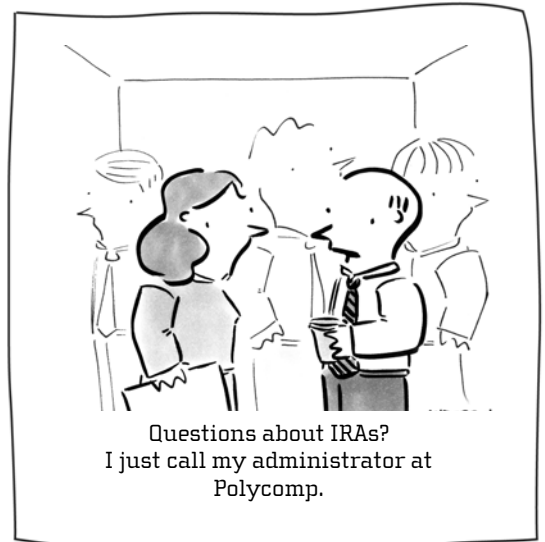




*We Deliver Performance*

## Self-directed IRA FAQs



### **What is a self-directed IRA?**

Most IRA custodians restrict your investment options to assets such as stocks, bonds, mutual funds, or bank certificates of deposit. The investments in a self-directed IRA are not limited to these options.

### **What types of assets may I hold in my self-directed IRA?**

Polycomp Trust Company will hold unsecured notes, secured notes, real property, limited partnership (LP) interests, limited liability company (LLC) interests, notes to LPs and/or LLCs, private placements, certificates of deposit, etc.

### **Are there any assets I cannot hold in my self-directed IRA?**

You cannot hold sub-chapter S corporation stock, collectibles, or life insurance.

### **Are there any transactions that are prohibited?**

Yes. Generally, you may not sell, exchange, or lease property to or from the IRA. Nor can you benefit directly or indirectly from any asset held by the IRA. If Polycomp feels a transaction could be prohibited, as defined in Section 4975 of the Internal Revenue Code, we will suggest you review your transaction with an ERISA attorney who specializes in retirement law. Referrals are available on our website.

### **What are the roles of Polycomp Trust Company and Polycomp Administrative Services?**

Polycomp Administrative Services processes the transactions, produces quarterly statements, prepares annual IRS reports, and stays current with IRS regulations affecting IRAs. Polycomp Trust Company holds the assets as the legal owner for the benefit of the IRA holder. Neither Polycomp Trust Company nor Polycomp Administrative Services sell investment products or give investment advice.

## **Is there a minimum cash balance I must maintain in a Polycomp Self-directed IRA?**

Yes, there are three cash balance minimum levels depending on the type of asset held in your IRA. If your IRA holds income-producing assets you are required to maintain a minimum balance of \$500 in the IRA cash account. If your IRA holds assets that *do not* generate income, i.e., private stock, limited partnership interests, limited liability company interests, you will be required to maintain a minimum balance of \$1,500 in the IRA cash account. If your IRA holds real property, you will be required to maintain a minimum balance of \$2,500 in the IRA cash account. If the cash account is below the required minimum balance on the last day of *any* month, your IRA is charged a low-balance fee for that month (see current fee schedule).

Fees are deducted from the cash account; therefore, initial funding of the IRA must allow sufficient cash reserves above the minimum balance to cover current and ongoing fees. We can help you determine the appropriate cash reserve needed before funding your IRA.

## **How does Polycomp collect administration and transaction fees?**

Administration fees, as well as transaction fees and any other expenses incurred, are automatically deducted from your IRA. This allows Polycomp to keep administration fees competitive by eliminating invoicing and the need to manage receivables. Administration fees are deducted on the first day of each quarter. Transaction fees and any other expenses are deducted the date they are incurred. In addition, Polycomp Trust Company will receive the first 1.75% of the interest earned on the unallocated cash held in the account plus 50% of interest earned above 1.75%.

## **Who takes receipt of my assets, i.e., executed note, recorded trust deed?**

Polycomp Trust Company holds all original documents in safekeeping. Documents to be held in safekeeping are: original stock certificates, original promissory notes, and recorded documents, i.e., deeds of trusts, assignments. Exceptions are handled on a case-by-case basis, i.e., multi-beneficiary notes secured by deeds of trust.

## **Once funds are available in my Polycomp Self-directed IRA, how do I purchase an asset?**

A Direction Letter is required to process a transaction in your IRA. Upon direction from you, Polycomp will process your request, mail and/or wire the funds, and/or sign paperwork on your behalf. *Prior* to processing the Direction Letter, Polycomp reviews drafts of documents (note, trust deed, subscription agreement, etc.) to ensure correct vesting. Neither Polycomp Trust Company nor Polycomp Administrative Services determine the appropriateness or risk of the investment. These drafts may be faxed to Polycomp, Attn: IRA Dept. Your investment will be funded within 48 hours of receipt of the required documents if the cash required is available in your IRA.

## **What do you mean by “vesting” in the paragraph above?**

The word “vesting” refers to the title/registration of the investment held under the self-directed IRA plan. Proper title/registration is “Polycomp Trust Company Custodian FBO *IRA Holder’s Name* IRA # \_\_\_” and must bear the Trust Identification Number (TIN) of Polycomp Trust Company.

## **What type of accounting and/or reporting will Polycomp provide on my IRA?**

Polycomp provides quarterly statements, annual 1099-R forms reporting distributions, and 5498 forms reporting contributions, rollovers, conversions, and the December 31<sup>st</sup> fair market value, as provided by you, to the IRS.

## **I currently have a self-directed IRA at another custodian. How do I move the assets into a Polycomp Self-directed IRA?**

- 1) You can liquidate assets prior to requesting a transfer and transfer cash, or you may transfer assets “in kind.” The IRS allows you unlimited transfers of assets from one custodial IRA to another custodial IRA. When transferring IRAs the *receiving* firm initiates the transfer paperwork.
- 2) You can request a distribution from the current custodian and roll the funds over to a Polycomp Self-directed IRA. This transaction *is* reportable to the IRS and limited to once in a twelve-month period. You must rollover cash and/or assets within 60 days from the date you received the distribution.

## **I currently have a Roth IRA at another custodian. How do I move the assets into a Polycomp Self-directed Roth IRA?**

- 1) You can liquidate assets prior to requesting a transfer and transfer cash, or you may transfer assets “in kind.” The IRS allows you unlimited transfers of assets from one custodial Roth IRA to another custodial Roth IRA. When transferring Roth IRAs the *receiving* firm initiates the transfer paperwork.
- 2) You can request a distribution from the current custodian and roll the funds over to a Polycomp Self-directed Roth IRA within 60 days. This transaction *is* reportable to the IRS and limited to once in a twelve-month period.

## **May I open an IRA or SEP IRA with a contribution?**

Yes! Make your check payable to “Polycomp Trust Company Custodian FBO *IRA Holder’s Name* IRA #\_\_\_\_\_” and include the check with your paperwork to open your account. To ensure accurate reporting, please note on your check the tax year of the contribution, i.e., “Contribution for Tax Year 20\_\_.”

## **My employment has terminated and I have assets in a qualified plan. How do I move these assets into a Polycomp Self-directed IRA?**

Ask your former employer to send you the paperwork required to directly roll over your assets into a Polycomp Self-directed IRA.

## **I took a total or partial distribution from my IRA held at another custodian. How do I move some or all of this distribution into a Polycomp Self-directed IRA?**

You may establish the account with a *60-day Rollover to a Traditional IRA*. You must rollover cash and/or assets within 60 days from the date you received the distribution. The IRS allows one rollover per IRA in a 12-month period.

**I currently have an IRA at another custodian. How do I convert some or all of my IRA assets directly into a Polycomp Self-directed Roth IRA?**

1) You may liquidate and convert cash or you may convert assets “in kind” as a *Direct Conversion from a Traditional IRA to a Roth IRA*. A conversion is taxable in the year the distribution is taken from the Traditional IRA. We advise you to review the tax consequences with your tax professional.

2) If you have already taken the distribution of cash or assets, you may indirectly convert cash or assets “in kind” as an *Indirect Conversion from a Traditional IRA to a Roth IRA*. You must convert the assets distributed from the Traditional IRA within 60 calendar days of receipt. A conversion is taxable in the year the distribution is taken from the Traditional IRA. We advise you to review the tax consequences with your tax professional.

**Can I take distributions, including a Required Minimum Distribution (RMD), from my Polycomp Self-directed IRA?**

Yes! You may set up periodic distributions to be taken monthly, quarterly, or as often as you wish. Our periodic distributions are processed around the 25<sup>th</sup> of the month for receipt by the 1<sup>st</sup> of the month. Polycomp can also calculate your RMD upon request for a fee.

**Can Polycomp administer my SEP plan?**

Yes! However, this service is outside the scope of our self-directed IRA administration. Polycomp’s IRA department administers the *employee’s* self-directed IRA, which is funded by the *employer’s* SEP plan. If you are establishing a SEP plan, please consult with your tax or financial advisor. If you would like our assistance in administering your SEP plan (determining eligibility, calculating contribution amounts, etc.) our pension consultants would be happy to provide this service per your request. Please let us know if you would like a copy of our *Fee Schedule for Administering Qualified Retirement Plans*.

**Northern California**  
800.952.8800

**Southern California**  
800.736.7090

[www.polycomp.net](http://www.polycomp.net)