



Self-Directed Retirement Accounts & Non-recourse Lending

Security Trust Company

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North American Savings Bank

Security Trust Company

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Self-Directed Retirement Accounts

● What is a Self-directed Account?

- You may choose any allowable type of asset
 - Includes non-traditional assets like real estate
 - Offers you true diversification
- You manage your retirement plan investments
- You have control

Retirement Plans

- **Traditional IRA**
- **Roth IRA**
- **SEP/SARSEP/SIMPLE**
- **401 k – prior employer**
- **403 b – prior employer**
- **TSA – prior employer**
- **TSP – prior employer**
- **Keogh**
- **Solo 401(k)**
- **401(k) plans**



Guidelines for Self-Directing

- **Administrative requirements**
 - Annual valuation of plan
 - Annual report to IRS (5498)
 - Books and records
 - State filings
 - Tax returns



Guidelines for Self-Directing

Prohibited assets:

- **Life insurance contracts**
- **Collectibles**
 - i.e. rugs, works of art, stamps, coins

Guidelines for Self-Directing

Prohibited transactions:

- Transactions not for the exclusive benefit of the plan
- Can't borrow from retirement account
- Can't pledge plan assets to secure loan
- Can't utilize credit or guarantee to obtain loan for retirement account
- Can't benefit any disqualified person

Guidelines for Self-Directing

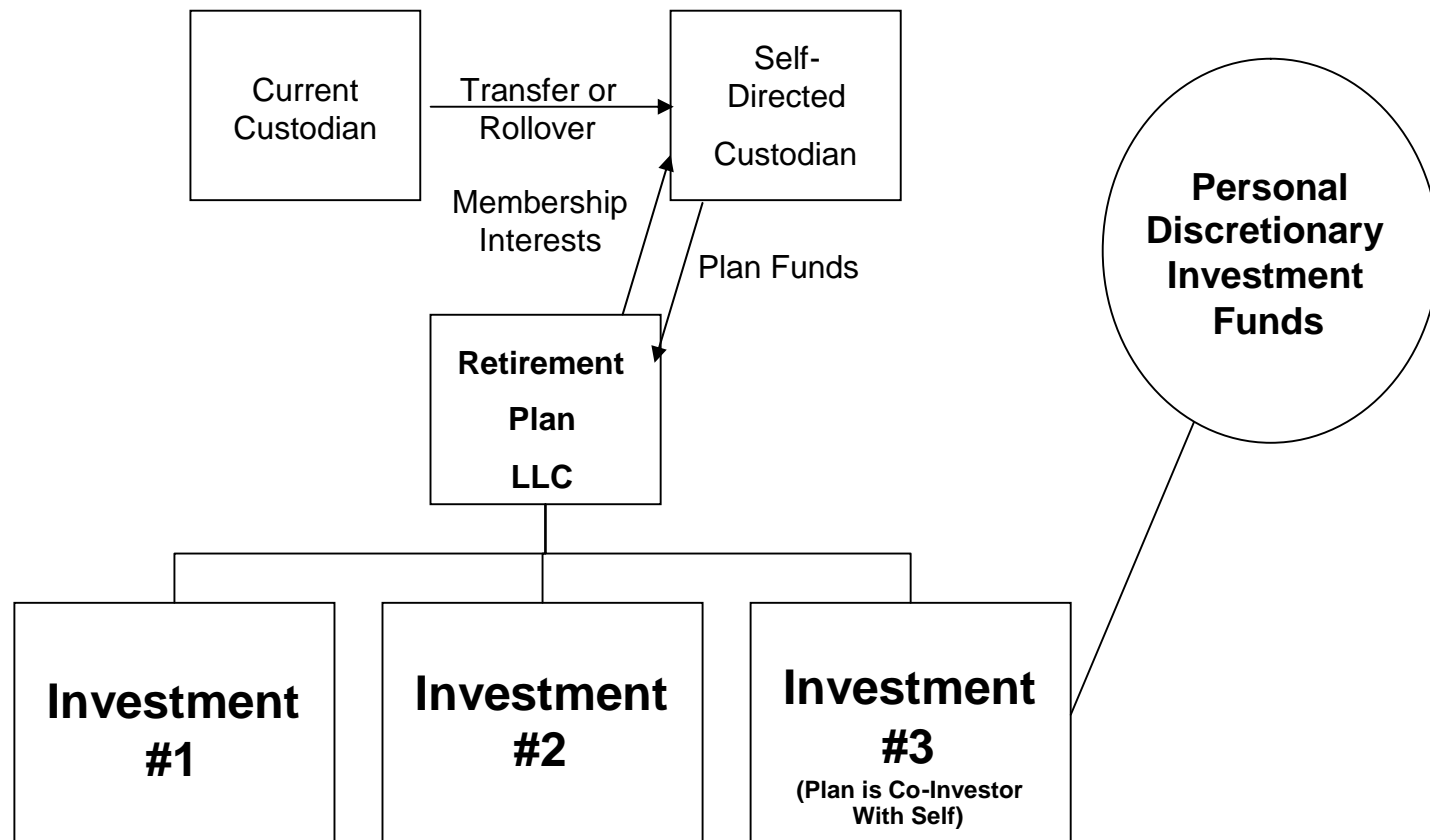
Disqualified persons:

- “You”
- **Certain family members**
 - Ascendants
 - Descendants
 - Lateral family members are not disqualified
- **Company if you have a majority share**
- **Company if you are officer, director, HCE**

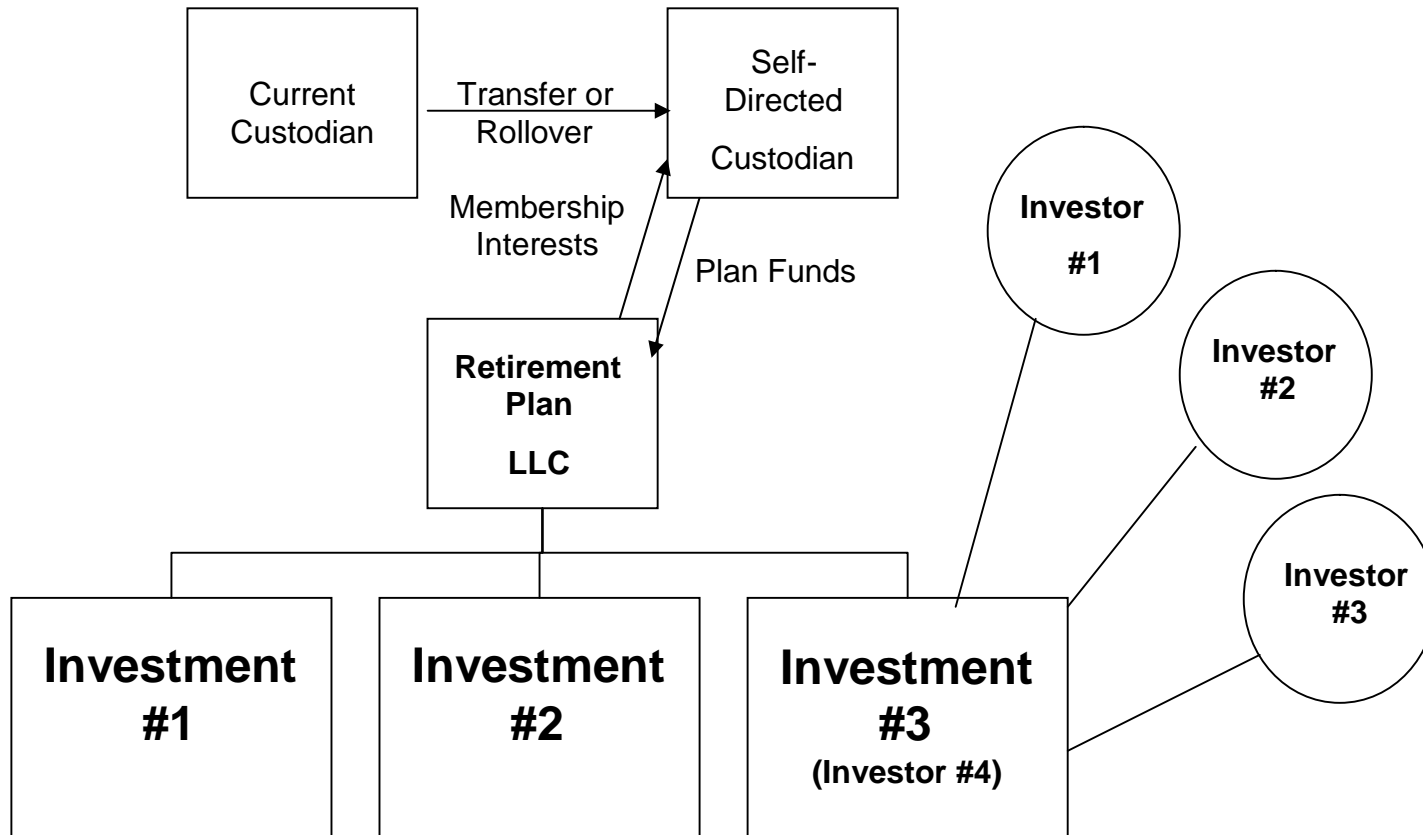
Benefits of the LLC Structure

- **Offers maximum flexibility**
- **Provides additional asset protection**
- **‘Checkbook control’ over retirement funds**
 - **Immediate response to investment opportunities**
- **Simplifies asset titling**
- **Ease of pooling**

Retirement Plan LLC Structure



Retirement Plan LLC Structure



Security Trust's Full-Service Approach

- Retirement Plan LLC structure setup
- Protected 'checkbook control'
- CPAs & attorneys to answer technical questions
- Guidance on transaction compliance
- Handle all the 'back office' support
- Maintain LLC financial statements
- Supervise regulatory reporting
- Oversee annual valuation

Increase your Buying Power

- **Leverage your retirement account**
 - Increase buying power through non-recourse loans

Example:

- **Property rehabilitation and sale**
 - Purchase price \$250,000
 - \$125,000 cash, \$125,000 financed
 - \$50,000 cash paid to contractor for renovation costs
 - Net \$100,000 on sale in 9 months
 - 57% return in 9 months, 76% annualized return

Retirement Account Non-recourse Lending

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Advantages of Retirement Account Debt Financing

- **You can diversify your retirement portfolio into tangible assets like real estate**
- **All net proceeds go back to the retirement plan tax deferred or tax free (Roth)**
- **Using leverage may result in potentially larger rates of return for your retirement account**

What is a Non-recourse Loan?

- **Retirement account owner not personally liable**
- **Security instruments allow no recourse against account holders or balance of retirement account**
- **In event of default/foreclosure lender can only recover the property and equity**

Why is a Non-recourse Loan Required?

- **Can't use retirement funds as security for a loan**
 - **Publication 590, p.48 www.irs.gov**
 - **Would result in a prohibited transaction**
- **Many banks don't offer non-recourse loans for retirement accounts**

General Non-recourse Loan Requirements

- **Investment Property only**
- **30-40% of the property price in the retirement plan**
- **Purchase contract, title work, and insurance must be in the name of the retirement account (LLC)**
- **Other potential requirements**
 - **Required reserves**

NASB-General Information

- **Processing Timeframe**
 - If Retirement Plan LLC already set up can typically close in 30 days

- **Types of Loan Programs**
 - 5 year ARM
 - 30 year Fixed Option
 - Both are principal & interest payments

NASB-General Information

- **NASB Eligible Properties**
 - **Single family residential**
 - **Warrantable Condominiums**
 - **Puds/Townhomes**
 - **Duplexes**
 - **4-plexes**
 - **Multi-family (5 or more units)**
- **Some types of property have additional requirements, i.e. condos, rentals**

NASB-General Information

Required Documentation:

- 1. Completed loan application/checklist**
- 2. Most recent retirement account statement**
- 3. Purchase/sales contract**
- 4. Real Estate appraisal (ordered by NASB)**
- 5. Copy of driver's license**
- 6. Documentation from plan administrator needed for closing**
- 7. Homeowner's Insurance**

Non-recourse Lending

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How can Security Trust serve you?

Do you...

- **want to open a self-directed retirement account now?**
- **have clients or colleagues who would be interested in self-direction?**
- **need more information?**

Security Trust Company

- **Contact your STC representative.**
- **Website: www.securitytrustcompany.com**
- **Corporate: 1-866-682-3683**