

# Self-directed Retirement Plans

**Investment  
Opportunities for  
Growth in 2010**

# Security Trust Company

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# What is a Self-directed Retirement Account?

A retirement account in which:

- **You** may choose to own any allowable type of asset
- **You** make the decisions concerning the assets you hold in the account

# Why Self-direct?

- True Diversification
  - Include non-traditional assets
    - real estate
    - mortgages & notes
    - private business
- You choose and control the investments
- Increase your buying power through leverage
- You may be able to experience a higher return on your investment

# Types of Retirement Plans

- **Traditional IRA**
- **Roth IRA**
- **SEP/SARSEP/SIMPLE**
- **401 k – prior employer**
- **403 b – prior employer**
- **TSA – prior employer**
- **TSP – prior employer**
- **Keogh**
- **Solo 401(k)**
- **401(k) plans**



# Roth Accounts & the 2010 Conversion Opportunity

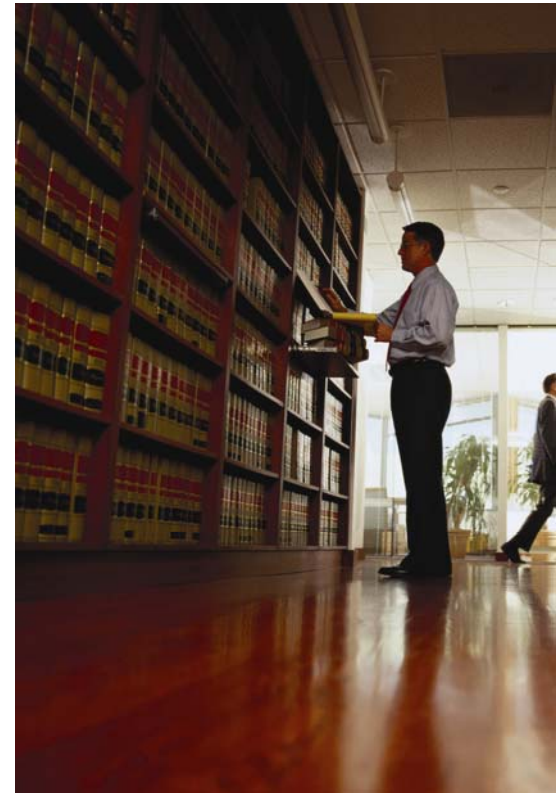
- Advantages of Roth accounts
- Qualified distributions/No RMD
- Income Limitations
- 2010 Conversions
- Taxes Due & Payable
  - Payable in 2011 & 2012 or 2010 (specific election)
  - Taxes paid from the converted account?
- Multiple accounts
- Partial conversions
- Check with your Accountant

# Solo 401(k) Opportunity

- **Retirement plan for Sole Proprietor**
- **Allows larger contributions limits**
  - **Employee-first \$16,500 (\$5,500 catch-up)**
  - **Employer-25% of W-2 income or 20% of self-employed income**
- **Multiple funding sources**
- **Roth Provision**
- **Loan Provision**
- **Qualify for both Roth IRA & Solo 401(k)?**

# Guidelines for Self-Directing

- **Administrative requirements**
  - Annual valuation of plan
  - Annual report to IRS (5498)
  - Books and records
  - State filings
  - Tax returns



# Guidelines for Self-Directing

## **Prohibited Assets:**

- **Life Insurance Contracts (except Solo 401(k))**
- **Collectibles (i.e. rugs, works of art, stamps, coins)**

## **Prohibited transactions:**

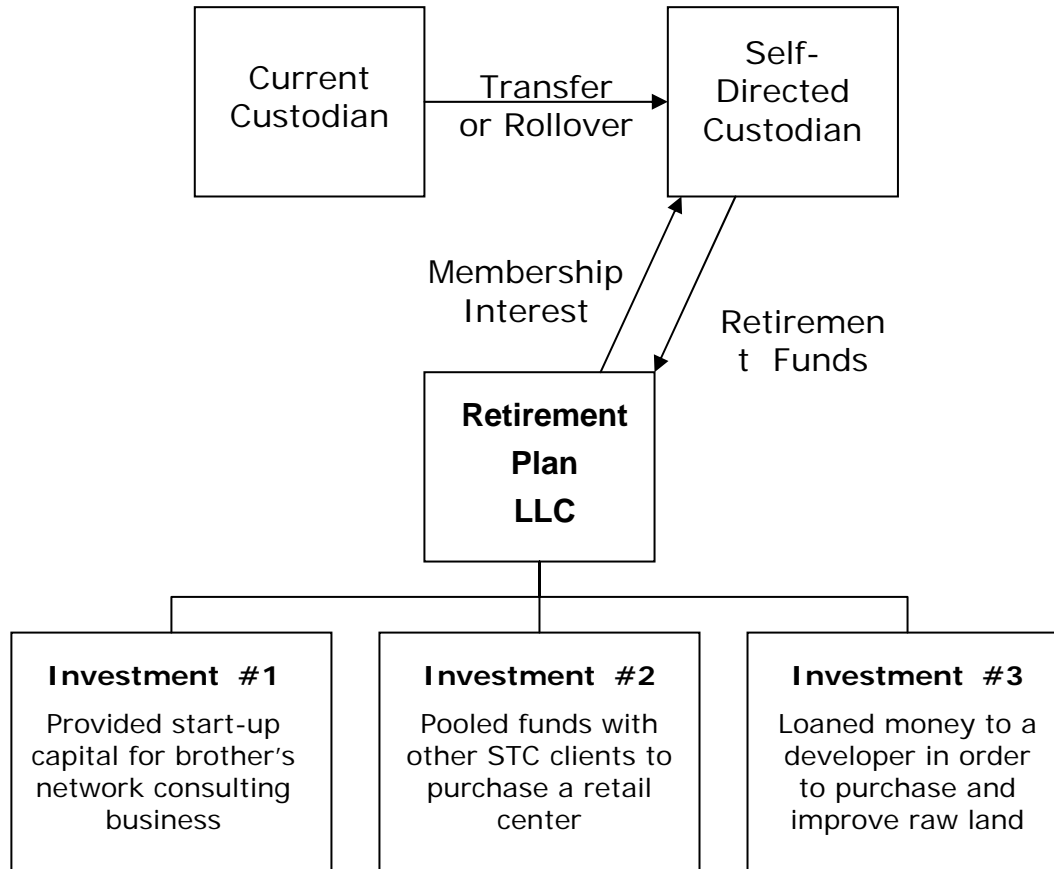
- **Transactions not for the exclusive benefit of the account**
- **Can't borrow from Retirement Account**
- **Can't pledge Retirement Account assets to secure loan**
- **Can't utilize credit or guarantee to obtain loan for account**
- **Can't benefit any disqualified person**

# Guidelines for Self-Directing

## Disqualified persons:

- “You”
- **Certain family members**
  - Ascendants
  - Descendants
  - Lateral family members are not disqualified
- **Company if you own a majority share**
- **Company if you are officer, director, HCE**

# Retirement Plan LLC Structure



# Benefits of the LLC Structure

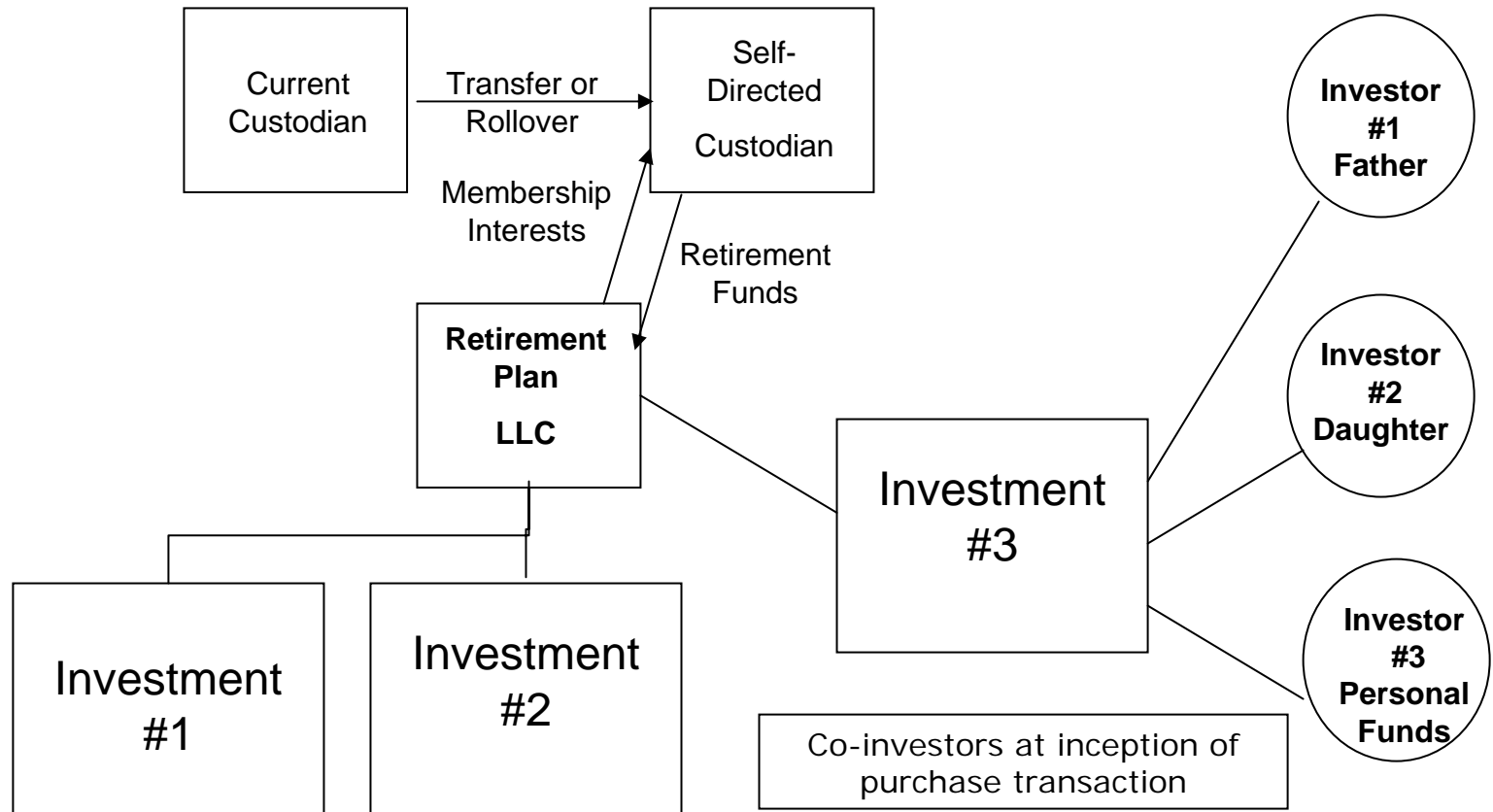
- **Offers maximum flexibility**
- **Provides additional asset protection**
- **‘Checkbook control’ over retirement funds**
  - **Immediate response to investment opportunities**
- **Simplifies asset titling**
- **Ease of pooling**

# Partnering with Others

- **Self**
- **Spouse**
- **Family members**
- **Colleagues**
- **LLCs**
- **Investment Syndications**



# Retirement Plan LLC Structure



# Some Investment Options

- **Single/Multi-family homes**
- **Vacation investment property**
- **Tax Liens**
- **Foreclosure & Short Sale Properties**
- **Raw Land/Building Lots**
- **Commercial Buildings**
- **Real Estate Syndications**
- **Mortgages/Loans**
- **Private Business Investments**
- **Operating Businesses**
- **Foreign Currency/Options/Futures**
- **Stocks/Bonds/Mutual Funds**

# Client Investment Purchase & Rehab for Sale

- **\$500K in Self-directed Retirement Account**
- **Property purchase price \$330K**
- **Spent \$140K to rehab**
- **Sold & increased Retirement Account by \$85K**

# Client Investment Rental Property

- **Purchase Rentals for Appreciation**
  - **\$500K in retirement account**
  - **Purchased 2 rental properties**
  - **Approx. \$500K down and remainder non-recourse loans**
  - **Renting for break-even+ cash flow**
  - **Holding property for appreciation**

# **Client Investment Purchase Building Lots-Resell**

- **Client had \$11,000 in a Roth account**
- **Purchased building lots for \$5-\$10k**
- **Marketed the properties & sold them**
- **In 18 months did ~ 9 transactions**
- **Increased Retirement Account value to \$300,000+**

# **Client Investment Investor Guaranteed Loan**

- **Retirement Account makes a Loan**
  - **Client transferred \$100k into a self-directed Retirement Account**
  - **Loaned money to an investor for a guaranteed return of 10%**
  - **Promissory note**

# Client Investment Oil/Natural Gas Drilling

- Retirement Account invests ~ \$35,000 in a syndicated oil/natural gas drilling project
- 5 drills
- If a drill strikes, additional \$5,000-\$10,000 investment to cap the well
- Investment lost if no oil/gas found
- Retirement Account receives royalties on producing wells
- Strikes on first two drills

# Group Investment

- **Syndicator purchases properties throughout the country**
- **Sets up LLCs or Partnerships with small groups to invest in the properties**
- **Example: Mixed-use building**
- **Invest \$100-\$120k**
- **Allows Retirement Account investor to buy multiple properties and diversify investments**

## Security Trust's Full-Service Approach

- Retirement Plan LLC structure setup
- Protected 'checkbook control'
- CPAs & attorneys to answer technical questions
- Guidance on transaction compliance
- Handle all the 'back office' support
- Maintain LLC financial statements
- Supervise regulatory reporting
- Oversee annual valuation

## How can Security Trust serve you?

**Do you...**

- want to open a self-directed retirement account now?**
- have clients or colleagues who would be interested in self-direction?**
- need more information?**

# Security Trust Company

- **Contact your STC representative.**
- **Website: [www.securitytrustcompany.com](http://www.securitytrustcompany.com)**
- **Corporate: 1-866-682-3683**