

# What Beginners Need to Know About the Self Directed IRA

Hello,

I'm Richard Geller, CEO and operating manager of [FinancialSuccessInstitute.org](#). If you are not already a regular reader and subscriber of the vital information and resources provided by the Institute, I encourage you to visit the website and sign up now at: [FinancialInvestmentInstitute.org](#). The Institute is constantly researching and pointing out new high paying alternative investments that you can hold securely in a self directed IRA or 401K.

In this issue of our newsletter, we focus on trouble investors might encounter if they are not fully informed about a few perils that exist if you don't fully controlled your self directed IRA or 401K. It's not difficult to avoid these problems but you need to first know about them. An important goal of the Institute is keeping you fully informed of what you can and should do to protect your self directed IRA or 401K. Please read the important information in this issue and contact a competent retirement professional if you think you have encountered any of these pitfalls. You can also visit us at [FinancialInvestmentInstitute.org](#) to leave general questions. However, we cannot give direct advice because we don't know the details of your situation or all the laws in your state regarding securities and investments.

Thanks and Happy Investing  
Richard Geller

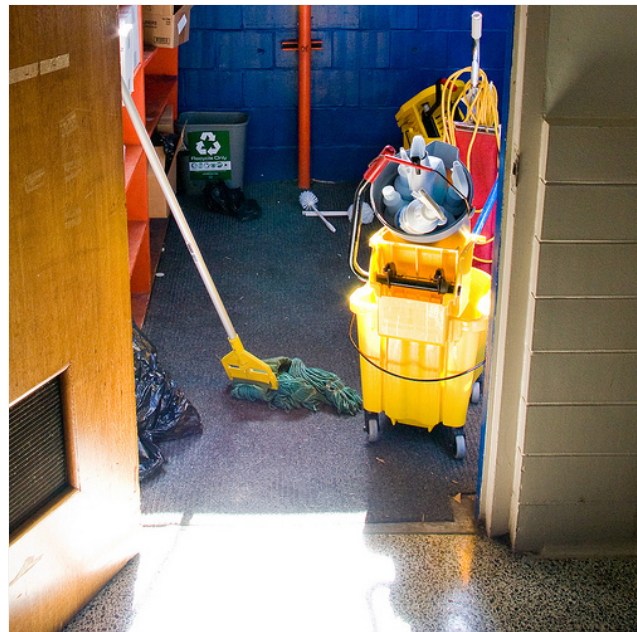
## Self Directed IRA Custodian - Are They Exposing Your IRA to a Terrible Danger?

December 18th, 2011

### Self Directed IRA Custodian – what they SHOULD be telling you but they're NOT

An IRA requires a custodian. The custodian is in essence the trustee. They are in charge of holding your IRA assets.

You the owner of the IRA don't get to hold your own assets.



*Where's the self directed IRA custodian mess? Anyone see a clean mop? photo courtesy of flickr.com/photos/booleansplit/*

A self directed IRA is a bit different. The idea of the self directed IRA is that you the owner should be able to control your assets. But you don't really get to hold them and you certainly don't get ultimate control.

The self directed IRA custodian must approve whatever you do.

The problem is that the self directed IRA is a stretch in law anyway. The tax code never envisioned a self directed IRA custodian who would let you make your own investment decisions. So the self directed IRA custodian layers on an LLC.

## Self directed IRA custodian LLC

The custodian sets up an LLC that is owned by the IRA and you can have the right to manage the LLC. An LLC is pretty flexible, almost the ultimate in flexibility as to how it is owned, how profits and losses are distributed, and how it is managed.

The trouble is that it is all too easy to invest your self directed IRA and make a major mistake:

## Beware the personal guarantee trap for your self directed IRA

One of the biggest mistakes you can make is to personally guarantee anything having to do with your self directed IRA.

If you are managing the LLC that is owned by your self directed IRA then you can't personally guarantee any sort of debt by that LLC.

This is a huge pitfall in the self directed IRA custodian don't tell you about. If you sign a brokerage application that specifies any sort of personal guarantee, you're sunk.

And your IRA is then treated as "fully distributed." For instance, one brokerage agreement that all IRA holders must sign says:

You reserve the right to require full payment, or an acceptable equity deposit, prior to the acceptance of any order. I will have the required cash, available funds or equity in my Account prior to the execution and/or settlement of a purchase or short sale transaction, and the required securities in my Account prior to the execution and/or settlement of a long sale. If I do not have sufficient funds or securities in my Account, you have the right to liquidate or buy in securities at my expense, and I will be responsible for any cost or loss.

f. Payment of Indebtedness Upon Demand. I will be liable for the payment upon your demand of any obligations owing in my Account, including the reasonable costs incurred in collecting such amounts.

It is possible that this may constitute a personal guarantee of an IRA balance, and therefore make the entire IRA "fully distributed" under the IRS code.

Not good.

## Owning gold inside an LLC in your self directed IRA may make it a collectible

In private letter ruling 200217059 the IRS said:

Sections 408(m)(2)(C) and 408(m)(2)(D) of the Code define collectible, for purposes of section 408(m) of the Code, as including any metal or gem and any stamp or coin, respectively. The only exception to classifying bullion as a collectible, for purposes of section 408(m), relates to any gold, silver, platinum, or palladium bullion of a fineness equal to or exceeding the minimum fineness that a contract market

requires for metals which may be delivered in satisfaction of a regulated futures contract, if such bullion is in the physical possession of a trustee. This limited exception applies only if a certain type of bullion is in the physical possession of the IRA trustee. In this case, all of the bullion coins and bullion bars at issue are in the physical possession of Company M or Company N, not the IRA trustee. As a result, this exception is inapplicable.

A word to the wise is to ask your self directed IRA custodian about owning gold or silver inside an LLC if that is what you are doing. I can't give you tax or legal advice and we do our best to be accurate but anything we say here could be wrong, could not apply in your case, or could be a matter of opinion where our opinion differs from that of a judge or tax court or hearing officer. Just keep it in mind.



*Your self directed IRA custodian isn't all seeing and all knowing. What if they are making a terrible mistake with your IRA? Could that have severe tax consequences you are unaware of at this point? photo courtesy of flickr.com/photos/naq/*

These are only a few of the pitfalls of the self directed IRA custodian isn't telling you about. I would get a copy of our comprehensive report on the IRA vs. the 401K and you can see how a self directed 401K can offer much superior investment, tax treatment and asset protection than a self directed IRA.

## Don't get a self directed IRA until you read this dangerous report!

written by Richard in *Free Reports*



We've gone to some of the foremost experts who make their money AWAY from Wall Street to put together this report showing you how you can possibly convert to a MUCH better retirement account option that most people don't know about

- Pool most/all of your present IRAs into one "super account"
- Buy rental properties, mortgage notes, or your dream home INSIDE your retirement account
- Get tax free income for life with MUCH higher potential returns than you'll ever get from an annuity
- Buy and HOLD gold and silver coins so you have them PHYSICALLY in your possession, but they are owned inside your retirement account
- Works even if you have a J-O-B, even if your J-O-B already has a 401K for you

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## Is the self directed IRA dangerous – Upcoming Webinar

By richard on December 18th, 2011

### Self Directed IRA – Dangerous?

There seem to be more and more issues with the IRA in general and the self directed IRA in particular.

The IRA does has a role to play in savings, in asset protection and in tax free growth of capital.



The police won't arrest you but there are significant problems with the self directed IRA that your custodian may not be telling you. Photo courtesy of flickr.com/photos/special-fx/

But the IRA suffers several major problems.

### IRA asset protection is very poor or non existent

The IRA is not protected against seizure the way that other retirement vehicles are, such as the 401K. Whether it's a self directed IRA or not, the IRA can be taken by creditors with surprising ease. This depends upon which state you live in to some extent. But even the IRS has an easier time taking an IRA.

### Self directed IRA has huge custodian fees and onerous custodian requirements can eat into your returns or prevent you from good investments

The IRA requires a custodian. That custodian must earn fees.

Custodians who are brokerage houses don't charge because they have your money. They are counting on you keeping your money there and trading.

But custodians such as Equity Trust, Guidant and Entrust can charge very large fees in the event you want to invest in, say, real estate, or notes, or buying a business of some kind.

There are two issues with this. One is the size of the fees. The other is the fact that there is an approval process and a requirement that you seek permission from someone else before undertaking an investment. The permission can be withheld. And the approval process can require so much time that your deal disappears.

Deals today need to often be done in hours because the best deals are the result of a highly distressed seller and there are multiple offers for these situations. If you don't have instantly ready cash, you lose out.

## **Self directed IRA fully distributed results in mistakes that cost you your entire IRA**

Perhaps the worst nightmare for a taxpayer is to have their IRA become “fully distributed”. This happens when the taxpayer makes an innocent mistake. The mistakes are actually very very common.

There is no recourse legally when someone makes a mistake with an IRA and the entire self directed IRA can become “fully distributed” meaning taxes and penalties are due on the entire balance.

Ouch!

The IRS may grant a 60 day period to correct mistakes involving rollovers into or out of IRAs that involved a mistake. But other errors are “unforgiveable.”

One such error is so common that a well known attorney has spotted literally millions of these violations. We'll try to write them up in a special article very soon.

Meanwhile I want to announce a webinar next week on Are You Making These IRA Mistakes? How To Avoid IRA Pitfalls And Build Wealth In Alternative Investments.

There are 1000 seats and registration is first come first served. This is expected to be a quick sellout. Go here to register:

[Click here to register for the webinar on IRA mistakes](#)

And feel free to leave a question or comment that we'll try to answer for you.

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