



The Trillion Dollar Secret

The TSD-IRA E-book

Everything you should know about this phenomenal IRA investment tool.

Presented By Truly Self Directed

“What do they know that you don’t?”

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Introduction

This E Book is the first step to revealing the trillion dollar secret that most investment firms and brokers have kept to themselves for decades. An estimated 3 trillion dollars are investing in stocks, bonds, mutual funds and CD's with tax deferred and tax exempt Individual Retirement Accounts (IRA's).

Only less than 3% are taking advantage of this incredible investment potential.

This is not a grey area or a tax loop hole. This is not something that was dreamed up by an attorney to take advantage of some ancient forgotten tax code. This is a real legal option, an incredibly structured investment tool by attorneys that allow you to use tax deferred or even tax free IRA money to invest with, nothing less.

The Secret

What is the secret that these savvy investors know? It's a little section of the IRS code [IRS Code 4975](#). What is revealed is what you are allowed to invest in with your retirement funds.

Actually, there isn't a long list of what is allowed; instead there is a very short list of what is disallowed.

**The IRS code "doesn't tell you what you can invest in. It tells you what you can't invest in."
- San Francisco Chronicle**

Here are some examples of investments that an IRA is allowed to invest in that you might not be aware of.

Residential Real Estate	Receivables
Commercial Real Estate	Stocks, Bonds, Mutual
Funds	Raw Land
Deeds/Mortgages	Options
Mortgage Pools	Currency
Private Notes and Loans	Futures
Private Placements	Commercial Paper
Limited Liability Companies (LLC)	Tax Certificates
Limited Partnerships (LP's)	Foreclosure Property

Many individuals have asked their broker about alternative investments and have been told that it cannot be done. What they are not being told is that they can make their investment; they just can't do it with their current brokerage firm.

See what the IRS has published on their website about the restrictions that aren't of their own, but of your own broker.

“Finally, IRA trustees are permitted to impose additional restrictions on investments. For example, because of administrative burdens, many IRA trustees do not permit IRA owners to invest IRA funds in real estate. IRA law does not prohibit investing in real estate but trustees are not required to offer real estate as an option.” www.irs.gov

What is disallowed?

The more you research this subject, the more you will find that the IRS allows an open field of flexibility with Individual Retirement Accounts and in fact, its not the IRS that frowns upon truly self directed IRA's, it's the investment firms that want to keep control of your money. After all, with a TSD-IRA, it's you who is making the greater returns, not them.

The most common question has always been, “can I invest in real estate with my IRA. The answer of course is yes.

**“Real estate has always been permitted in IRAs, but few people seemed to know about this option- until the stock market began to decline. Financial Institutions, meanwhile, had little incentive to recommend something other than stocks, bonds or mutual funds.”
- New York Times**

So what can't you do? Congress States the restrictions to an IRA in IRC Section 408:

An IRA Cannot: Invest in life insurance contracts or collectibles defined below:

Any work of art
Any alcoholic beverage
Any stamp or coin

Any metal or gem
Any rug or antique

There are some exceptions to coins such as bullion silver and platinum coins.

IRA prohibited transactions are listed in IRC Section 4975; prohibited transactions are any direct or indirect:

- (A) sale or exchange, or leasing, of any property between a plan and a disqualified person;
- (B) lending of money or other extension of credit between a plan and a disqualified person;
- (C) furnishing of goods, services, or facilities between a plan and a disqualified person;
- (D) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a plan;
- (E) act by a disqualified person who is a fiduciary whereby he deals with the income or assets of a plan in his own interests or for his own account; or
- (F) receipt of any consideration for his own personal account by any disqualified person who is a fiduciary from any party dealing with the plan in connection with a transaction involving the income or assets of the plan.

A **disqualified person** is the IRA participant, a spouse of the participant, ascendants of the participant (mother/father), descendants of the participant (daughter/son), spouses of the participants descendants (son/daughter's spouse) and fiduciaries of the plan (custodian/trustee, TSD-IRA Manager).

What does all that mean in plain English?

It is prohibited by the IRS for a **disqualified person** to personally purchase an asset from or sell their personal asset to an IRA.

It is prohibited by the IRS for a disqualified person to **extend credit to the IRA** or take an extension of credit from the IRA (loan to the plan or borrow from the plan).

It is prohibited by the IRS for a disqualified person to extend goods services or facilities to the IRA or use the assets of the IRA for **their own benefit**.

It is prohibited by the IRS for any fiduciary to deal with the income or assets of the IRA for **their own benefit** or have receipt for consideration where they were involved in a transaction with the plan.

The government gives IRA's a tax advantage for a reason, they don't want individuals circumventing that reason and still receiving the tax advantage.

There are **some exemptions** to these prohibited transactions as well but they must be handled very carefully.

Example, many individuals are **borrowing money from their Retirement plans** and doing it with approval from the government, this is done under an approved plan document with specific provisions in the plan.

Notice that the tax code never states that you cannot be in full control of your IRA.

It only states that you can't go out and buy yourself a house or Maserati. Some of our clients have asked if they can buy a Maserati for a business car, that is arguable but I wouldn't recommend it. Every transaction or decision you make on behalf of your IRA should be in the best interest of your IRA, it's that simple. It is amazing the endless possibilities that few will ever know are possible. You may be saying to yourself, okay, I know what I can do, but how?

How does a TSD-IRA Work?

This exclusive e-book will show you how you can have liquid flexibility over your IRA while strengthening your asset protection against creditors and litigators. With a Truly Self Directed IRA (TSD-IRA) you will have a check book, debit card and all the tools that come along with a business checking account at your fingertips. All you need to know with a TSD-IRA are the few things that you can't do; the rest is up to your imagination.

A TSD-IRA is a unique hybrid that utilizes a self directed IRA custodian and a specialized legal structure. Basically, a TSD-IRA is a vehicle that will help you utilize a self directed custodian for their strengths; eliminate their bureaucracy and red tape while minimizing their fees.

Here is how it works:

- 1 Your retirement account is moved to a self directed custodian who allows alternative investment vehicles that can pass their compliance procedures and withstand IRS scrutiny.
- 2 Our legal team creates a customized entity (usually in the form of a LLC) and submits it to the custodian as a private placement (this is not an ordinary LLC, we stress the fact that you use a professional to create this structure otherwise your IRA may become disqualified, taxed and penalized).
- 3 You open a business checking account for this entity.
- 4 You submit an investment authorization form to the custodian instructing them to fund your new bank account via check or wire.

After you complete the simple step by step TSD-IRA process you will have absolute control over this new structure and can direct your retirement funds into any investment you choose (keeping in mind that you still need to abide by IRS rules). Not only do you have the flexibility of cash which allows you to make a wide range of investments including the securities you are familiar with, but also solid asset protection.

Why use a LLC?

There are other's utilizing C corps and 401k's and there are some uses for these but as a standard investment structure these invariably incur taxes. Some companies find these easier for them to structure but why pay the taxes if you don't have too.

The owner of the LLC is the IRA.

A Limited Liability Company is a company that has option to be taxed as a partnership, this is beneficial because the LLC won't pay any taxes on gains, and instead it will be the owner of the LLC who is liable for any taxes just as if they earned the money themselves.

Because the owner of the LLC is your IRA, there are no taxes unless you are running a business that is unrelated to the purpose of an IRA (making investments), using debt financing or taking a distribution from your IRA.

Asset Protection

Another benefit to having a LLC is the asset protection. LLC's have the protection of a corporation, therefore you or your IRA won't be liable for the LLC's debts and it is very difficult and cumbersome to penetrate the integrity of the structure.

Let's say you are involved in a lawsuit that is not ruling in your favor and attacking your TSD-IRA. An attorney would have to work extra hard to penetrate 1 your IRA and 2 the LLC within your IRA.

Even if someone won in a lawsuit against you and got a charging order for your TSD-IRA, all they would be entitled to is the **distributions from the LLC**.

If you, the manager of the LLC didn't make any distributions (which you don't have to until you are 70 ½), not only would the person holding the charging order **not** receive any money, **they would also pay taxes** on the gains made in the LLC because it is a flow through structure.

What if you received \$100K a year in your TSD-IRA; that would spike the tax bracket of any individual holding a charging order against your TSD-IRA. So they pay the taxes for that year but can't receive any money.

That's real asset protection.

Case Law

After little research, most advisors will accept the fact that you can make alternative investments such as real estate, loans, private placements, in your IRA, but the concept of a TSD-IRA may be hard to accept.

However, the TSD-IRA concept isn't frowned upon, risky or even new. The case law that proves the strong integrity of the TSD-IRA concept is Swanson v. Commissioner.

James Swanson owned a majority of shares in a U.S. Corporation and his 3 children owned the remainder of the U.S. Corporation. Swanson formed a new Domestic International Sales Corporation (DISC) where he was the director of the company and the members were Swanson's IRA and the IRA's of his 3 children, each owning 25% of the DISC.

The company arranged commissions on foreign sales for the U.S. Corporation making the normally taxed income of the DISC now tax deferred through the IRA's.

The IRS initially challenged this based on the conception that he had violated IRC Section 4975 because Swanson dealt with the assets of the plan in his own interest.

IRS, realizing they weren't justified in their allegations, tried to withdrawal their case.

By this time Swanson had suffered extensive legal fees and demanded the IRS to compensate him for his trouble. The IRS of course, refused to pay Swanson for his legal fees therefore Swanson was forced to escalate his demands to the Tax Court.

The tax court came to two conclusions,

1. Swanson's TSD-IRA structure was **not** illegal.
2. The IRS had to pay Swanson a reasonable amount of his legal fees.

There have been a number of decisive rulings, statements and opinions by the Department of Labor, IRS and Tax court all in favor of the TSD-IRA concept, this is just one of them.

Why not just use a custodian?

Most individuals will put money aside for a tax deduction or benefits at work. Because the money is managed by a traditional Custodian, Administrator or Brokerage firm and the only interaction by the individual is looking at an annual statement, this type of account is in no way self directed.

Millions of Americans have spent their whole life saving for retirement just to realize once they turn 65 and are ready to retire, they ended up losing money.

Almost all custodians only handle the typical IRA's

- ✓ An individual puts money aside for retirement savings with a Custodian, Administrator or Brokerage firm that empowers the individual to make investments that **are allowable** by the custodian's compliance department.
- ✓ In most cases the individual can trade stocks, bonds and mutual funds from a select inventory under the Custodian, Administrator or Broker.
- ✓ Depending on the type of IRA the individual has structured, gains can be realized tax deferred or tax exempt.
- ✓ Contribution limits vary depending on age, employment status and adjusted gross income.

Some individuals have found their way to the Self Directed IRA custodian.

The reason we call ours the **truly self directed** IRA is the fact that custodians are advertising a self directed IRA but offering very little flexibility making it difficult to really enjoy the opportunity that is afforded with a TSD-IRA.

If the account is held by one of these flexible self directed IRA custodian, the individual is empowered to purchase non traditional assets titled in the custodians name FBO the individual.

The extent of bureaucracy necessary is at the Custodians discretion and is always paid for out of the IRA. Custodians who offer this type of plan have a fee

for everything, below is a small list of fees and certain bureaucracy you can expect.

Fees Fees Fees

Annual Asset Fees

Fees based on % of the account

Wire Fees

Fees to buy

Fees to sell

Return Check **Fees**

Invoice Fees

RMD Calculation Fees

Entrance Fees

Exit Fees

Check Fees

RED TAPE

Waiting for Custodian to cut a check

Mortgage reviews

Asset Evaluation

Minimum Distributions

Waiting for Custodian Approval

Unnecessary Annual Appraisals

Investment Limitations

IRS or Attorney Opinion letters

Private Placement Memorandums

The List goes on...

This is what you are missing when you deal directly with a custodian.

“Truly” Self Directed IRA” (TSD-IRA)

- ✓ An individual puts money aside for retirement savings under a special legal structure specifically set up to limit custodial restrictions, red tape and fees.
- ✓ The individual opens an IRA account with a specific custodian.
- ✓ A Limited Liability Company is structured in compliance with IRS rules and regulations to be owned by the IRA and managed by the IRA participant.
- ✓ Depending on the type of IRA the individual has structured, gains can be realized tax deferred or tax exempt.
- ✓ Contribution limits vary depending on age, employment status and adjusted gross income

A TSD-IRA is only restricted to the rules of the IRS and arms of federal and state government, not by a company that is in business to manage your funds.

It is that simple, don't break the simple rules of the law, and you have nothing to worry about.

With a TSD-IRA you can expect:

Limitless Investment Options

Here is a list of the few possibilities:

Real Estate	Purchase Notes
Stocks	Tax Liens and deeds
Bonds	Options

No Red Tape

Checkbook Control	Use Leverage
Low annual Custodial fee (\$92 per year)	Use your expertise
Buy what you want	

Grow your retirement, not theirs

Real world examples

Below are a couple examples of what our TSD-IRA structures can do. There are only two but they show a good example of their investment potential. One is a very simple but highly effective way that we have shown our clients to safely but with a great results, use their TSD-IRA to maximize there investment nest egg.

The other is very exciting option for those who have real estate opportunities and have a traditional IRA but would like to build up their nest egg with **TAX FREE** dollars vs. tax deferred.

Simple IRA Real Estate Investment Example

Mary doesn't know the real estate business but she knows that real estate has always consistently out preformed stocks and bonds.

Through a tip from one of our other TSD-IRA clients, Mary found a safe high return real estate investment that she was comfortable with.

Mary set up a TSD-IRA and loaned a local real estate development company 25,000 tax deferred dollars.

The deal was safe, secured with real property and was returning 10% annually. A substantial increase from what she was getting from her custodial IRA.

The real estate deal looked like this.

- ✓ 25,000 loan
- ✓ 12 months
- ✓ 10%
- ✓ First lien holder (if anything should happen she is paid first)
- ✓ The real estate property is fully insured (if anything should happen she would get here original 25,000 plus her 10%).
- ✓ No repair worries, no collecting rent from tenants.

Because Austin is the fastest growing real estate economy in the country, Mary's investment returned in less than 8 months. Because of what Mary learned and her experience with the developer, Mary took the builders offer of rolling it over for an annualized 14% return.

Mary calculated that if she re invests her original \$25,000 investment for 10 years; she will have earned over \$111,000. If she would contribute her maximum 4500 a year into her IRA and re invest, she would have over \$214,000 in her IRA.

If you have any interest in these structures or have questions on a specific deal you might have, please call us at truly self directed (512) 637-1009 we would be happy to discuss them with you.

Tax Deferred IRA to Leverage Your Roth IRA

As we review the following scenario, imagine that this partnership is not between Bob and Steve, but between your current Traditional IRA and a newly created Roth IRA.

This is a great way to really build up your nest egg, **Tax Free** not just tax deferred.

Bob and Steve are forming a partnership. Bob buys houses at foreclosure sales for 5% to 25% market value and sells them for 50%-75% market value.

Steve only puts up the expenses it takes to fix the houses up. Steve doesn't want to take the risk of losing his money.

Bob is confident of the returns and is willing to take extra risks for the lion's share of the profits.

Steve is guaranteed his money back + 15% before Bob sees any profits. Bob buys a property at a public foreclosure for \$10 K; he needs \$15 K to fix it up where it will be appraised at \$75 K.

Bob sells the property to an investor for \$40 K.

Steve takes home \$17,250.00 making a pre tax profit of \$ 2,250.00
Bob takes home \$22,750.00 making a pre tax profit of \$12,750.00

The highlights of this deal are:

Steve puts up more money (The Traditional IRA)
Bob received more money. (The Roth IRA)

Bob and Steve are both happy to do this all day long, multiple times a year. Bob takes the risk and the bulk of the profit while Steve minimizes his risk and is happy with his return. People make these types of partnerships all the time.

So can your traditional and new Roth

Imagine now your TSD-IRA was created with a large amount of tax deferred money (Traditional IRA) and a little amount of tax exempt money (Roth IRA) uniquely structured to fund your tax free Roth IRA.

This type of structure with disproportionate allocations is industry standard in the real estate investment world.

The justifiable reasoning behind this partnership is that the Roth IRA takes all the risk and gets nothing if the deal goes south. The traditional IRA is first lien holder; it's guaranteed its return first.

For taking all the risk the Roth IRA is justified to receive the lion's share of the gains.

Frequently FAQ:

There are probably hundreds of questions we could have added here, but like the title states, these are the ones that are most frequently asked and give the best general understanding of the true self directed IRA.

If your question is not answered here please don't hesitate to contact us at (877) 339-4559 or info@irallcpartner.com

Can an individual contribute to a traditional IRA if he or she has other retirement plans?

Yes, individuals can contribute to a traditional IRA whether or not they are covered by another retirement plan. However, they may not be able to deduct all of their contributions if they or their spouses are covered by an employer-sponsored retirement plan. [Note that contributions to a Roth IRA are not deductible and income limits apply.] See [Publication 590](#) for further information.

Can I partner with my spouses IRA or another disqualified person within the LLC?

Yes, in Swanson vs. Commissioner Swanson's IRA was partnered with the IRA's of his 3 children and Swanson was the director of the company (Swanson won the case). However, if you are going to make your LLC owned by multiple members (whether they are disqualified or not), the TSD-IRA will become disqualified for any additional IRA capitalization as where an LLC owned 100% by one IRA becomes a part of the IRA and you are allowed to make annual contributions to the entity.

How can an individual convert a traditional IRA to a Roth IRA?

A traditional IRA can be converted to a Roth IRA by:

Rollover - A distribution from a traditional IRA can be contributed to a Roth IRA within 60 days after distribution.

Trustee-to-trustee transfer - The financial institution holding the traditional IRA assets will provide directions on how to transfer those assets to a Roth IRA with another financial institution.

Same trustee transfer - As with the trustee-to-trustee transfer, the financial institution holding the traditional IRA assets will provide directions on how to transfer those assets to a Roth IRA, this is usually a simple IRA conversion form that requires your signature. In this case, things should be simpler because the transfer occurs within the same financial institution.

A conversion results in taxation of any untaxed amounts in the traditional IRA. Also, the conversion is reported on [Form 8606](#), *Nondeductible IRAs*.

What is the difference between buying real estate or any other investment for me or for my TSD-IRA?

When you make an investment with your TSD-IRA you will want to make sure that the asset is titled in the name of your entity. Make sure all the expenses come from the TSD-IRA and all the revenue flows to the TSD-IRA. Also, you will always want to make decisions in the best interest of the TSD-IRA because once you become manager of your IRA, you become a fiduciary.

Can my TSD-IRA purchase an interest in a Subchapter S Corporation?

No. According to IRS Letter Ruling 199929029, April 27, 1999 IRA's are not qualified as investors in Subchapter S Corporations.

Why haven't I heard about this before?

Since The Employee Retirement Income Security Act (ERISA) was passed in 1974 the big lobbyists for IRA's were banks and investment firms, since then there has been a common misconception that IRA's are only allowed to be invested in stocks, bonds, mutual funds, annuities and CD's. Nothing could be farther from the truth. The main reason you might not have heard of this type of retirement plan is that none of these traditional custodians have an incentive to allow you to make your own investment decisions outside of stocks bonds mutual funds, annuities and CD's. Since the downfall of the stock market in 2000 it has been individuals who have taken the initiative and built a market for "truly" self directed IRA's.

What types of Retirement Accounts can be structured as a TSD-IRA?

As a rule of thumb, you want to make sure that your retirement plan can be rolled over or transferred to another custodian before moving forward in getting a TSD-IRA. Once you have established that you are eligible, most types of retirement plans can be converted into a TSD-IRA, here is a list of the most popular.

- Traditional IRA
 - Roth IRA
 - SEP IRA
 - Keogh
 - 401(k)
 - 403(b)
-

How do I ensure my money will be safe?

Before your money is deposited in a local FDIC insured bank account of your choice, it will be moved to a registered Trust Company or Bank. To be a registered Trust Company or Bank the institution must meet stringent state and federal requirements and have adequate reserves. Your funds will be kept in a separate account for your benefit for a short period of time (a couple days) before the funds are transferred into a LLC checking account. Even if the Trust Company or Bank goes out of business, your money will always be in your possession and the LLC can be registered as an in-kind transfer to another custodian.

My Broker, CPA and Attorney tell me this is illegal or frowned upon by the IRS?

Your broker will naturally show skepticism when they realize that you will have to move your funds outside of their management. I have heard every excuse in the book from brokers...if you set this up your IRA will be taxed (not true, the funds are transferred from custodian to custodian ensuring that the IRA is still qualified and there are no taxes due on the conversion)...this company will run off with your money (not true, most companies that structure a TSD-IRA will never even have access to your funds but make their money by charging a set up fee anywhere between \$2,000-\$5,000, once again, the funds are transferred to a Trust Company or Bank, the likelihood that your life savings will be stolen is the likelihood that your local bank will steal it)...why would you invest in real estate with an IRA when the gains would normally be taxed at capital gains tax but in an IRA they will eventually be taxed as regular income tax (this argument is pretty much stating that you shouldn't have an IRA altogether because stocks bonds

and mutual funds will be taxed as capital gains outside of an IRA as well. The idea behind IRA's is that when you retire and start taking distributions your mortgage is paid for, you aren't in debt and you need less money to live on, putting you in a lower tax bracket. Roth IRA's aren't taxed at all when you take distributions). Most everything your broker will tell you is an attempt to keep your assets under their management and this becomes more and more obvious the more they talk.

Your CPA is in business to file taxes. Your local attorney doesn't specialize in TSD-IRA's. These professionals usually won't want to take the time and effort to study the tax code in depth and give you a straight forward answer for free. To blow you off you might be told, that is illegal or technically you can but it is frowned upon or this is a loop hole and the laws will change. If you are told this is illegal simply ask your professional where "exactly" that is stated in the tax code, they won't find it, actually, ask them where it is stated that you can buy securities, they won't find that either. To tell you that this type of structure is frowned upon by the IRS or any other government is completely wrong. Nowhere is it ever indicated that the government doesn't want you managing your own retirement account, and in fact there have been private letter rulings that allow individuals to take advantage of their IRA without incurring penalties. To say that this is a loop hole in the law may sound like it makes sense but isn't true, also, unless the professionals telling you this are senators or high level officials, I wouldn't listen to their opinion on how the laws will change. Once again, the tax code has always granted these abilities, but the big brokerage firms have a vested interest in controlling your money and distributing the profits into their pockets, not yours.

Can I purchase an asset that I currently own?

No. This is a prohibited transaction. If this is something you really want to do you might get a private letter ruling from the Department of Labor allowing you to make this investment. Private letter rulings can be very costly and may not be approved.

What if I need to borrow money to buy real estate?

Because you cannot extend credit to your IRA, and your IRA cannot be used as security, it makes borrowing money a little more difficult, however, for us this isn't a big problem. As long as you get a loan that doesn't take recourse against you or your IRA, you aren't making a prohibited transaction. What most individuals do is use a property owned by the TSD-IRA as collateral, as long as the Itv meets the right requirements, most banks will loan money to the TSD-IRA. A good

TSD-IRA advisor will have relationships in place to help you facilitate this transaction.

Can I work on a property owned by my IRA?

Some outfits may consider this to be sweat equity and prohibited. The code doesn't mention anything about sweat equity but does state that you cannot directly or indirectly extend credit to your IRA. You are allowed to day trade stocks with your IRA, so why wouldn't you be allowed to swing hammers in a property owned by your IRA? Unfortunately the code doesn't define "credit", leaving this question to be one of those grey areas. In the case Swanson vs. Commissioner, Swanson was the only sales person for his entity, this was never challenged.

Do I need to ask permission to make an investment?

No. You are the manager of your TSD-IRA and all decisions are made by you, when you want to make an investment, you write a check, use your debit card, wire funds, ect... All contracts can be signed by you; if you want to hire another decision maker you can also do that. You will need to report to the custodian on an annual basis. Most custodians don't have any formal documents to make this reporting, a simple letter will suffice; we recommend keeping a balance sheet for your entity and sending that to the custodian annually.

Conclusion

I hope we have showed you the possibilities of having a TSD-IRA. There are very few limitations and only possibilities of really making a difference in your IRA investment goals. Doesn't matter if you want to use your IRA as an investment tool or your goal is to build up your nest egg, we can show you how.

Please call us at (877) 339-4559 or contact us at info@irallcpartner.com.