

## Individual Retirement Accounts

As a move to motivate citizens to save for retirement, Congress authorized financial institutions to create and offer Individual Retirement Accounts (IRAs) in 1974.

In 1981, an IRA became a tax deferred investment instrument recognized by the IRS to hold funds for the benefit of an individual's retirement needs and/or passing on to their heirs. Another simple way to describe an IRA is-- a depository account from which you buy and sell assets "tax-deferred". The tax will be due later in life after money has been allowed to hopefully "compound" with sound investment vehicles such as mutual funds, stock and other related growth instruments. There are strict rules of deposits and contributions, as well as retirement distributions and/or early withdrawal penalties.

When these IRAs became tax-deductible in 1981, banks, insurance companies and stock brokers commanded the market. They still provide most of the retirement plans that many purchase today. These plans still predominately offer investments in CDs, money market funds, mutual funds, as well as public stock purchases.

With all IRAs, the Internal Revenue Service requires a custodian or trustee to maintain the assets. An IRA custodian/trustee is like the "administrative assistant" for an IRA.

A custodian or trustee is entrusted to:

- Assure the IRA plan is in compliance with current Federal regulations.
- Facilitate all the necessary reporting to the client and the IRS (including tax reporting)
- Execute transactions at the account holder's instructions
- Coordinate all the records and documents associated with these instructions
- Maintain any negotiable instruments pertaining to them

It is common for banks or other institutions to contract the record keeping functions to a third-party administrator due to the complexity and reporting requirements involved in maintaining retirement accounts.

## **What Is a Self Directed IRA and Why it is Becoming the Investment Vehicle of Choice**

Self-Directing plans were allowed as part of the ERISA act of 1974 (Employee Retirement Income Security Act). There were several choices of qualified plans including Pensions, Profit Sharing, and others that could be self directed. Some of the common choices were real estate investment and secondary and private notes.

The self directed portion of the retirement industry continues to gain popularity and is becoming a preferred investment diversification strategy. Educated investors are eagerly purchasing a growing variety of assets that comply with the federal rules guiding permitted transactions through IRAs and 401(k) plans.

"Self-directed" simply means that you, as the IRA owner, maintain complete control over selecting and directing your own IRA or 401(k) investments. Whether you "roll over" an existing account, or combine with other investors, your account can buy Currency, real estate (both residential and commercial), various notes, small or large businesses, as well as many other types of assets. In a self directed transaction you make all of the decisions regarding your investments and your custodian or administrator completes the documents required to establish your account.

### **Some of the Reasons Self-Direction is Gaining Popularity**

**You have the ability to invest and control what you are interested in! You do not have to see your money in instruments that you don't know anything about hoping and praying that a fund manager has the necessary knowledge to manage wisely.** With the great tax advantages provided by all IRAs or 401(k)s, as well as the wider range of interesting investments of a self-directed IRA or self directed 401(k), you can potentially build wealth and secure your future much more effectively and perhaps more rapidly than through traditional retirement plans.

We have all the tools necessary and available for you to command the investment vehicles of your future. With SAFE-IRA-RE, you have the luxury of partnering with the premier resort, residential, and commercial Real Estate professionals as well as the most experienced facilitators and custodians available today