



The Self-Directed IRA Rollover Guide

Learn how to roll over your savings from an existing retirement account into a Self-Directed IRA.



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Welcome!

No matter where you are in your journey, a Self-Directed IRA can be a powerful investment tool that can propel you to a healthy retirement. Learn how to leverage your savings by rolling over funds into a Self-Directed IRA - and begin investing in alternative assets like real estate, private placements, precious metals, and more investments not offered in standard IRAs!

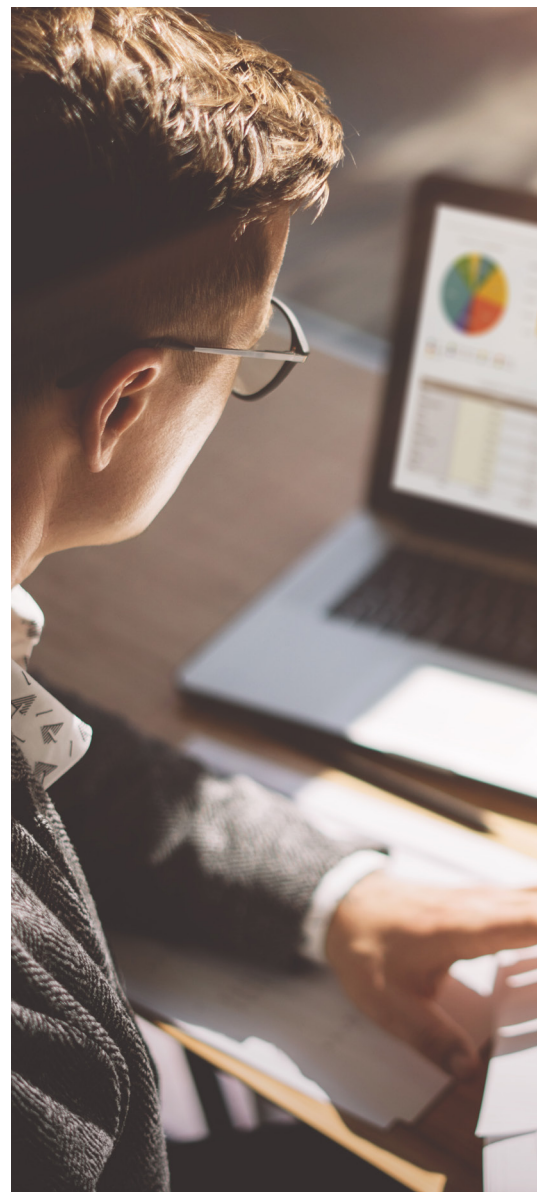
What is a Self-Directed IRA?

A Self-Directed IRA is a retirement tool that allows you to invest in alternative assets not available in a standard IRA. While standard IRA custodians limit investments to publicly traded stocks, bonds, and mutual funds, Self-Directed IRAs open up all sorts of possibilities. With a Self-Directed IRA, you can invest your retirement savings in real estate, precious metals, promissory notes, private placements, and many more! If you have an investment in mind, you can likely make it with a Self-Directed IRA.

Why is it called a Self-Directed IRA?

Because the account holder makes investment decisions and manages—"or self-directs"—the account, instructing the designated Self-Directed IRA custodian to execute transactions on their behalf. An extension of the traditional Self-Directed IRA model is a Self-Directed IRA LLC with Checkbook Control. Referred to as a Checkbook IRA, this option empowers the account holder with checkbook control through a Self-Directed IRA LLC, which gives you, the account holder, the authority to invest in any asset of your choice in real time without the need for a custodian to execute everyday transactions.

A Self-Directed IRA turns a traditional or Roth IRA into an exciting investment vehicle for anyone looking to diversify their portfolio and take greater control of their retirement savings.



How Does a Self-Directed IRA Work?

There are different types of Self-Directed IRAs to consider when opening an account. To ensure you have the right fit, we encourage you to speak with a Madison Trust specialist who will suggest the Self-Directed IRA best suited to your needs and investing goals.

Self-Directed IRA: The Classic Custodian Model

In a classic Self-Directed IRA, all transactions go through a custodian such as Madison Trust. The custodian is responsible for holding the investments within the account, making transactions on instruction from the account holder, and complying with all IRS reporting requirements to keep the IRA in good standing.

Once again, the main benefit of a Self-Directed IRA over a standard IRA is that you're not limited to investing in stocks, bonds, and mutual funds. You can venture off Wall Street and into many alternative assets.

Self-Directed IRA LLC with Checkbook Control

Don't let it trip you up when you come across a Self-Directed IRA LLC. It's still a Self-Directed IRA, but it's one with checkbook control, also referred to simply as a Checkbook IRA. This means you can make transactions using your Self-Directed IRA funds without going through your custodian once the account is set up properly. To set it up correctly, you must establish an LLC for your IRA, followed by a business checking account. That will allow you to write checks and send wire transfers relating to your investments while complying with IRS guidelines for Self-Directed IRA transactions.

Self-Directed IRA Trust with Checkbook Control

A Self-Directed IRA Trust with Checkbook Control is an entity that can hold funds and permit active management within the confines of the trust. This means that the investor can make investment decisions and direct the use of the funds held within the IRA by writing checks or making wire transfers directly from the IRA to invest in alternative assets, such as real estate, private equity, or precious metals. Like a Self-Directed IRA LLC, a Self-Directed IRA Trust can be set up with a checking account.

However, a Self-Directed IRA Trust provides several additional benefits that a Self-Directed IRA LLC does not offer. Notably, there are no state reporting requirements or fees, no annual franchise tax, and lower establishment fees.

What is the difference between a Self-Directed IRA LLC and a Self-Directed IRA Trust?

Criteria	IRA LLC	IRA Trust
Cost	<ul style="list-style-type: none"> • Annual state fees* • Annual franchise tax* • Establishment fee • No transaction fees 	<ul style="list-style-type: none"> • No annual state fees • No annual franchise tax • Lower establishment fee • No transaction fees
Regulation	<ul style="list-style-type: none"> • State reporting requirements* • Some states require LLC to register as a foreign entity when doing business in a different state 	<ul style="list-style-type: none"> • No state reporting requirements • Invest in any state without registering as a foreign entity
Confidentiality	<ul style="list-style-type: none"> • Required to file Articles of Organization with the state 	<ul style="list-style-type: none"> • Does not need to file with the state, so there is no public record of the account holder

*LLC regulations vary from state-to-state, including state fees, franchise taxes, and reporting requirements. Please perform due diligence and consult with the appropriate legal, tax, and investment professional for more information.

IRA Rollover vs. Transfer

If you want to diversify with a Self-Directed IRA but feel financially tied to your current IRA, we have good news. Aside from making a new contribution directly into a Self-Directed IRA, it's possible and common to move funds from an existing IRA through a rollover or transfer.

What's an IRA Rollover?

A rollover occurs between two different types of accounts, such as a 401(k) and a Self-Directed IRA. When completed correctly, you will not incur taxes or penalties for moving your retirement funds from two different types of accounts.

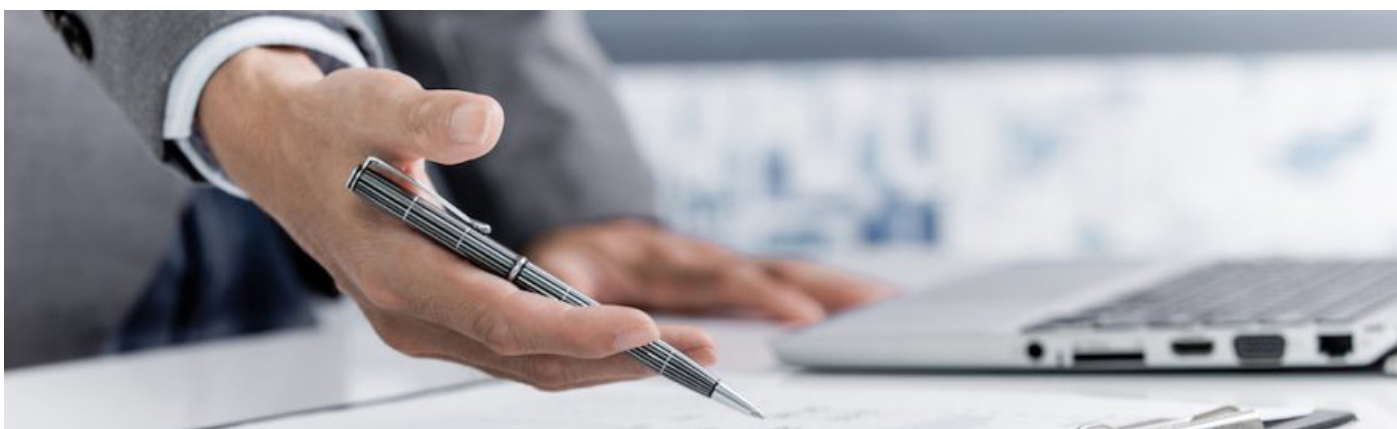
What's an IRA Transfer?

A transfer happens between two similar accounts. The transfer is made directly from one IRA custodian or trustee to another, without the funds passing through the hands of the IRA account owner. For example, you can transfer funds from a traditional IRA to a traditional IRA, or from a Roth IRA to a Roth IRA.

What's the Difference?

The main difference between a rollover and a transfer is in IRS reporting. In a rollover, the institution sending the funds will file IRS Form 1099-R. The institution receiving the funds will file IRS Form 5498. The account holder must correctly note the rollover on their tax return. A transfer, on the other hand, does not require any IRS reporting.

An IRA transfer is different from an IRA rollover, which involves the IRA account owner receiving a distribution from one IRA and then depositing it into another IRA within 60 days. Unlike a rollover, a transfer is not subject to any withholding taxes or early withdrawal penalties.



Direct Rollover vs. Indirect Rollover

When rolling over funds to a Self-Directed IRA, you can choose between a direct and indirect rollover.

What's a Direct Rollover?

A direct rollover is when the funds are transferred directly from the existing retirement account into a Self-Directed IRA. You will initiate your rollover with your previous custodian and complete the required paperwork to roll over your funds to the new custodian, thus creating your new Self-Directed IRA.

What's an Indirect Rollover?

An indirect rollover works in a two-step process. First the funds are distributed to the account holder. Then the account holder has 60 days to place them in a Self-Directed IRA.

It's important to note that an indirect rollover may trigger tax withholding, which means that the IRA custodian or trustee must withhold a portion of the distribution and send it directly to the IRS on the account owner's behalf. The tax withholding rate for indirect rollovers involving a Self-Directed IRA is typically 20%, which means that if the account owner requests a distribution of \$100,000, the custodian would withhold \$20,000 and send it directly to the IRS. The account owner would receive a check for the remaining \$80,000, which they must deposit into their new IRA within 60 days to avoid taxes and penalties.

Keep in mind that the tax withholding rate can vary based on the type of distribution and the account owner's tax bracket. IRA account holders should also be aware that they can only make one indirect rollover per year between all their IRA accounts.

What Are The Benefits Of A Direct Rollover?

Considering the complexity of an indirect rollover, a direct rollover is often the preferable option. With a direct rollover to a Self-Directed IRA, you can:

**Transfer funds
quickly and easily**

**Maintain tax-advantaged
status**

**Avoid tax withholding
or penalties**

**Invest in
alternative assets**

Ultimately, of course, it comes down to your unique situation and goals. Consider consulting a financial and/or retirement advisor to decide whether a Self-Directed IRA is right for you and, if so, which route will be best to move funds from your employer-sponsored plan to a newly opened Self-Directed IRA.



What's Best For Me?

The suitability of a Self-Directed IRA Transfer, Direct Rollover and Indirect Rollover will depend entirely on your specific financial situation and goals. We recommend speaking with a Madison Trust specialist who can answer all of your questions and assist you in getting started.

Criteria	Self-Directed IRA Transfer	Self-Directed IRA Direct Rollover	Self-Directed IRA Indirect Rollover
Tax Consequences	No tax consequences	No tax consequences	Potential tax withholding and early withdrawal penalties
Distribution Limits	None	None	60-day time limit for depositing distribution into another IRA
IRS Reporting	No reporting to the IRS	No reporting to the IRS	Reporting required for any tax withholding
Third-Party Involvement	Typically involves two IRA custodians/ trustees	Typically involves two IRA custodians/ trustees	Involves the IRA account owner receiving a distribution check
Timing	Can take several days or weeks to complete	Can take several days or weeks to complete	Must be completed within 60 days of receiving the distribution
Fees and Charges	May involve fees or other charges	May involve fees or other charges	May involve withholding taxes and penalties
Investment Options	Can transfer between different types of IRAs and investment options	Can transfer between different types of IRAs and investment options	Can transfer between different types of IRAs and investment options

What Assets Can You Invest In?

This is where the excitement sets in! Once you have your Self-Directed IRA opened and funded, it's time to choose your first investment(s).



Real Estate

With a Self-Directed IRA, you can invest in a variety of real estate assets, including but not limited to: Rental and Vacation Properties, Commercial Real Estate, Real Estate Notes, Real Estate Investment Trusts (REITs), Tax Liens and Deeds, Developed and Undeveloped Land, and more!



Precious Metals

Traditionally holding their value through periods of inflation, precious metals are an attractive alternative investment for Self-Directed IRA owners. You have the opportunity to invest in the following precious metals with your Self-Directed IRA:

- **Gold (99.5% pure):** Includes bars, coins, or bullion
- **Platinum (99.95% pure):** Includes bars, coins, or bullion
- **Silver (99.9% pure):** Includes bars, coins, or bullion
- **Palladium (99.95% pure):** Includes bars, coins, or bullion



Private Placements

Private Placements are investments in companies that are not publicly traded on stock exchanges. Here are a few examples of Private Placements you can invest in with a Self-Directed IRA:

- **Private Equity:** Privately held companies that are not publicly traded, such as venture capital, growth capital, and buyout investments.
- **Private Debt:** Includes debt securities issued by private companies, such as private notes, bonds, and loans.
- **Hedge Funds:** Private investment funds that use complex investment strategies to generate returns for investors.
- **Startups:** Invest directly into early-stage startups, which can provide investors with the opportunity to invest in companies with high growth potential.
- **Real Estate Syndications:** Private placements that pool investor capital to purchase and manage real estate assets.



Promissory Notes

Simply put, a Promissory Note is a legal agreement for one party to lend money to another with specific terms and stipulations in return for payment. There are three ways to invest in a promissory note with your Self-Directed IRA:

- **Notes Secured by Real Property:** These are promissory notes backed by the borrower's collateral. In the event of default, the lender is entitled to the underlying collateral, and repayment of the loan follows the terms outlined within the promissory note itself. Common examples include mortgage notes and trust deeds.
- **Notes Secured by Non-Real Estate:** These are promissory notes where the borrower pledges non-real estate items to the lender, such as company stocks, manufactured homes, or even factory or farm equipment.
- **Unsecured Notes:** These are promissory notes where the borrower does not pledge any collateral to the lender with a loan placed solely on the merit of the borrower's ability to repay. Typically, these are riskier investments, and lenders will most likely require a higher interest rate to compensate for greater risk.

Many More Investment Options!

Your investment options are bountiful with a Self-Directed IRA. If you have something in mind, you can likely invest in it with a Self-Directed IRA - with the exception of collectibles, life insurance, S-Corporations and a few others.

											Alternative	
Traditional											Re Real Estate	LI Limited Liability Companies
S Stocks	Mu Mutual Funds	<div><div>Traditional</div><div>Common Alternative</div><div>Prohibited</div><div>Other Alternative</div></div>				TI Tax Liens	Td Tax Deeds	Ps Private Stock	Lp Limited Partnerships	Pm Precious Metals (Approved)		
Bo Bonds	C Cash	Hf Hedge Funds	Cm Commodities	Mm Money Market	MI Market Linked CDs	Ti Timber	G Gas (Natural)	O Oil	An Annuities	Pn Promissory Notes		
F Futures	Dc Derivative Contracts	Se Securities		Cd Certificate of Deposits	Pr Private Equity	Rt REITs	RI Raw Land	UI Undeveloped Land	Cc C-Corporations	Ls Life Settlements (Structured)		
			Li Life Insurance	Aq Antiques	Ar Art	Ru Rugs	Gm Gems					
			M Metals (Unapproved)	Co Coins (Unapproved)	Al Alcohol	Sc S-Corporations	Prohibited Asset Types					

It's important to understand that each investment type has its own requirements and regulations. For example, if you use your Self-Directed IRA to invest in real estate, you cannot use or dwell in the property yourself, and neither can certain disqualified persons in your family. It's best to always consult a financial advisor who understands the workings of a Self-Directed IRA before making any investment decision, and then check with your custodian to make sure the transaction is executed properly.



Step by Step: How to Initiate a Rollover

1 Check

Check the rules that apply to your current 401(k). Many employers lock their employees into a specific plan for the duration of their employment.

2 Open

Open a Self-Directed IRA with Madison Trust. It's easy and we're here to help!

3 Request

Request rollover paperwork from your employer or administrator.

4 Fill Out

Fill out the rollover paperwork along with Madison Trust's transfer authorization form.

5 Kick Back

Kick back while we send your completed transfer authorization form to your current IRA custodian.

6 Watch

Watch for the notification from Madison Trust that the rollover is complete, and you can now make your first alternative investment!



Top 5 Takeaways

1. What is a Self-Directed IRA?

A Self-Directed IRA is the only way to hold alternative assets like real estate, precious metals, promissory notes, and more in a tax-advantaged IRA.

2. What's the difference between a Self-Directed IRA and a Self-Directed IRA LLC?

The main difference between a Self-Directed IRA and a Self-Directed IRA LLC is the level of control the investor has over their investments. With a Self-Directed IRA, the investor has control over the investment choices but must work with a custodian or trustee to execute transactions. With a Self-Directed IRA LLC, the investor has greater control over their investments and can make investment decisions directly as the manager of the LLC.

Another important difference is the complexity of the structures. A Self-Directed IRA LLC involves creating and maintaining a separate legal entity (the LLC) and comes with additional legal and administrative requirements, such as filing taxes and maintaining separate financial records for the LLC.

3. What's the difference between an IRA Rollover and a Transfer?

A rollover occurs between two different types of accounts such as a 401(k) and a Self-Directed IRA. A transfer happens between two similar accounts.

4. What's the difference between a Direct and Indirect Rollover?

A direct rollover is the simplest way to move funds directly from an existing retirement account into a Self-Directed IRA. An indirect rollover involves several other considerations such as the 60-day rule, tax withholding, and the once-a-year rule.

5. What are the advantages of a Direct Rollover?

There are several advantages of initiating a direct rollover when compared to an indirect rollover, including:

No Tax Withholding: With a direct rollover, there is no mandatory tax withholding. In contrast, an indirect rollover involving a Self-Directed IRA typically is required to withhold 20% of the distribution for taxes.

No 60-Day Time Limit: With a direct rollover, there is no time limit for transferring the funds to a new IRA custodian or trustee. This can be completed at any time and provides greater flexibility, and reduces the risk of missing deadlines and incurring taxes and penalties.

No Potential For Penalties: Since the funds are moved directly from one IRA custodian or trustee to another, there is no potential for penalties when initiating a direct rollover.

Simplified Process: With a direct rollover, the process is usually more straightforward and less prone to errors or delays since it involves only two IRA custodians or trustees. In contrast, an indirect rollover involves the IRA account owner receiving a distribution check, depositing the check into their own account, and then transferring the funds to the new IRA custodian or trustee.



Why Madison Trust?

Incredible Customer Support

Our goal is to give retirement investors an amazing investing experience with unparalleled customer service.

Flat Fee Structure

A Madison Trust Self-Directed IRA does not charge fees based on the account value. Our flat fees are among the lowest in the industry and help ensure the profitability of your investments.

Industry Knowledge

Every Madison Trust specialist has completed rigorous training. That means every answer you get will be financially informed, no matter which assets you invest in.



"Madison Trust has been a welcome relief from our two previous custodians. Private placement makes things even more challenging and they have done a great job in making our transition and ensuing new investments a smooth ride. They know the business and they do a great job in supporting us as clients."

John M.



"I needed quite a bit of assistance with my new account with Madison Trust. Emily was there for me every step of the way. Always readily available, quick to follow up, clear with instructions, super professional, knowledgeable, and friendly. She is truly an asset to Madison Trust!"

Elise M.



Madison Trust is Top Rated By:

BUSINESS INSIDER

SOPHISTICATEDINVESTOR.com

RetirementLiving

the balance

FAQs

How long does it take from when I open an account until my first investment gets funded?

The entire process typically takes 3-4 weeks. The turnaround time is largely dependent on the firm currently holding your funds. Some institutions are quicker than others in responding to transfer/rollover requests. If you're transferring funds from an existing IRA, you can speed up the process by requesting a wire instead of a check. This will eliminate mail and check clearing time, shortening the process to 2-3 weeks.

Am I required to transfer my entire existing IRA?

You are not required to transfer your entire account. You can transfer a portion when you open your Self-Directed IRA and then transfer the remaining portion at a later point in time (or not at all).

What is the role of a Self-Directed IRA Custodian?

The IRS requires that all IRAs be held by a qualified third party such as a bank, trust company, or other authorized custodian. Banks and brokerage houses generally do not custody alternative investments in IRAs due to the administrative burden involved. A Self-Directed IRA custodian's responsibilities include, but are not limited to:

- Accepting, documenting, and recording contributions, transfers and rollovers from other IRAs/retirement plans
- Executing account owners' investment instructions by sending funds from the IRA to the client-selected investments
- Gathering, executing, and holding documents such as subscription agreements, operating agreements, offering documents, promissory notes, certificates, and other documents of ownership by the IRA
- Receiving and recording income from the assets held in the IRA
- Executing account holders' instructions to sell, withdraw from or liquidate investments held in the IRA
- Facilitating, as directed by the account holder, distributions from the IRA to the account holder or transfers to other IRAs or retirement plans
- Performing tax reporting, including IRS Forms 1099-R and 5498
- Providing statements to account holders
- Complying with all applicable State and/or Federal regulations governing IRA custodians

How is Madison Trust Company regulated?

Madison Trust Company received its trust charter from the State of South Dakota and is regulated and examined by the South Dakota Division of Banking. As such, Madison must comply with all applicable South Dakota and federal laws.



Learn How You Can Get Started

Take control of your retirement investing by opening a Self-Directed IRA with **Madison Trust!**

[Apply online](#) or call **833-739-0148** to speak with dedicated Madison Trust specialists who will answer all of your questions and assist you with opening an account.



Madison Trust | Phone: (877) 850-2108 | Email: info@madisontrust.com

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