

# Taxing Times

*Read about taxpayers with IRS problems and learn helpful tips on how to end them.*

## START-UP MONEY THAT BELONGS TO YOU?

It is common to immediately get loans to fund your start-up business. Do you know there are alternative ways to fund your start-up business? The author Adam Bergman provided a very clear navigation path to various methods to accessing funding for your start-up in his book "Turning Retirement Funds into Start-up Business."

The most common access is obtaining a loan and in particular for small businesses, is the SBA loans. One of the alternatives is using your own retirement funds. There are many types of retirement funds and each of them has rules on the tax treatment and the amounts. The retirement funds are 401K, IRA, Roth IRA, SEP-IRA, KEOGH, to name a few. Not all IRAs are equal. Your level of control depends on the types of IRA you have. There are three types:

1. Traditional financial institution self-directed IRA
2. Custodian-controlled self-directed IRA without checkbook control
3. Self-directed IRA LLC with checkbook control

## 1. Traditional financial institution self-directed IRA

Once you transfer your retirement funds into your financial institution, the money is invested. Investment is made into assets marketed by your financial institution where the IRA is held. You are most familiar with this type of IRA



## 2. Custodian-controlled self-directed IRA without checkbook control

The retirement money is transferred to a self-directed IRA. This is approved by IRS to have a passive custodian while the investment is made by the IRA custodian at the sole direction of the IRA holder. The investment can be traditional assets or alternative investment but much control is still with the IRA holder. You can immediately detect the disadvantage is that you always have to go through the IRA holder for the investments.

## 3. Self-directed IRA LLC with checkbook control

With the checkbook control method, the retirement is transferred from the current custodian to Passive Custodian tax free. The IRS approve the passive custodian allowing for non-traditional investments. How then do we access retirement funds to start a business? With the Checkbook Control method, the passive custodian invests IRA funds into a new LLC IRA. Unlike the custodian-controlled self-directed IRA, which requires the IRA holder to see consent of the custodian before making investments, here, the LLC is established, owned and managed by the IRA account holder. Thus, the IRA holder, as manager of the LLC with the checkbook control over his or her IRA funds. As a manager of the LLC, you direct the LLC to make an investment into real estate, precious metals, tax liens, private business, stocks, notes, and other types of investments. All income and gains channels back to the self-directed IRA tax free.

***Besides creating your own funding source for your business or investments, there are many tax benefits to the strategy. Consult Kathy Gilbert for more information of the self-directed IRA.***



Need more information or for individual advice, contact Katherine Gilbert, EA, for free initial consultation

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