



# **Self-Directed Retirement Accounts & Non-recourse Lending**

**Security Trust Company**

**&**

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# Security Trust Company

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## Self-Directed Retirement Accounts

### ● What is a Self-directed Account?

- You may choose any allowable type of asset
  - Includes non-traditional assets like real estate
  - Offers you true diversification
- You manage your retirement plan investments
- You have control

# 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**



# 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**
- **Collectibles**
  - i.e. rugs, works of art, stamps, coins

# Guidelines for Self-Directing

## Prohibited transactions:

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

# Guidelines for Self-Directing

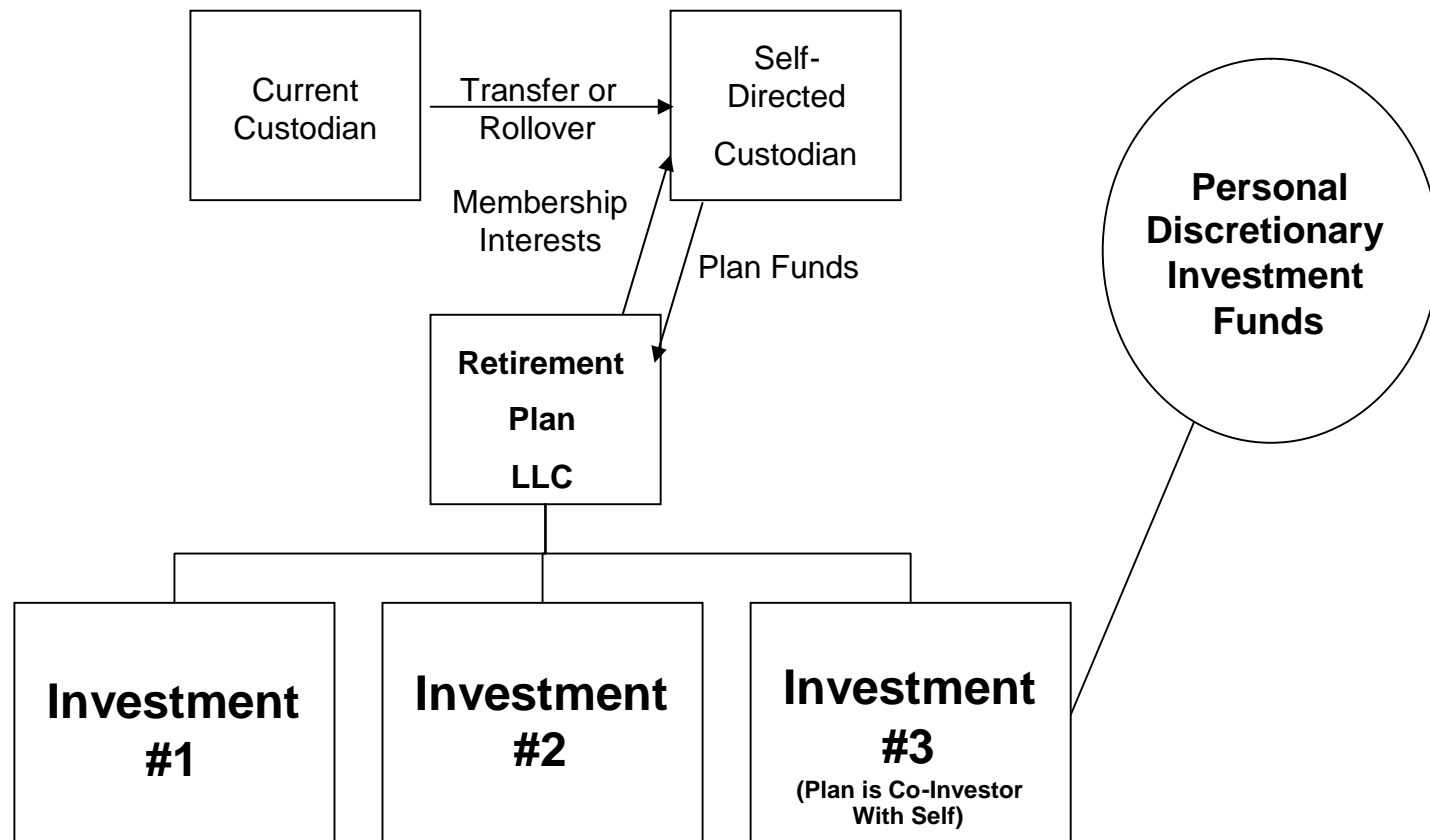
## Disqualified persons:

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

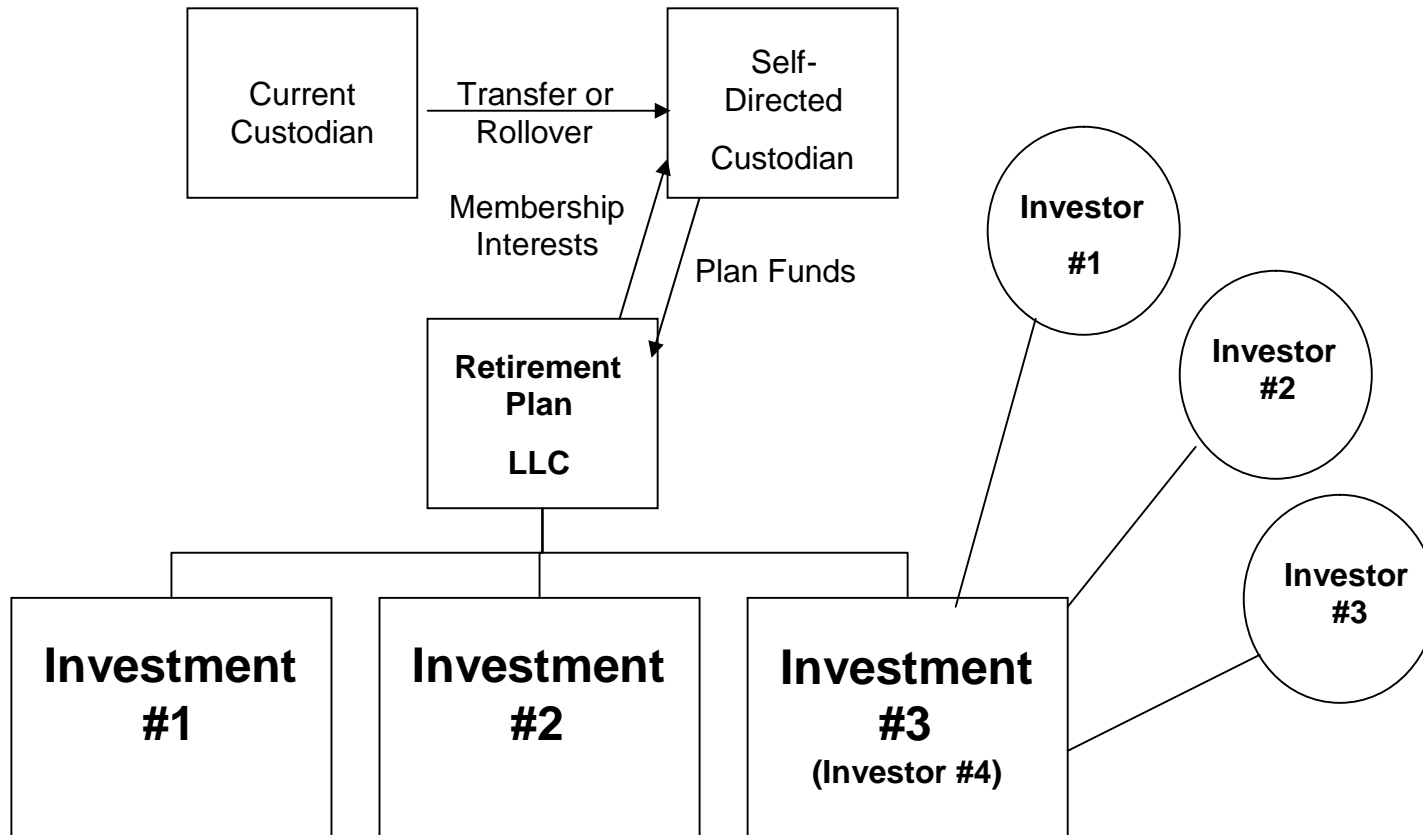
## Benefits of the LLC Structure

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

# Retirement Plan LLC Structure



# Retirement Plan LLC Structure



## 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

# Increase your Buying Power

- **Leverage your retirement account**
  - Increase buying power through non-recourse loans

## Example:

- **Property rehabilitation and sale**
  - Purchase price \$250,000
    - \$125,000 cash, \$125,000 financed
    - \$50,000 cash paid to contractor for renovation costs
  - Net \$100,000 on sale in 9 months
  - 57% return in 9 months, 76% annualized return

# Retirement Account Non-recourse Lending

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## **Advantages of Retirement Account Debt Financing**

- **You can diversify your retirement portfolio into tangible assets like real estate**
- **All net proceeds go back to the retirement plan tax deferred or tax free (Roth)**
- **Using leverage may result in potentially larger rates of return for your retirement account**

## What is a Non-recourse Loan?

- **Retirement account owner not personally liable**
- **Security instruments allow no recourse against account holders or balance of retirement account**
- **In event of default/foreclosure lender can only recover the property and equity**

## Why is a Non-recourse Loan Required?

- **Can't use retirement funds as security for a loan**
  - **Publication 590, p.48 [www.irs.gov](http://www.irs.gov)**
  - **Would result in a prohibited transaction**
- **Many banks don't offer non-recourse loans for retirement accounts**

## **General Non-recourse Loan Requirements**

- **Investment Property only**
- **30-40% of the property price in the retirement plan**
- **Purchase contract, title work, and insurance must be in the name of the retirement account (LLC)**
- **Other potential requirements**
  - **Required reserves**

## **NASB-General Information**

- **Processing Timeframe**
  - If Retirement Plan LLC already set up can typically close in 30 days
- **Types of Loan Programs**
  - 5 year ARM
  - 30 year Fixed Option
  - Both are principal & interest payments

## **NASB-General Information**

- **NASB Eligible Properties**
  - **Single family residential**
  - **Warrantable Condominiums**
  - **Puds/Townhomes**
  - **Duplexes**
  - **4-plexes**
  - **Multi-family (5 or more units)**
  
- **Some types of property have additional requirements, i.e. condos, rentals**

## **NASB-General Information**

### **Required Documentation:**

- 1. Completed loan application/checklist**
- 2. Most recent retirement account statement**
- 3. Purchase/sales contract**
- 4. Real Estate appraisal (ordered by NASB)**
- 5. Copy of driver's license**
- 6. Documentation from plan administrator needed for closing**
- 7. Homeowner's Insurance**

## Non-recourse Lending

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## 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**