

What can you do with a self-directed IRA?

self-directed IRA a Retirement planning tool!

Retirement planning can seem like a hassle, especially if you find yourself at the mercy of a bank trusts and traditional investments. The thought of your portfolio not being truly diversified, and at risk may be frustrating. This is not the only investment option available though.

There is a way to step out of the traditional employer 401k or IRA investments, and take charge of your financial future with true asset class diversification. Self-directed IRA accounts allow account holders to build their own tax-advantaged retirement portfolios.

SDIRAs give you the freedom to make investment decisions, choose your assets, and construct a plan for your future, with control. If you are interested in planning for your retirement using self-directed investing, here are seven tips you should know.

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#1 – Flexibility and Self-Control

As the owner of an SDIRA, you oversee your personal retirement plan. You can shape your portfolio, select your assets, and decide how much you want to save. Created to your preference, a tax advantaged self-directed account can grow long-term for a solid nest egg.

Account holders must perform their due diligence, research their options, and take advantage of the flexible nature of SDIRAs. The account is how you want it – and the way you invest is completely up to you.

[Click Here for a list of IRA custodians that Central Ohio Real Estate Investment LLC has worked with!](#)

#2 – You can make Alternative Investments.

Unlike traditional investments, self-directed IRAs allow account holders to invest in numerous alternative assets. Aside from stocks, bonds, and mutual funds, there many types of investments to explore. Depending on your personal preference and experience, you can invest in real estate, promissory notes, private businesses, hedge funds, precious metals, cryptocurrency and many other options.

The IRS does not have a clear definition of what you can invest in; however, they are very particular about which assets are not allowed. Life insurance, tangible assets, and most collectibles should be avoided. If you are cognizant of what is off-limits, you can build a successful portfolio.

#3 – Tax Advantaged Assets

Self-directed IRAs can have two different tax advantages: tax-deferred or tax-free. By selecting a traditional IRA, your contributions will grow tax-deferred until you reach

retirement age. From there, you will pay taxes on withdrawals. If you wish to go the tax-free route, consider opening a Roth IRA. These IRAs require no minimum contribution, but they do not receive an up-front tax break. Instead, account holders enjoy the benefit of tax-free withdrawals after they reach retirement. Depending on the amount of cash you have available for contributions, either selection could be beneficial for long-term growth.

#4 – Self-Directed Control with an LLC

Though SDIRAs do allow for more freedom than traditional investments, account holders still must rely on a certified SDIRA custodian as per IRS regulation. If you want to avoid constantly setting up appointments and numerous additional fees, self-directed IRA owners can open an LLC using their IRA. This allows your IRA to function like a company with you as acting manager.

This option gives you “checkbook control” over your account and can have additional tax benefits and asset protection. If you are looking into diversified purchases such as real estate, this may be the best plan of action for your savings. Be aware; you must still report all transactions to your custodian.

Opening an LLC gives you immediate access to your funds for quick purchases while skipping the multiple custodian visits. As always, perform your due diligence to set up your LLC by-the-book.

#5 – Diversify your Investment

A big advantage to opening an SDIRA is the ability to build a truly diversified portfolio between asset classes. With so many alternative assets to invest in, you are not limited to one choice. You can get creative with your selections and create a balance for the best long-term growth.

Having multiple investments can protect your savings from a single faulty investment choice. Your account can also grow over-time with slow-building assets. It is up to you to design a plan that will work for your future.

#6 – Greater Return Opportunities

With so many options, the opportunity to build your retirement savings is much greater with a self-directed IRA. Alternative assets, tax-advantaged savings, and flexibility are excellent tools to secure your future. The best thing about having so many types of investment options is the endless ways you can piece them together for your own personalized plan with true diversification.

Traditional investments are a good way to build for retirement; however, this option is limited to a few asset classes limiting true diversification. Self-directed IRA investing is a way to get into different assets classes for true diversification. Traditional investments, or employer 401ks simple don't offer the type of diversification between asset classes that self-directed IRA accounts do.

#7 – Avoidable Pitfalls

Planning for your own retirement can be tricky, but by performing your due diligence, and following your custodian's advice, you can avoid the pitfalls. Avoid self-dealing, lending or borrowing money to yourself. Self-investment can ultimately disqualify your account.

Additionally, you nor any disqualified individual can use any property owned by your IRA. Disqualified individuals include anyone who stands to benefit from your self-directed IRA investments: spouses, children, grandchildren, etc. Perform your research and you can avoid any unwanted account penalties. [Google "Publication 590-B" IRA distributions]

Self-Directed Future

Self-directed investment is a way to take personal control of your retirement plan. If you are looking for flexibility, diversity, and control, SDIRAs are the best investment choice for you. [Consult a trusted financial advisor](#) before making any investment decisions, and start planning for your future today!

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