

What is Checkbook Control Mean with a IRA Account?

"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.

[To speak with a IRA Custodian that Central Ohio Real Estate Investment LLC has worked with Click Here](#)

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 through 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.

What is Checkbook Control and How Does it Work?

In order to obtain "checkbook control," you must first establish an LLC* in which your IRA can fund or invest in. This means that your IRA is the investor of the LLC and not you personally. In most cases, most IRA holders have their IRA as the only investor/member. Once the new LLC is established, the general manager of the LLC will need to set up a business checking account in the name of the LLC (this requires a tax ID number (EIN), as well as a copy of your Articles of Organization to be presented to the bank). Some IRA holders with the guidance of their legal counsel elect themselves as the "Managing Member" of the LLC. You the IRA holder will then be in control of that checkbook, therefore gaining "checkbook control" over your self-directed IRA funds.

What Does Using an LLC in a Self-Directed IRA Really Mean?

Your IRA investing in an LLC is a legal entity that can purchase assets outright, allowing you the freedom to direct your retirement funds. When you use an LLC vehicle in your IRA, you may have direct access to your IRA funds to make investment, which makes this a popular strategy among real estate investors, who often need quick access to cash for maintenance and repairs. Keep in mind these assets are the investor's assets, meaning the IRA and not you personally. The funds should not revert to you but instead back to your IRA. If your LLC decides to borrow money (non-recourse loan) to purchase an investment, additional tax-filings for the IRA may be required. You may need to consult with your tax advisor for assistance.

3 Advantages of Using a Self-Directed IRA LLC with Checkbook Control

1. Easier Control of Your Investments

When you identify an investment that you want to purchase, you can just write a check or wire the funds. You don't have to fill out paperwork, rely on your administrator to fund a purchase, or wait for someone else to write a check—you can take care of it yourself. This can be particularly helpful with investments that have time restraints, such as auctioned items.

2. Administrative Costs

Checkbook control has the ability to help you avoid the administrative and transaction fees that are typically associated with a self-directed IRA. If you own multiple investments in your LLC, your administrator only charges you for one asset, the LLC. Administrative fees may vary, depending on your investment type.

3. Due Diligence

With these advantages, however, come additional risks. Before you decide to register your business entity as an LLC, take the time to do your due diligence and learn about potential drawbacks or costs you may be responsible for. These can include items such as tax requirements, annual state required fees, member limitations, and registration availability within your individual state.

Formation and ongoing record-keeping requirements for LLCs vary by state. Visit your state's government website for more information on specific requirements or consult with your legal advisor to guide you through the process.

As with any IRA investment, prohibited transactions must be avoided as not to jeopardize the tax-favored status of your IRA. Research 26 U.S. Code § 4975. It will explain the tax on prohibited transactions, and what they are.

You can also contact Central Ohio Real Estate Investment LLC at any time if you have questions or concerns regarding the process of using your IRA for this type of arrangement.

[Click Here](#) to schedule an appointment to talk to an investment Realtor.



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