

NAVIGATING PROMISSORY NOTES WITH A SELF-DIRECTED IRA:

WHAT YOU NEED TO KNOW



MADISON
TRUST COMPANY

PROMISSORY NOTE
I, the undersigned, promise to pay
referred to as "payee"; Payee together
hereinafter referred to as "payee"
the Holder may be referred to as "holder".



WHAT IS A SELF-DIRECTED IRA?

A **Self-Directed IRA** is a type of Individual Retirement Account that allows you to invest in alternative assets beyond stocks, bonds, and mutual funds through a custodian. The account holder directs the custodian to perform transactions.



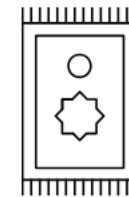
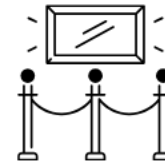
? What Can You Invest in?

- Self-Directed IRA investment options are nearly endless.



? What Can't You Invest in?

- There are only a few assets that you cannot invest in:
 - Life Insurance
 - Collectibles (such as artwork, rugs, antiques, etc.)
 - S-Corporation Stock



Please note, Madison Trust is a passive custodian and therefore, does not give legal, tax, or financial advice. Please consult with your tax advisor before making any investment decisions.

WHAT IS A PROMISSORY NOTE?

Self-Directed IRAs allow investors to invest in **promissory notes** by loaning money to individuals, emerging companies, and small businesses. This type of investment can result in a generally stable revenue stream for the account holder.





SECURED VS. UNSECURED PROMISSORY NOTES

Secured

Secured notes, such as mortgage notes and trust deeds, are promissory notes that are backed by the borrower's collateral. Secured notes can also be backed by non-real estate items. Examples include factory or farm equipment, company stocks, or even manufactured homes.

Unsecured

An unsecured note is a promissory note that does not hold anything as collateral to secure the debt.

WHAT ARE THE BENEFITS OF INVESTING IN PROMISSORY NOTES WITH A SELF-DIRECTED IRA?



**RELATIVELY
STEADY RETURNS**



**TAX
ADVANTAGES**



**RETIREMENT
PORTFOLIO
DIVERSIFICATION**



**IMPACTFUL
INVESTING**

REQUIRED DOCUMENTS TO INVEST IN A PROMISSORY NOTE WITH A SELF-DIRECTED IRA

- ✓ Investment Authorization Form
- ✓ Promissory Note, outlining the terms of the loan, including:
 - Amount of Loan
 - Date of Issuance
 - Interest Rate
 - Interest Compounding Period
 - Repayment Terms and Amortization Table (if applicable)
 - Maturity Date
- ✓ Security Document of the Loan

If the borrower is a business entity, you also need to submit:

- Articles of Organization/Certificate of Incorporation
- Certificate of Good Standing



**WHAT QUESTIONS DO
YOU HAVE ABOUT
INVESTING IN
PROMISSORY NOTES?**

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CONTACT US



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