Self-Managed and Self-Directed Retirement Plans

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Balcomb Financial Associates
"Planning a Better Tomorrow"

Self-Managed and Self-Directed Retirement Plans

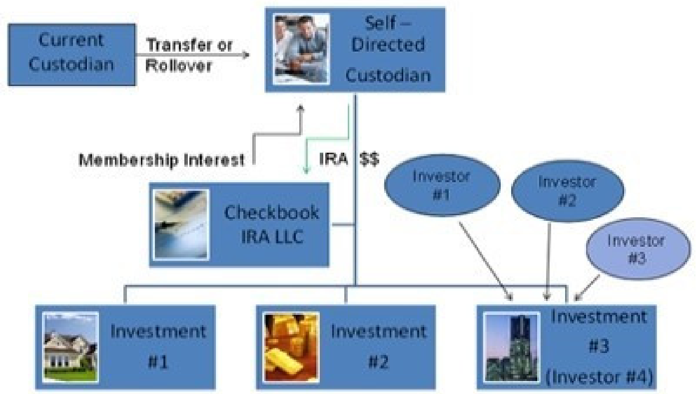
ERISA Regulations

ERISA Regulations

- Employees Contribution max. of 25% wages; Employer 20% of their net income with a max of $57,500 in 2021.
- Maximum deferred through wages is $20,000 in 2021.
- If over age 50 a catch up contribution is available max. of $7,000 in 2021.
- Employer must either match or cap at 1-3% contribution 2 of 5 years.
- No contributions after age 72 and distributions are required.
- Penalty of 10% if withdrawn before age 59.5.
- Penalty of 6% if contributions are in excess of maximum.
- Must be at least 21 and worked 1,000 hours
- Eligible to borrow $50,000 max of 50% if balance is less than $100,000, except for IRA.

Types of Plans

- **Self Employed Retirement Plan**
- **401k and 403b**
- **Roth**
- **Profit Sharing Plans**
- **Simple IRA**



2020 Comparison Chart

Private Bank (Life Insurance) vs ERISA Plans

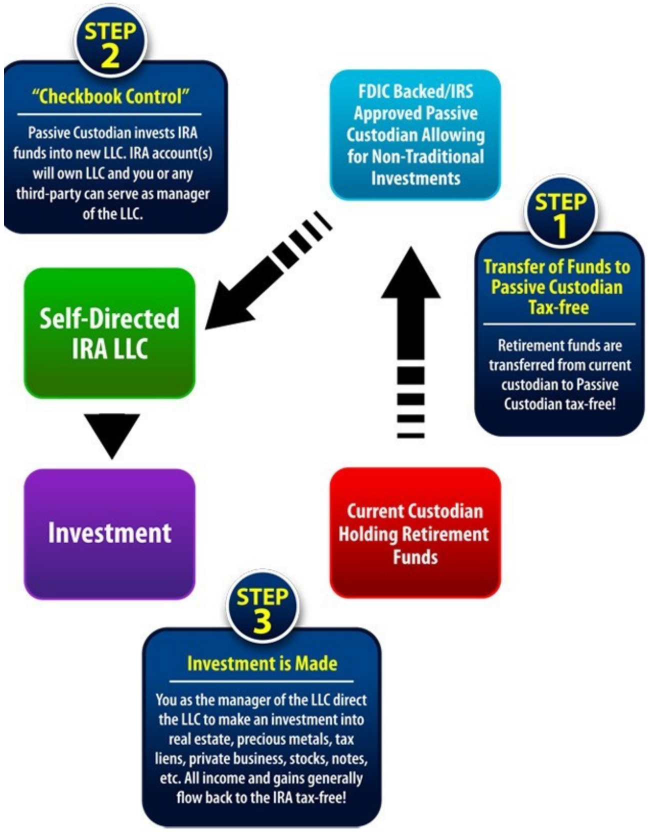
Comparatives	Private Bank	Self Mgd 401k	Self Mgd IRA	Roth	Tradition 401k	Tradition IRA	Bank CD	Money Market
Tax Deferred Growth	Y	Y	Y	Y	Y	Y	N	N
Tax Free Distributions	Y	N	N	Y	N	N	Y	Y
Competitive Return	Y	Y	N	Y	Y	N	N	N
High Contribution	Y	Y	Y	N	Y	N	Y	Y
Additional Benefits	Y	N	N	N	N	N	N	N
Collateral Opportunity	Y	N	N	N	N	N	Y	Y
Safe Harbor	Y	N	N	N	N	N	Y	Y
No Loss Provisions	Y	N	N	N	N	N	Y	Y
Guaranteed Loan Options	Y	Some	Some	N	N	N	N	N
Liquidity, Use and Control	Y	Some	Some	N	N	N	N	Y
Deductible Contributions	N	Y	Y	N	Y	Y	N	N
Death Benefit Available	Y	Y	N	N	N	N	N	N
Allows for Fix/Flip	Y	N	N	N	N	N	N	N
Manage my Rentals	Y	N	N	N	N	N	N	N
Passively own Rentals	Y	Y	Y	N	N	N	N	N
UBIT TAXED (Capital Gains)	N	N	Y	N	N	N	N	N

Self Directed Allowable Investments

You manage the checkbook and this is where you can Invest

- Rental Property
- Precious Metals
- Private Companies
- Real Estate
- Hard Money Lending
- Tax Liens
- Foreign Real Estate
  Private Equity
- Franchises

- No Personal Collectibles or Personal Property



Profit Sharing Plan

Must Comply with ERISA Regulations

Personal Loans from your self directed profit sharing plan and investments

- You are eligible to borrow up to 50% of your account value with a maximum of $50,000.
- You must repay the SDP plan loan and charge yourself a reasonable interest and IRS suggests it is prime +1%.
- This loan must be paid off within five years which is typical for borrowing against any qualified plan.
- The other advantage of an SDP plan, it is allowed to own a life insurance policy the premiums can be paid with pretax retirement dollars. It is also exempt from IRS judgments and bankruptcies.
- A Surety Bond is required when you have employee participation with a minimum of $1,000 maximum of $500,000 under the new ERISA rules.
- The other advantage to a self-directed plan is that you can invest with it. Real estate is one of the major investments, you can utilize your SDP for.
- An SDP can make an outright purchase of real estate, purchase with leverage using a banks nonrecourse loan requiring a 5% down payment, private money lender if you are a hands-off investor, can form a business entity but you cannot operate this business within the retirement plan.
- There are restrictions to avoid when investing in real estate within an SDP. All transaction must be arm's length; you cannot own them only invest in them in a passive way.
- In order to be self-directed, you must choose a plan administrator and file form 5500 with the Department of Labor by July 31 of the following year each year. The IRS requires qualified retirement plans to file form 5500 if the total plan assets exceed $250,000.

Taxable Transactions

Unrelated Business Income Taxes (UBIT)

Income from an unrelated trade or business can lose their tax-exempt status if the IRS determines that the percentage of their income that is from business activities unrelated to their specific exempt purposes is excessive.

Did you know the IRS will tax you if you use your IRA for your real estate investment and there's debt involved? You must use non recourse loans to stay in compliance

Since IRAs are governed under section 408 they are not exempt and are subject to this tax, which is up to 37% on all the gains you make from the leverage.

The Safe Harbor is exempt from the UDFI! It conforms to IRS rules under Section 401 which means the is exempt from the UBIT tax triggered by UDFI!

Protection Comparison Chart

IRA vs Self Directed IRA vs Safe Harbor (eQRP)

REAL COMPARISON	IRA	SDIRA	eQRP
Control, Fees & Tax Credit			
UDFI exempt	X	X	✓
Checkbook control without custodian	X	X	✓
Control of plan assets	X	✓	✓
Annual fees	some	$300-4000	$399
AUM fees (Assets Under Mgmt)	✓	$300-4000+	zero
Legal Protection			
Covered by ERISA	X	X	✓
Judgement protection	X	X	✓
Bankruptcy protection	X	X	✓
Contributions & Distributions			
Annual max contribution 2020	$6,000	$6,000	$57,000
Catch up contributions over age 50	$1,000	$1,000	$6,500
Unlimited income for Roth	X	X	✓
Hardship distributions	✓	✓	✓
Mandatory distributions	✓	✓	✓
Borrowing Ability			
Borrowing up to $50,000 in 5 minutes?	X	X	✓
Investment Options			
Real Estate	✓	✓	✓
Stocks/Bonds/Funds	✓	✓	✓
Tax Liens	✓	✓	✓
Possess physical gold & silver	X	X	✓
Ability to purchase life insurance?	X	X	✓

Contact Us

Balcomb Financial Associates
Info@SBalcomb.com

Reach us for any question or inquiry.
Our support team will respond to you in the shortest time possible.

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