Financial Success Institute
Health, Wealth, and Family

Self Directed IRA Rules - Why You Need to Know Them to Retire Wealthy

Hello,

I'm Richard Geller, CEO and operating manager of FinancialSuccessInstitue.org. If you are not already a regular reader and subscriber to the vital information and resources provided by the Institute, I encourage you to visit the website and signup now at: FinancialInvestmentInstitute.org. The Institute is devoted to researching and providing information about high return alternative investments that you can physically hold in a self directed IRA or a self directed 401K. Financial Success Institute is equally devoted to making sure all subscribers are 100% knowledgeable about the self directed IRA rules.

What you'll learn is contrarian investing. It goes against the herd. Why would you want to follow the herd when they are all losing their money on Wall Street? What you learn at FinancialInvestmentInstitute.org is very different from what your financial planner tells you.

This issue of our newsletter is devoted to educating readers about the consequences of not following the Self Directed IRA Rules. There are only three easy to follow self directed IRA rules. However, failing to stay in compliance can have disastrous affects on your retirement. If you'll even be able to retire at all. Obviously it's not all doom and gloom. An article outlining the big advantages of alternative investing has been included to balance the dreary self directed IRA rules side.

No one cares more about you becoming wealthy than you do and no one else should. You'll do much better taking full control of your financial future starting today! The way to do that is by learning and following the self directed IRA rules and why a self directed 401K is even better for most people. At FinancialInvestmentInstitute.org you'll learn exactly how to do it!

Please visit us at FinancialInvestmentInstitute.org to leave general questions and comments. 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.

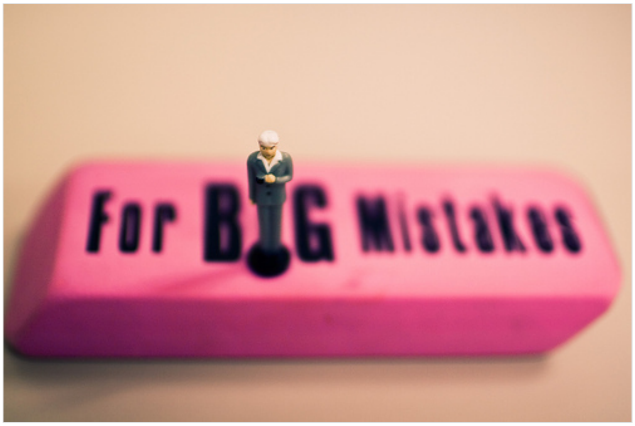
Thanks and Wishing You Great Success With Your Investing,

Richard Geller

Self Directed IRA Mistakes People Make That Can Cost You Big Money

January 12th, 2012

There are three major mistakes that people make with their self directed IRA.



Don't make these self directed IRA mistakes. Photo courtesy of flickr.com/photos/iamtekn/

A lot of self directed IRA custodian don't seem to keep the IRA holder from making these mistakes either. And I think there will be a lot of problems as a result.

Mistake #1: personal guarantees with a self directed IRA

You cannot personally guarantee anything in a self directed IRA or self directed 401K.

Most people say, "fine, I won't."

Then they open a brokerage account and it will have a personal guarantee as part of the agreement. It will stipulate asmost do that any shortage or deficiency in an account will be met personally. Like this one from a major brokerage:

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.

Oops!

There goes your self directed IRA, up in flames. And that means that potentially ALL your IRA holdings are now considered fully distributed by the IRS with huge tax payments and penalties owing.

And then there's this big mistake...

Mistake #2: owning the run type of gold or silver or other assets or owning it the wrong way

Yes you can own gold or silver in an IRA. But you have to be careful you don't fall afoul of the prohibition on owning "collectibles" in your self directed retirement account.

Bullion must be a certain type. It can be either current US minted coins such as American Eagles, or it can be bullion of the fineness and type that is used for delivery by futures exchanges. Anything else is not allowed.

And, the bullion must be physically held by the trustee. Not by an LLC or other entity that may be in turn held by the IRA. Otherwise, you may have trouble.

And the third major mistake...

Mistake #3: doing business with related parties

You can't benefit form your self directed IRA. Your direct relatives as defined by the IRS code can't benefit. You can't do business in a business that your self directed IRA owns. You can't live in a vacation home that your self directed IRA owns.

There is a limited exception for managing real estate yourself that your self directed real estate IRA holds. But that's it.

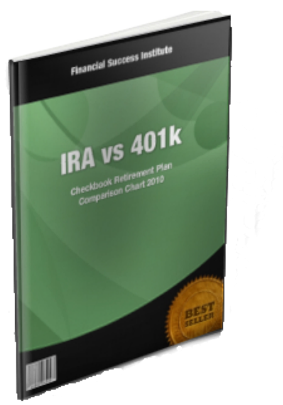
This is a very common violation that results in a prohibited transaction and that can bring the IRS down on your self directed IRA and result in a catastrophe.

Now, if you want to avoid all this you will want to go the solo 401K way. The Checkbook Retirement Plan solo 401K is much more forgiving and lets you do a lot more things than a self directed IRA. If you become familiar with the solo 401K you will not want to keep your IRAs but will want them to rollover into your own solo 401K instead.

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

Get your FREE Copy now by clicking on the eBook icon!

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

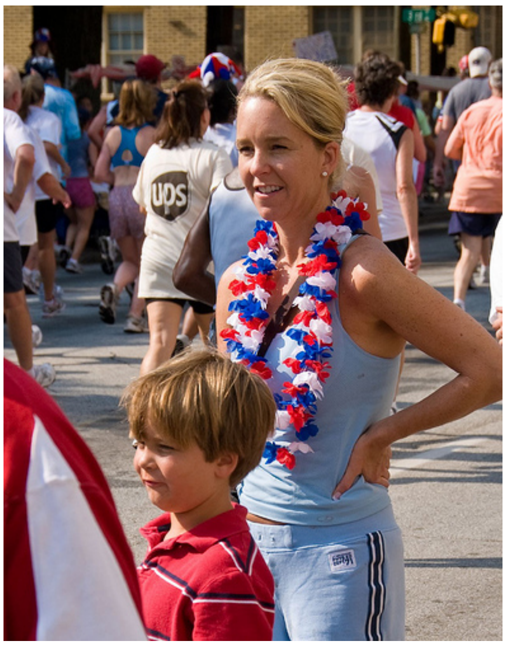
- Works even if you have a J-O-B, even if your J-O-B already has a 401K for you

Self Directed IRA - What Do You Want to Invest In?

January 12th, 2012

The first thing that comes to mind for most people looking to invest is NOT promissory notes, limited liability companies, precious metals, real estate, or stock in privately held company. Yet, that is exactly what a self directed IRA or 401K is capable of.

Every day, more Americans are moving their retirement funds into alternative investment vehicles like the self directed IRA and 401K. Two primary goals are driving the switch to the self directed IRA. One is a desire to out perform the nonperforming stock markets. The second is having full control of your investments with a self directed IRA.



A self directed IRA might be Americans' best chance at an early retirement with an All American Lifestyle. Photo Courtesy of: www.flickr.com/photos/mikeschinkel/2640701414

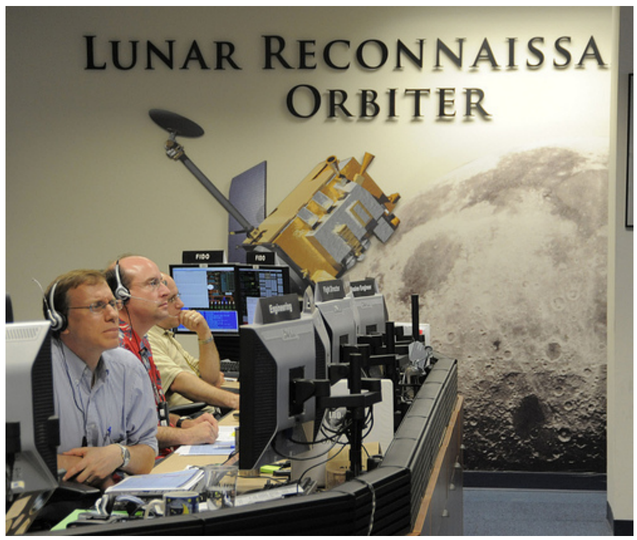
The popularity of the self directed IRA is growing as American's become aware of the diversity of investment types opened up by the self directed IRA. But before you rush out and move your retirement plan into a self directed IRA, there are several things you need to know to get started. In his article **Self Directed IRA**: Information, tax attorney Warren L. Baker points out several issues people need to first deal with:

"The reality is that most large investment institutions (e.g., Charles Schwab, Fidelity, etc.) have traditionally not allowed investments outside of publicly-traded securities. Thus, one of the first steps in the process of forming a self directed IRA is generally to roll or transfer some (or all) of the retirement account to a new IRA custodian."

"In general, if the retirement account that is owned by the client is structured as an IRA (or a 401(k) from a previous employer), it can be moved — in whole or in part — to a new custodian without incurring current tax consequences."

Here at Financial Success Institute we prefer the self directed 401K to the self directed IRA but for some people there is good reason to go with the self directed IRA. If you do, when you look for a custodian for your self directed IRA, you want one that allows your self directed IRA to invest in limited liability companies (LLC). The reason is to establish an LLC owned by your self directed IRA. You then manage the LLC on behalf of your self directed IRA.

Having an LLC owned by your self directed IRA accomplishes two important goals. You next open a checkbook account in the name of the LLC giving you full control of the funds the self directed IRA invests in the LLC. With full control of your self directed IRA you can invest through foreclosure auctions and tax lien auctions. Most of these require full payment at the time of sale or with in day or two. A self directed IRA requiring third party custodian approval can't move fast enough to participate in auctions.



Will you have full control of your self directed IRA or will it be controlled like a NASA launch with dozens people having to agree an investment is good to go? Photo Courtesy of: www.flickr.com/photos/gsfc/3653495563/

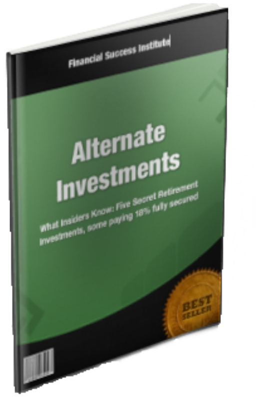
The other reason you want full control of your self directed IRA with an LLC is to minimize the fees charged by the third party custodian. When your self directed IRA invests through a LLC that you have checkbook control over, there are no transaction fees. You'll still have an annual account fee and probably a fee to prepare a report for the IRS. However, when you have full control of your self directed IRA through an LLC, you'll save the transaction fees.

At FinancialSuccessInstitute.org we want to do everything possible providing you the information needed to make a decision between the self directed IRA and the self directed 401K. The next stop on your adventure in growing a wealthy retirement account needs to be the Special Report comparing Self Directed IRA and 401K accounts.

Please leave your comments or self directed IRA questions below.

What insiders know: Five Secret Retirement Investments, some paying 18% fully secured (your financial advisor did NOT tell you about these!)

written by Richard in *Free Reports*



Only insiders seem to know how to earn 8%, 11% or more with these top five investments your financial advisor DID NOT tell you about. We scoured our experts for the five best and least known investments you can make inside your IRA, your 401K or your personal account. Some require a few minutes a month, others require no time at all. And all of them are only known by insiders and they have the potential to help you take your savings to the next level.

Self Directed IRA Rules – When Good Hearted People Do the Wrong Thing

By brian on January 12th, 2012

One of the often-violated self directed IRA rules involves prohibited transactions with related parties. Some times, they are unintentional and at other times they are for the benefit of the account owner or their family. Regardless of why a self directed rules violation occurs, when any of the self directed IRA rules are broken it can mean the death of the account owner's retirement dreams.

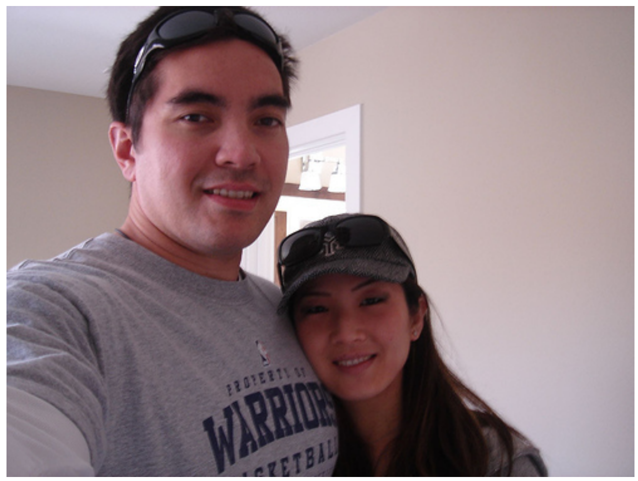
Here is what IRA advisor Clint Coon writes in an article about [self directed IRA rules]:

"It is vitally important for every investor to know the limitations of his IRA *, which unfortunately requires your becoming partially if not fully versed in the IRA, prohibited transaction rules. A violation of any of these rules can result in a loss of your IRA's tax deferred status. Section 408 and 4975 of the Internal Revenue Code explain[s] everything the IRA investor must be aware of when dealing with his own IRA."*

Self Directed IRA Rules – Doing Good Doesn't Protect Your Account

The daughter of an account holder is legally a related party. Self directed IRA rules prohibit a related party from benefitting from the account holder's IRA. Still, it can be tempting to try getting around the self directed IRA rules when a loved one is involved. Examples of self directed rules violation often involve a limited liability company or LLC.

LLCs are a common way for an IRA owner to gain checkbook control of their account by instructing the IRA custodian to invest the IRA in the LLC. That's not a self directed IRA rules violation. What can become a self directed IRA rules violation is how the LLC invests the money.
A father helping a daughter might be tempted to violate the self directed IRA rules by purchasing his daughter a house thinking the LLC gives him enough anonymity that the IRS won't find the self directed IRA rules violation. That single violation of the self directed IRA rules can shatter the father's retirement dreams.



Did daddy violate the self directed IRA rules to make these new home owners happy? Photo courtesy of: www.flickr.com/photos/jennycu/504676399

Buying a house isn't the only way an account owner can violate the self directed IRA rules. Loaning money to a daughter, son, spouse, or parent is a violation of the self directed IRA rules. Owning the house and renting to a related party is another violation of the self directed IRA rules. Making the down payment is yet another violation of the self directed IRA rules.

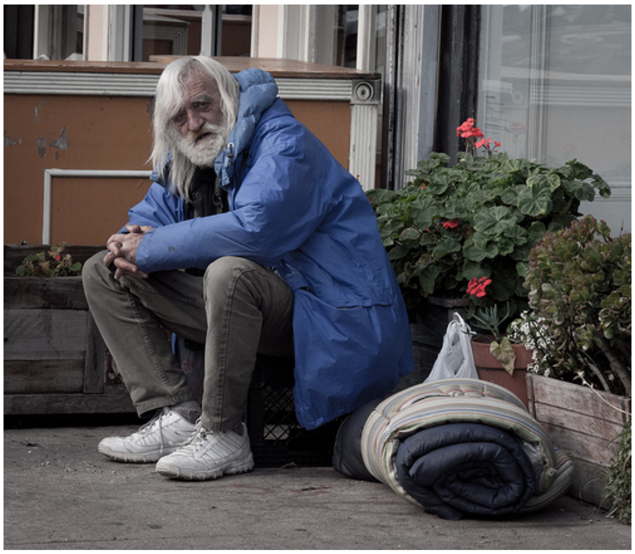
And don't go thinking that LLC will hide self directed IRA rules violations. The paperwork filed with the state creating the LLC are public records easily obtained by the IRS. Who is that paperwork going to say owns the LLC? Something like Dear Daddy's LLC fully owned by Dear Daddy's self directed IRA. Big self directed IRA rules violation if the LLC engages in a prohibited transaction.

How Violating Self Directed IRA Rules Ruins Retirement Dreams

Once the IRS determines an account owner has engaged in a self directed IRA rules violations, they will almost certainly declare the retirement account fully distributed for the year the self directed IRA rules violation occurred. Or at the least, for the amount of money involved in the self directed IRA rules violation.

Let's go with our example from above and the house purchase for the daughter cost $120,000. Rich daddy could afford the all cash purchase but what is the self directed IRA rules violation going to do to his taxes for the year and his retirement account long term?

Let's assume dear daddy's annual salary is $65,000 the year the self directed IRA rules were violated. Now, as a penalty for the self directed rules violation, he must also include the distributed $120,000 as income. First, he has to pay the 10% penalty for an early distribution. That penalty for the self directed IRA rules violation is $12,000. The additional $120,000 in income jumps him from the 15% to the 28% tax bracket. The self directed IRA rules violation increases his yearly taxes from $8,900 to $39,870. Adding in the $12,000 penalty comes to $51,870. That's a heck of a penalty dear daddy will pay for the self directed IRA rules violation.



Will a self directed IRA rules violation cause dear daddy to retire old and broke? Photo courtesy of: www.flickr.com/photos/jennycu/504676399

Fortunately, this doesn't have to the result of a self directed IRA rules violation. A better answer is switching to a self directed 401K. A married couple can borrow up to $100,000 from that preferred retirement account. And even if there is a rules violation the penalties are more like a slap on the wrist than the death of your retirement dreams caused by breaking the self directed IRA rules.

Visit FinancialSuccessInstitute.org to learn more about alternative investing and the self directed IRA rules!