



# Learn How to Take Control of Your Investments with a Self-Directed IRA



GEORGETOWN TRUST, LTD.



## **Self-Directed IRA (SDIRA) Overview**

A Self-Directed IRA is an individual retirement account that is offered by some financial institutions in the United States to allow the IRA owner the opportunity to invest in nonstandard investment opportunities, even those outside the United States. Real estate, private stock purchases, agricultural projects, precious metals and intellectual property are all examples of alternative investments.

However, before purchasing any investment, the IRA custodian must still approve the specific investment's acquisition on behalf of the IRA owner. And, as one might expect, most traditional custodians may not approve of certain investments, and almost always denies foreign investments such as a condo in Belize or a house on the ocean in Nicaragua.

## **Self-Directed IRA (SDIRA) & Limited Liability Company Strategy**

This is where the SDIRA/LLC strategy becomes a mandatory asset protection structure for the concerned investor. This strategy utilizes a Limited Liability Company (LLC), which can be either international or domestic, to manage IRA funds and purchase investments directly. It also involves the utilization of a custodian accustomed to holding nontraditional assets inside an SDIRA/LLC structure.

The SDIRA/LLC is a strategy that provides the savvy investor with a powerful structure that allows for direct control and maximum flexibility over their IRA funds. Establishing a relationship with a "Cooperative Custodian" allows the individual owner to manage the offshore LLC, while the cooperative custodian retains ownership of the LLC on behalf, or "For the Benefit Of (FBO)," of the owner's IRA account. This enables the investor to take direct control of their investment choices; from identification to acquisition.

## **IRA Owner Responsibilities**

With freedom comes personal responsibility. There are rules one must follow to ensure adherence to IRS regulations governing IRAs. The nice part of this solution is that the LLC manager (typically the owner of the IRA) has "check book" control of the funds, and the new custodian fulfills all the tax reporting requirements to the IRS.

The custodian will also typically request an annual estimate of value for the company, which is based on the company's holdings, and the holdings estimated values.

As an IRA owner, responsibilities include:

- Valuing the LLC
- Keeping accounting records
- Not breaking the two big rules of Prohibited Transactions
  - (1) Self-Dealing
  - (2) Prohibited Investments

Below are some examples of what to be aware of when using an SDIRA-LLC as an alternative investment.

### **Prohibited Transactions**

An SDIRA must be used responsibly. Growing funds for future retirement is perfectly acceptable, but taking other actions that avoid the intended use of an IRA are prohibited<sup>1</sup>.

When SDIRA rules are not followed, it's considered "Self-Dealing" which can incur penalties. Always keep in mind that following the rules includes not allowing disqualified persons to take part in actions where benefits are gained as a result of that action.

### **Prohibited transactions include:**

- Using a property for personal use
- Personally borrowing money from the IRA
- Withdrawing a salary from the LLC
- Selling, leasing or exchanging property to the account or LLC
- Using the LLC funds to secure a loan
- Granting account or LLC fiduciaries right to obtain; use or borrow for gain
- Lending money, providing goods and/or services to/from a disqualified person

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<sup>1</sup> A complete list of prohibited transaction can be found here [IRC Section 4975](#).

In general, don't engage in an activity that benefits or allows disqualified persons to personally gain from using the SDIRA/LLC. When in doubt, don't do it. It's better to be safe than sorry when it comes to an SDIRA/LLC.

**Note:** *Disqualified persons are defined as the IRA account holder, his and/or her spouse, lineal descendants (mom, dad, sons, daughters, grandparents, grandchildren), account fiduciaries, trustees, investment managers and advisors, and any corporate entity in which the account holder has at least a 50% ownership interest.*

The items below cannot be purchased with money from an SDIRA or SDIRA/LLC<sup>2</sup>:

- Collectibles such as artwork, coins, stamps, rugs, antiques, beverages and other personal property
- S-corp stock
- Gemstones and metals (except for certain U.S. coins and bullion which are allowed)
- Insurance contracts

Aside from these, there are still wide ranges of investment opportunities to choose from.

**Annual SDIRA/LLC Valuation:** All legitimate expenses are paid by the SDIRA/LLC and all generated income and proceeds from sales are paid into the SDIRA/LLC's bank account. These actions will increase or decrease the value of an SDIRA/LLC, which has to be reported to an IRA custodian annually. The custodian then reports the new value to the IRS just as an old custodian would report the value of the regular IRA.

**Accounting Records:** It is recommended (often required), that accounting records be kept for the SDIRA/LLC in the form of a journal, software such as QuickBooks or hiring an accountant.

**Re-Capitalization:** In most cases, one should contribute more funds to the IRA and add more capital to the SDIRA/LLC as long as the custodian approves. These contributions are limited by IRS regulations, but the method of funding the SDIRA/LLC remains the same.

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<sup>2</sup> See [IRS Publication 590](#) for a complete list of prohibited investments

**Distributions:** Never take money from the LLC and put it directly into a personal bank account. Instead, wire money back to the custodian and into an SDIRA account, then request a distribution from the custodian. This is considered an IRA withdrawal and the funds are now subject to whatever tax may be due.

The SDIRA/LLC strategy outlined above provides IRA owners with the power to actively direct their retirement dollars and direct funds into projects that will provide the greatest returns.

### **Georgetown Trust's SDIRA Offering**

The GT solution to “supercharging your IRA” will be established in complete compliance with IRS regulations utilizing an experienced IRA custodian. After a discovery session with you to understand your personal situation, objectives and goals, we mutually decide if the strategy will be beneficial to you.

If it is determined that it makes sense to proceed, we will discuss jurisdictions and banking options to ensure that your entity is created to most effectively meet your needs.

The Georgetown Trust one-stop SDIRA/LLC solution includes:

- 1) Creation of a new IRA with a qualified cooperative custodian
- 2) Incorporation of an international LLC in an identified jurisdiction
- 3) Operating agreement designed specifically for SDIRA LLCs
- 4) Creation of an offshore bank account for the newly formed LLC
- 5) Assistance with all paperwork and co-ordination with all parties

We have helped numerous individuals create SDIRA/LLC structures to enable them to take direct control of the IRAs. We have also helped clients determine that this specific strategy was not necessary for their objectives and pointed them to a simpler alternative.

We have also helped clients with more complex strategies that involve multiple IRAs and/or couples who would like to combine and utilize individual IRAs for shared investments. Our solution is tailored to your specific situation allowing you to rest assured that you are maximizing your investment potential.



## **Domestic LLC vs. International LLC**

One of the most frequent questions asked with regard to SDIRA LLC's is "Should I use a domestic or foreign LLC?" There is nothing that technically prevents you from using a US LLC to hold foreign assets.

However, a US LLC is subject to the laws and mandates of the state and national regulations; an international LLC is not. As a general rule it is recommended that you use a US LLC to hold US assets and an international LLC to hold international assets.

## **Foreign LLC Jurisdiction**

The jurisdiction (think of this as a country) where your LLC is established depends on your objectives and investment goals. Some jurisdictional laws prevent entities incorporated within from doing business in their country (such as Belize); others (like Panama) are completely fine allowing their entity to do business domestically.

Using a Nevis LLC can be preferred because the IRS treats Nevis LLCs as disregarded entities and therefore you do not need to file a disregarded entity form after your LLC is created. Belize LLCs and Panama corporations are two other jurisdictions commonly used for SDIRA structures.

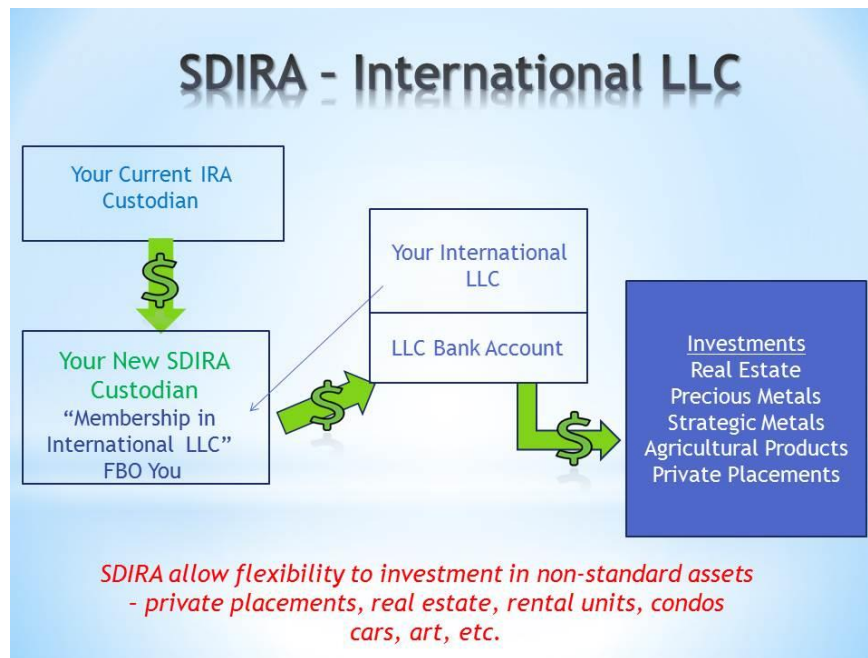
## **Tax Reporting Requirements**

An SDIRA/LLC needs to be reported as a disregarded entity if it is created in a jurisdiction that is not considered disregarded by the IRS by default. Check the IRS website for a list of countries that need to have a form filed to have the entity disregarded. The rest of your IRS reporting requirements will be handled by your IRA custodian.

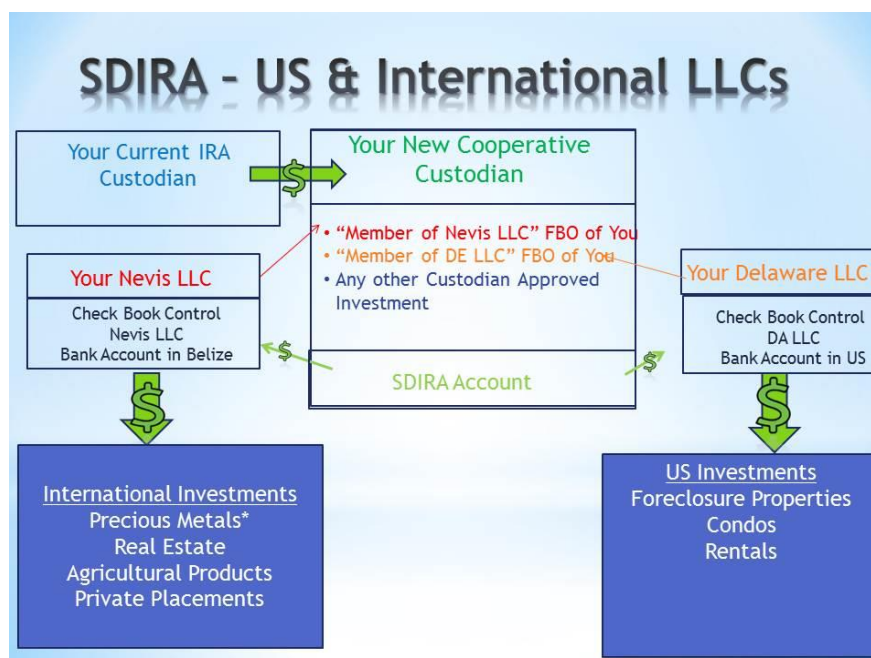
## **What's Not Included**

We do not provide tax, legal or investment advice of any kind other than general information pertaining to the availability and cost of certain offshore asset protection structures. Any questions of a tax, legal or investment nature should be directed to the appropriate professional advisor. As well, you should always review your personal financial decisions with your CPA or accountant.

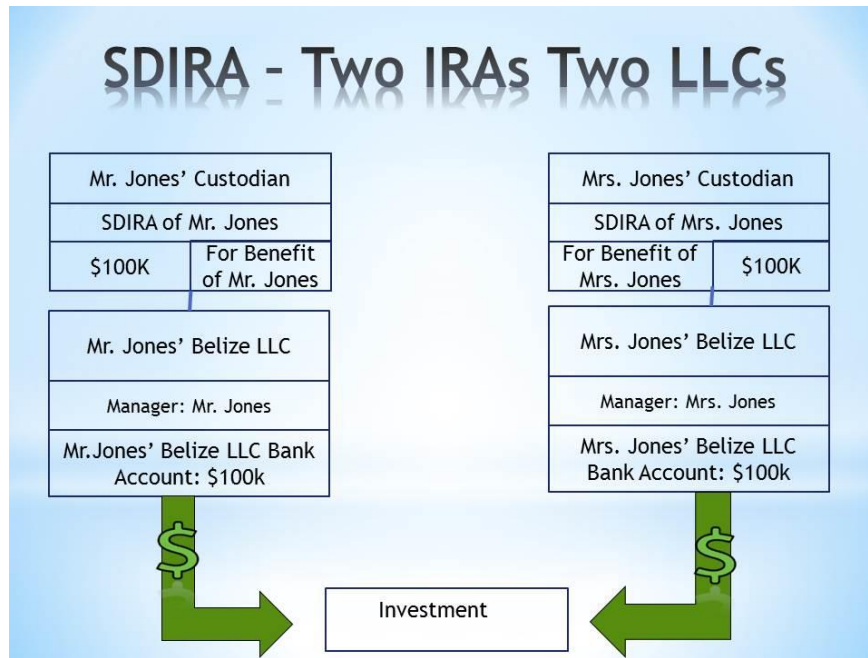
### Example 1: Single SDIRA with Single International LLC



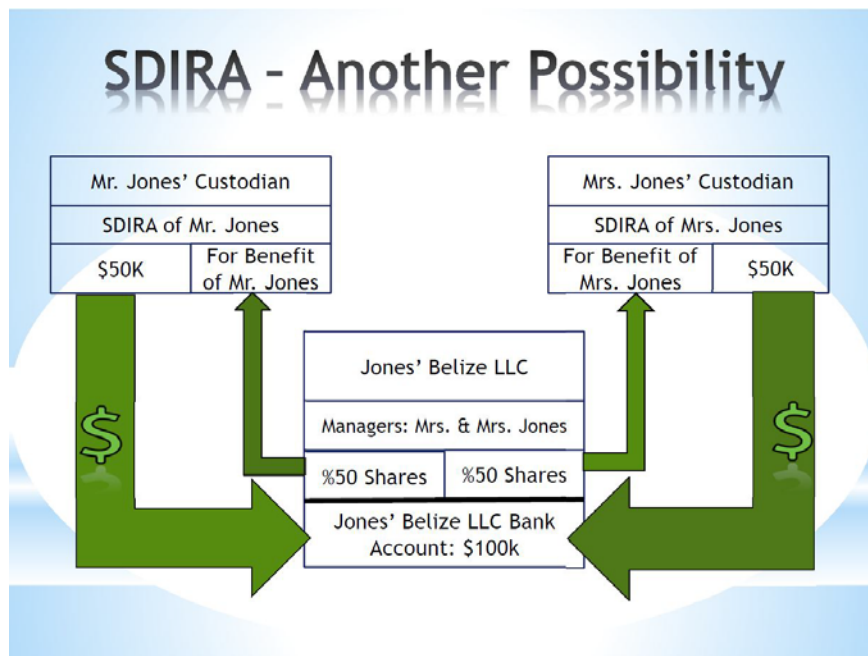
### Example #2: SDIRA with U.S. LLC and International LLC



### Example #3: Two SDIRAs with Two LLCs



### Example #4: Two IRAs One LLC







## About Georgetown Trust, LTD

Licensed since 1999 in the jurisdiction of Belize, and having a global network of affiliate partners, Georgetown Trust, Ltd. and its professional associates represent a multi-disciplinary approach to asset protection, wealth creation and preservation, and combining legal, accounting, financial and business acumen into a powerful offshore centre designed to accomplish your financial goals.

Whether you are young professional, retired person concerned with passing wealth to future generations or a successful entrepreneur worried about business downturns or personal litigation, Georgetown Trust, Ltd. is committed to preserving, protecting, promoting, enhancing and expanding your wealth now and for the future.

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