

# Untapped Opportunities for Entrepreneurs, Business Owners, and Investors

## **Self Directed IRAs or Self Directed 401(k)s Offer a Creative Option for Raising Capital, Investing in a Business/Franchise and creating diversification opportunities for investors**

Savvy business owners and entrepreneurs are turning their capital raising efforts upon the self directed IRA market. Conversely many investors, tired of watching their retirement portfolios are seeking diversification through alternative strategies for balancing their retirement portfolios. The total reported assets in the IRA market is \$4.23 trillion<sup>1</sup> and many account holders are looking for ways to truly diversify, and invest in what they would feel comfortable.

Since the creation of the IRA, designed as a self-directed retirement plan, in 1974, Americans have been able to invest their tax-deferred retirement accounts in almost any asset of their choosing. But somewhere along the way, one of the most important concepts of owning an IRA was lost, the concept of self-directing. Rules governing IRAs were not created to constrain investors to stocks, bonds, and mutual funds. It was intended for individuals to be able to invest in abundance of assets that make sense for the individual investor.

Yet, only a fraction of Americans are aware of this important intent of the IRA. Aside from a few investments, per the Internal Revenue Code (IRC), which exclude life insurance and collectibles to be held in a retirement account, the list of possibilities are virtually endless.

Some examples include Businesses, Franchises, or Start Ups, real estate, secured and unsecured notes, tax liens, farm animals, domain names, airspace rights and physical gold and silver to name a few. If the IRC rules and regulations are adhered to, the imagination becomes the only limitation.

If you plan to pour your time and effort into your business why not consider putting your tax deferred retirement account in as well. Or if you are looking for financing/investors for a new or current business venture, self-directed IRAs just may be the answer. *Note; this is not the same as taking a loan from your 401k or using a 60 day rollover to make an investment.*

A self-directed IRA is legally no different from any other retirement account. The self-directed IRA or 401(k) follows the same rules and guidelines as any IRA or 401(k) in regard to such rules as contributions, penalties, tax status, and distributions. The term 'self-directed' indicates that the owner has more choices and flexibility for investment choices. *Note: Some financial firms may offer self-directed IRAs, but may typically limit the scope of investments to the investment products they offer.* A true self-directed IRA allows for alternative investments to be held inside

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<sup>1</sup> Source: IRA Assets and Contributions, 2006 by Craig Copeland, Employee Benefits Research Institute

the account allowing for tax deferral on income and gains.

If you are one of those investors who wants to explore true diversification, you may explore the possibilities of investing your retirement funds on a tax deferred basis into:

- A private business
- An existing business
- A franchise
- Private company
- Closely-held enterprise or;
- Any other allowable alternative investment

It is also important to note that you may be able to attract other self directed IRAs for your business venture, structured properly you may be able to have friends, colleagues, and family use their retirement accounts to invest or provide capital for your business.

A word of caution though, alternative investing through self directed IRAs typically requires additional knowledge of the rules, regulations and guidelines set forth by the IRS. It is not the same as sitting at your computer and purchasing common stock, wherein all the rules, regulations and guidelines are more straightforward (generally due to the streamlining done by the public stock registration process). The best chance of succeeding in the world of alternative investing is to work with professionals that are knowledgeable, specialize in the industry and take the extra steps in making sure that the investment through the self directed IRA is in compliance with the guidelines, laws, rules, and regulations.

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For more information, please contact Innovative Advisory Group, LLC at <http://www.innovativewealth.com>

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