

The Self-Directed 401(k)

The Most Powerful Retirement Investment Plan

Most self-employed Americans don't know about the Self-Directed Solo 401(k) or IRA accounts, and those who do, generally underestimate their potential for wealth-building and diversification.

The self-directed individual retirement account (IRA) is for investors who are determined to have true diversification protecting their retirement savings.

IRAs and 401ks are currently available from many financial institutions and employers. Each of them offers a wide range of stocks, bonds, and mutual funds, including exchange-traded funds and index funds. Investors can choose a conservative bond fund or an aggressive stock fund, and there are plenty of choices in between. The problem is that in most cases the investor is diversified in different sectors, but not asset classes. Leaving the investor exposed and at risk with their retirement savings.

The self-directed IRA is for those who demand true diversification through access to alternative investments in their retirement savings. And, they want total control over the buy and sell decisions.

Self-directed 401k IRA accounts allow Investing in Almost Anything

The most popular alternative investment is real estate – such as residential homes, condos, office buildings, foreclosures and even foreign real estate – but a Self-Directed Solo 401(k) allows you to invest in almost anything, including bonds, cryptocurrencies, tax liens, hard-money loans, notes, private companies, hedge funds, startups, IPOs, ICOs, precious metals, foreign currencies, peer-to-peer lending, crowdfunding ventures and much more.

Take Control of Your Retirement

With a checkbook Solo 401(k), you take full control of your retirement funds. There is no custodian, middle party slowing you down. Simply write a check and invest in real time. And without any transaction fees or asset-based fees.

Beat the Taxman

The Taxman may “come,” but with a Self-Directed Solo 401(k) you can do something about it. You can defer taxes until you retire, at which time you will probably be at a lower tax rate. You can also grow your retirement tax-free with Roth money. Either way, with a Self-Directed Solo 401(k), you can do all that in ways that are uniquely diverse, creative and with a profit potential which far outstrips conventional retirement investments.

How a Self-Directed IRA or 401(k) Works

Self-directed IRAs are held by a custodian chosen by the investor, typically a brokerage or investment firm. This custodian holds the IRA assets and executes the purchase or sale of investments on the investor's behalf.

If you are offered the option of a self-directed 401(k) by an employer, the custodian would be the plan administrator.

The same contribution limits apply as for regular IRA and 401(k) plans.

The withdrawal rules are also the same. A withdrawal made from any traditional IRA or 401(k) prior to age 59½ will trigger a 10% early-withdrawal penalty unless an exception applies. Required minimum distributions begin at age 70½.

For those who choose the Roth option for a self-directed IRA or 401(k), the rules again are the same. The investor pays the taxes on the income in the year the money is invested but the entire balance will be tax-free when money is withdrawn in retirement.

What is Checkbook Control?

"Checkbook Control" is the term used when a self-directed IRA owner has complete signing authority over an account that gives access to his/her retirement funds. This strategy is achieved through the establishment of a Self-

Directed IRA LLC. Since the LLC established is a business entity, it can establish a checking account. The LLC is funded by using retirement assets like an IRA which then funds the LLC's checking account. This offers greater investment freedom, allowing you the IRA holder to meet your investing goals and manage your assets with ease.

There are certain actions that you the IRA holder cannot conduct including receiving a salary from the LLC or make a distribution directly to yourself without the assets properly going through the IRA custodian to report a distribution.

It is always best to seek the assistance of your tax or legal advisor to guide you the do's don'ts in this type of an arrangement. Nonetheless, Checkbook Control allows you to act quickly when an investment opportunity presents itself such as purchasing real estate, but still provides true diversification for your retirement savings.



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