estate fund with a proven track record, mineral rights, or farmland. Long-term options might be that start up company or private loan with a high rate of return on the sale of the property.

Whatever Self-Directed IRA investing looks like for you, talk to someone that knows the terrain and can assist you with the most important decisions you will make on the Self-Directed IRA investment journey.

- The Custodian and the IRA Account Type.
- The investment provider or sponsor.
- Your exit strategy.

Control is what the Self-Directed IRA provider promises to give, but often you don't have it at all. Have a conversation with nvstIRA today for peace of mind and a more seamless Self-Directed IRA investment process.

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Roberta Hudy is an Self-Directed IRA and Alternative Investment Expert

Roberta has developed an extensive career in the Self-Directed IRA industry as an investor, educational speaker and specialist. She is a relationship builder and connects savvy investors nationwide.

Roberta guides investors with a more objective approach to Self-Directed IRAs and alternative investments.

- 25+ Years business development and ownership
- 7+ Years National investor education including asset sponsors, Self-Directed IRA Custodians, and individual investors
- Relationship builder resulting in millions of dollars invested and thousands of accounts opened

Roberta's precise but simple approach to an often-confusing topic has converted the nay-sayers into Self-Directed IRA account holders.

Roberta is especially passionate about networking with like minded people, including the women's real estate Meetup group, Investher. She is attending meetings in the newly formed Cleveland, Ohio group in addition to her monthly Investher accountability group including women in California and Texas.

nvstIRA's services are designed to accelerate the educational process for investors considering alternative investments and Self-Directed IRAs. Clients are across the U.S. and Canada.

Roberta lives in Northeast Ohio where her adult children and grandson live. She is engaged to be married in Naples, FL where she and Ryan often visit to be with family. Her extended family includes real estate investors in Lake Tahoe, California, Nevada, Texas, and Ohio. Her family and faith has continually inspired her to take risks and dream bigger.

Need Help? Roberta can work with you via Zoom or phone. You can contact her at 216-337-3231 or via email at roberta@nvstira.com