THREATS AND SOLUTIONS YOU NEED TO UNDERSTAND ABOUT YOUR IRA
IMPORTANT NOTICE: THIS IS AN INFORMATION PAPER ONLY AND DOES NOT CONSTITUTE TAX ADVICE. PLEASE REVIEW ALL OF THE INFORMATION IN THE FOLLOWING PAPER WITH YOUR OWN TAX OR FINANCIAL ADVISOR BEFORE UNDERTAKING ANY OF THE STEPS OUTLINED BELOW TO ENSURE IT IS A GOOD FIT FOR YOUR OWN PERSONAL FINANCIAL SITUATION.
“I don’t doubt for a minute that the people I know in Washington are quite capable to say ‘Well, you’ve got to save the country and buy treasury bills from now on!’ I think it’s a very real possibility that people should consider.”

Those were the words of Ron Paul about the risk of the federal government in the US tapping into people’s private retirement accounts when he was one of the keynote speakers at our event in Santiago, Chile, in 2013.

Billionaire investor Jim Rogers agreed with him and identified individual private retirement accounts as THE most vulnerable asset for people to have in the US.

This is a theme we’ve been talking about at Sovereign Man since 2009. I’m personally on record as saying that the most likely scenario the government will take is to mandate that a portion of IRA and 401k savings have to be invested in the “safety and security of US Treasuries”.

During his 2014 State of the Union address, President Obama repeated this notion almost verbatim when he announced a new government program called MyRA, which will help Americans with their retirement savings by loaning them to the government and receiving a “decent return with no risk of losing what you put in…”

In fact, with interest rates artificially suppressed and bond yields at paltry low levels – well below the real rate of inflation – you are guaranteed to lose if you end up investing in US government debt.

No one can say this came as a shock.

The US has long ago passed the point of no return, whereby they have to borrow money just to pay the interest on the money they have already borrowed. Its financial reckoning is only a question of ‘when’, not ‘if’.

This report will show you not only how you can use your IRA to make your retirement savings more secure from government actions, but also how you can expose them to a world of opportunity outside of the traditional stock, bond and mutual fund options that can greatly increase the purse you can enjoy in your old age.

But first, some basics.
IRA 101

Millions of Americans already have an IRA. Chances are you’re probably one of them.

For nearly all of them, making an IRA part of their personal financial plan has been a good, smart move. They’re glad they did it.

But many of them don’t fully understand how an IRA works. They know there are some tax benefits associated with it, but most people opened one because someone told them they should, without fully understanding the potential that an IRA holds.

IRAs offer a number of advantages. Some you may be familiar with. Others you may have never even realized.

Technically speaking an IRA is a special kind of trust that comes with all sorts of tax benefits designed for individuals to accumulate savings for retirement.

In a typical IRA (what we refer to as an “ordinary IRA” in this paper), an individual will make periodic contributions from his/her paycheck or savings. Those funds are often deposited with a large financial institution known as the IRA custodian which will then offer a menu of mutual funds or index funds to invest in.

Vanguard and Fidelity, for example, are among the largest IRA Custodians in the US. Though there are other instances where you can establish an ordinary IRA account with a large brokerage like Charles Schwab or E*Trade, and then invest your retirement savings in stocks and bonds.

While ordinary IRAs do offer tax benefits, if we dig a little deeper, we find there are many risks underneath the surface that your ordinary IRA still faces.

This report will serve to open your eyes to those risks and what you can do to protect yourself and your retirement funds. Likewise, by the end you’ll see what can be achieved with an IRA that will change how you think about investing for your retirement.

We’ll show you how to turn your ordinary IRA into an extraordinary IRA.
THE WORLD OF AN ORDINARY IRA

BENEFITS OF AN ORDINARY IRA

First, let’s take a look at some of the benefits you receive from an ordinary IRA.

**Tax savings.** An IRA is designed to provide tax incentives for individuals to put away money for retirement.

With a traditional IRA, an individual is allowed to deduct IRA contributions from his/her taxes each year. So for example, if you make $100,000 and contribute $2,500 to your IRA, your taxable income is reduced to $97,500.

Later in life when you’re retired and begin to distribute the gains from your IRA, you will pay tax on those gains.

Conversely, with a Roth IRA, you do not get to deduct the IRA contributions. But (as of now), the IRA distributions when you retire are received tax free.

Whether the contributions are tax-deductible now, or tax-free upon distribution, either way there’s tax benefit.

**Asset protection.** If you ever find yourself on the receiving end of a lawsuit, you’ll find comfort in knowing that much of your IRA can be protected. Even if the complainant wins the lawsuit, the IRA assets will be difficult for them to reach.

Your protection isn’t absolute, but it is substantial, and in that circumstance you may be glad you have it.

**Some diversification.** Tens of thousands of financial institutions – banks, stockbrokers, mutual funds and insurance companies – sponsor IRA programs that bring you the basic benefits. Collectively they offer a broad menu of investments for your ordinary IRA.

**But the menu is far from complete.**

Some of the best investments, on which smart investors are earning high returns, aren’t available with an ordinary IRA. Tax rules permit these higher-earning investments, but they’re effectively blacked out for ordinary IRA investors because they don’t fit into the product line of any bank, stockbroker, mutual fund or insurance company.
THREATS TO AN ORDINARY IRA

I’d like to take a step back and review some of the threats your IRA currently faces on a daily basis. Some are more obvious than others.

IRA Threat #1: THE US GOVERNMENT

As with the legal system, politics often relies on precedents. Bureaucrats use precedents set by others to gain access or power, or to successfully impose laws on the people. This means, once a snowflake falls, it is usually only a matter of time before the avalanche follows.

Historically this typically trended toward more positive behaviors: the end of imperialistic monarchs, introduction of property rights, and the spread of free-market theories which allowed for the greatest increase in living standards in any two-generation period. Today, however, we are in a different cycle.

History shows the current cycle is of governments increasing taxes and regulations while decreasing your privacy, liberty and opportunity.

As the way precedents work, Argentina was one of the first snowflakes to fall. Now the avalanche has begun: Hungary, Ireland, France, Poland, Russia etc. have followed suit in raiding their citizens private retirement accounts.

To meet their cash demands each of these countries seized the money that their own citizens had earned... and saved... for their retirement years. And there was no way to stop them.

The precedent has been set.

Now, many folks in the US would say the examples set in other countries are lunacy, and that a democratic government, intended to PROTECT its people, would never do such a thing.

Here’s what they don’t realize: Social Security is a Pay As You Go ‘trust’ system. If it weren’t for Social Security, government spending would have exceeded government revenues (taxes) in all but 2 years since 1970. And for the first time in 2010, Social Security payments have exceeded incoming tax revenue.

And the Baby Boomers have only just started retiring.

The US government is struggling to mitigate dwindling Social Security balances and massive future obligations. How does it fulfill those obligations? How does it cover entitlements and government employees? It has three options: print money, issue debt, or mandate ‘investments’ into their schemes.

The first two options have largely been exhausted. Multiple ‘quantitative easing’ programs cycled money through the Fed, Treasury and large banks to maintain confidence in the markets and keep interest rates low so that the government’s massive debt pile can be sustained a little bit longer.
The US federal government debt now stands at over $18 trillion.

In late September 2008 the debt was less than $10 trillion. This is a staggering increase. And it’s a sad state of affairs when news like “Federal Deficit ONLY $600 Billion” is hailed as a remarkable achievement.

But neither you nor your assets need be stuck on a sinking ship.

As interest rates inevitably rise from their historic lows, and thus the amount of money it requires to pay off its creditors increases, the government will desperately grasp for funds wherever it can in order to avoid default.

According to the government numbers from 2012 there are over $5 trillion in private retirement accounts in the US.

This is the single largest, easiest kitty for them to grab.

The US Treasury has already dipped into the federal public pension fund six times over the past 20 years in order to avoid the legally mandated debt ceiling and government default. So grabbing retirement accounts isn’t exactly a major departure from their own tactics.

So the “they would never do such a thing” mentality is equivalent to sticking your head in the sand.

As I mentioned, several countries have already raided their people’s retirement accounts only since 2008. In all cases it happened under the exact same scenario—public and private pension accounts were forced to invest in government debt and thereby loan the bankrupt nations money under losing terms.

Right now, if you hold your retirement savings in a typical retirement account, you’re subjecting your wealth to immense risk.

Most people’s IRAs are maintained at big financial institutions. All of these financial institutions are in bed with the US government. They’re regulated entities, and they all exist to support one another.

With just a handful of phone calls from Washington, the landscape of IRA investing can practically change overnight.

Unfortunately, most people in the US just don’t understand the severity of the situation. Maybe they don’t think they’re qualified to assess the country’s financial situation or maybe they just haven’t bothered to look at the data.

But you need to understand that if you choose to ignore the warning signs and the obvious writing on the wall, you’re taking on an enormous risk.
IRA Threat #2: The US DOLLAR

Since WWII, the US dollar has been the reserve and trade currency of choice for the world. But more and more countries around the world are starting to turn their back on the US dollar. Confidence is starting to falter because of how the dollar has been mismanaged and steadily debased.

And now the world is taking action.

Currency swap agreements between major economies that eliminate the use of US dollars in bilateral trade have proliferated in recent years.

All across the world, Chinese renminbi is quickly becoming THE currency for trade, investment, and even savings.

Numerous financial centers, from Singapore to London, Frankfurt, Luxembourg etc. are now major renminbi trading hubs. Even Canada became a renminbi-based trading center.

Everyone is in on the trend.

Over the long-term it’s glaringly obvious where this trend is going: the rest of the world no longer wants to rely on the US dollar, and they’re making it a reality whether the US likes it or not.

Have you ever noticed that no matter what you choose from the menu that your IRA Custodian gives you, your account is always denominated in US dollars?

You might say “But hey, I’m invested in a Chinese large cap mutual fund.” In which case, you own a US dollar-based mutual fund that tracks the value of Chinese large cap companies. But when you look at your account, what do you see? US dollars.

That means that you’re not only betting that Chinese companies do well, but that the US dollar continues to do well, because the value of your investment will always rely on the health of the US dollar.

An increasingly rapid replacement of the US dollar as the world’s dominant currency will be a shock for markets across the board. But do you want to be caught holding the currency that nobody wants anymore?

IRA Threat #3: INFLATION

Since September 2008, the Federal Reserve’s balance sheet has expanded by more than 500% through money printing, i.e. ‘Quantitative Easing’. This is a staggering increase in the monetary base.

Any Macroeconomics 101 student will tell you: printing money eventually leads to inflation.
Now that the Fed has flooded the markets with liquidity, more money is competing to buy the same scarce goods. This is the direct cause for price inflation.

So far, the US has avoided large-scale increases in prices because it has been able to effectively export its inflation across the world. Because, as we said earlier, the whole world still largely relies on the dollar, other countries have absorbed the majority of the new money that has been printed.

As the use of the US dollar continues to decrease all over the world, all those dollars will find their way back to the US—which will cause massive price spikes.

Note that official US inflation numbers are a notorious misrepresentation of actual price movements and living costs.

The Fed doesn't even consider food and commodities in its core inflation figures (and this is aside from the ‘seasonality’ manipulation that they change the definition of each quarter).

You know well yourself already that the reality is very much different. The cost of everything, from groceries in the supermarket to education, healthcare etc. has been rising much faster than the official numbers suggest.

**Threat To Your IRA #4: FROTHY MARKETS**

Today, markets across the board are at all-time highs. Stock markets are at all-time highs. Bond markets are at all-time highs. Typically, the top of the market is where you want to sell and capture gains. Not buy.

There's simply just too much money being pumped into the system through ultra-low interest rates and outright money printing.

This goes across the board, for all major central banks of the world, not just the US Fed.

Capital is far too cheap, and that pushes people into making risky and foolish decisions.

In practice, all that's really happened is that money creation has blessed a small proportion of the population—those lucky individuals and institutions fortunate or successful enough to hold large amounts of financial assets.

QE has been an extraordinary boon to the asset-rich. Equity prices, bond prices, housing prices have all benefited from a colossal leakage of money from the banking system into the financial markets.

As with all bubbles, one day they pop.

Without the fundamentals to support these levels, it seems there's really nowhere else to go but down.
And now, as the Federal Reserve formally announced the conclusion of six years of extraordinary monetary experimentation in the form of its Quantitative Easing program, these sky-high levels will become severely challenged.

To defend against this, it all comes down to the right kind of diversification. The wealthiest individuals are taking action now to diversify their assets before the tide officially turns.

**Redefining Diversification**

Diversification is an illusion in many investors’ minds. When people think about diversification, they think owning assets across different sectors—technology, energy, consumer services, financials etc.

But I’d like to re-frame how you think about diversification: “paper” assets versus “real” assets.

“Paper” assets like stocks and bonds are like they sound—pieces of paper that give you a claim to potential future cash flows based upon the terms of that paper.

“Real” assets like precious metals and real estate are also like they sound—assets that you can touch or hold in your hand. In times of turbulent markets, the expression “one in the hand is worth two in the bush” never rings truer.

Investing in paper assets across various sectors lacks protection from inflation and market collapse. True diversification is only really achieved when you access alternative asset classes outside of commonly traded paper assets.

For example, precious metals, private businesses, commodities, and real estate are all assets that are not tied directly to the sinking dollar, nor paper assets’ impending collapse.

**IRA Threat #5: CUSTODIANS**

IRAs have a legally defined structure. Under the US tax code, an IRA is really a very specialized form of a trust. And like a trust, an IRA must have a trustee, or a custodian as they’re commonly called— someone charged with the legal obligation of administering the IRA and ensuring that it stays in compliance with appropriate regulations.

In other words, you cannot have an IRA without a custodian. The custodian is vital because they ultimately have the final say in what your IRA can and cannot invest in.

Custodians are anointed by the federal government. Most of the time, custodians tend to be huge financial institutions like Vanguard, Fidelity, etc. This makes sense for them—if they act as the custodian, they get to control what you invest in and steer your retirement savings towards their own products.
It’s a big win for them, but it delivers risky, mediocre results for you.

This gives banks yet another financial monopoly—this time over your retirement savings.

This is clearly in the bank’s best interest—keeping your funds in-house and limit you to the plain vanilla options of domestic stocks, bonds, mutual funds, etc. But it’s not exactly in your best interests. This isn’t where you want to be in today’s perma-bubble environment. Incentives aren’t aligned.

During the 2008 crash retirement accounts lost over $1 trillion dollars. Chances are that your own account took a big hit.

Even today, retail banks continue to demonstrate that they haven’t learned anything since then, and continue to invest using the same strategies they used right before the last market collapse.

Financial institutions get paid based on how many assets they have under management, not based on performance they deliver you. They become richer before they get out of bed in the morning, and regardless of whether or not they’ve made you any money.

This is not a business model that encourages original thinking. Retail finance is all about herd mentality—fund managers follow each other into shaky markets at their all-time highs simply because everyone else is doing it, and they justify their risky behavior with pithy quips like “buy the dip”.

The finance collective has learned absolutely nothing since the last meltdown. These people consistently fail to see bubbles coming, and at this very moment, they’re investing your money in a massive stock and bond bubble.

One can hardly consider this to be responsible financial stewardship.

**Right now most retirement savings are managed by big financial institutions that, on average, charge about 1% in fees each year.**

Whether this management fee is broken down on your IRA statement or not—it’s there.

Your custodian might tout a “free IRA” or “zero-fee IRA” but what’s actually happening is they are taking the fee out of your returns. If you’re making a 6% return, you should be making a 7% return.

Given all this, it makes all the sense in the world to take control over your retirement savings.

What if before the last crash you had been given the ability to protect your retirement funds from the pain that came when the bubble popped? What if you had seen the financial crisis coming?

Wouldn’t you have taken action?
REVIEW

Let's take a moment to recap everything we've covered so far:

- The US government is over $18 trillion dollars in debt and has already set the precedent of dipping into government pensions to cover their expenses in the past. There is a clear possibility this could happen again.

- The US dollar, while still the world’s dominant currency, is starting to face challengers and is on shakier ground each passing day.

- Inflation is clearly here in the global markets, as can be seen by all-time highs across the board—from food prices to stock markets. But current inflation is nothing compared to what will happen when all those dollars sloshing around the world find their way back home.

- Another major market downturn is clearly around the corner. We learned from the 2008 financial crisis that asset prices can’t always go up—no matter what financial commentators say.

- Custodians limit what your IRA can and cannot invest in, steer your retirement savings into their own products that don’t necessarily benefit you, and then take a fee simply for holding the account.

These risks are no longer theory or conjecture. And that’s why we recommend that you liberate your retirement savings from this system through an extraordinary IRA structure.

THE WORLD OF AN EXTRAORDINARY IRA

AMAZING POWER

Imagine discovering that your dog can fly. As soon as you’d gotten over the surprise, you’d start wondering why you hadn’t noticed it years before. Then you’d start thinking about the money you could make with such a talented canine.

That’s the experience I had with IRAs.

IRAs seemed so plain and ordinary. Good to have, comforting at times, but dull, like chicken noodle soup. Nothing special and nothing to get excited about. IRAs ran on AAA batteries and had about as much power... or so I thought.

Then, what a surprise! I learned how an IRA can be a powerhouse for accumulating tax-free wealth.
I don’t mind admitting I had been blind to the potential that was right in front of me for so long—I had so much company in not noticing. Even today 67 million Americans have an IRA, but not one in a thousand understands all the opportunities they can seize with it or how powerful it can be for building and protecting wealth.

Here’s a sample of what the rules allow you to do with your IRA (and that most investors haven’t a clue is possible):

• **Precious metals.** Buy gold and silver coins for your IRA and store them securely.

• **Foreign Currencies.** Open bank accounts in foreign countries to hold currencies other than US dollars.

• **Rental property.** Your IRA can own an apartment or house and be a landlord.

• **Foreign real estate.** Your IRA can buy an apartment in Portugal or farmland in Chile (as long as you don’t use it yourself).

• **Private businesses.** Your IRA can invest in lucrative non-public companies, which means you can get in on the ground floor of a growing business.

• **Foreign public markets.** Your IRA can open brokerage accounts overseas and directly trade foreign equities.

• **Equipment leasing.** Do you have experience selling or servicing heavy equipment, trucks, airplanes, medical equipment or anything else that users often want to lease? Your IRA can be the lessor while you put your knowledge to work helping your IRA earn the lease payments.

• **Private lending.** Your IRA can earn high returns lending money on well-secured first and second mortgages. Your IRA can collect far more than the sad returns it earns on CDs at a bank.

• **Rehabilitate property.** Your IRA can buy and manage the rehabilitation of a run-down dwelling, apartment house or office.

• **Seize bargains.** You can show up at foreclosure sales (there are plenty of them these days) and buy property for your IRA at distressed prices.

And these are just some examples. Whatever investment you’d like to make and whatever business opportunity you’d like to pursue, chances are there is a proper way for your IRA to collect most of the benefit. That means more of your earnings are tax-deferred—and with a Roth IRA the earnings can be tax-free.

**Unnoticed**

Maybe you’re wondering how a secret this big could be a secret at all. The answer is pretty simple.
As we discussed, an IRA must have a custodian according to the law. It’s the custodian that holds legal title to whatever is in your IRA. But the custodian doesn’t have to accept any investment it doesn’t like. It can just say “No.”

Of course because most custodians are attached to a bank, stockbroker, mutual fund complex or insurance company, they are ready to let your IRA buy whatever the bank, stockbroker, mutual fund complex or insurance company is selling—and nothing else.

That’s what keeps the handcuffs on most IRA investors and why most financial institutions like to tell just part of the IRA story. (The rest of the story is in this report.)

**Better Than “Self-Directed”**

While the vast majority of ordinary IRAs are held at custodians that will not allow an IRA to invest in anything but their own financial products, not all custodians are like that.

There are smaller private custodians that are less known and will allow your IRA to invest in alternative assets through a so-called self-directed IRA.

A sizeable minority of investors have slipped out of the ordinary IRA handcuffs and moved into this self-directed IRA. They’ve placed their IRA with a custodian that doesn’t sell investments and that will consider accepting any investment.

That’s better than what most IRA investors have, but not nearly as good as what you could have.

With a self-directed IRA, the investor must get the custodian’s approval at each step of every transaction. That means extra work and trouble for the investor. It means delay, which means the risk of missing an opportunity.

It also means uncertainty, since the custodian can always say “No, we don’t do that.” And when the custodian of a self-directed IRA finally does sign off on an investment, the starting bell rings for heavy fees that will keep draining the IRA’s value.

The arrangement just isn’t as self-directed as it looks. It would be more accurate to call it a May-I-Please IRA. Or a May-I-Please-Pay-More-Fees IRA.

The secret advantage of an extraordinary IRA is the inclusion of a limited liability company (LLC).
Management and Ownership

The management authority for an LLC can be assigned either to:

(1) its owners (a.k.a. shareholders, but for an LLC they are called “Members”), or

- optionally -

(2) to a non-related individual, or group of individuals called the LLC’s “Managers”.

In the first case the LLC is called a “Member-managed” LLC. And in the second case, the LLC is called a “Manager-managed” LLC.

In either case, neither the Members nor the Manager (if there is one) have any personal liability for any debts or other obligations the company might incur.

The Members, who own the LLC, needn't be individuals. Corporations, partnerships, trusts (including IRAs) and other LLCs are eligible to be Members.

With an extraordinary IRA, the IRA custodian – acting for the benefit of your IRA – is the LLC’s sole or primary Member. **YOU are the LLC’s Manager**, and thus you have management control over the company and its assets (i.e. your retirement funds).

**Let’s break it down again—in this extraordinary IRA structure:**

- Your IRA is held by a smaller, private custodian instead of a giant bank;
- Separately, a Manager-managed LLC is established;
- You are assigned as the Manager of the LLC;
- The custodian invests your IRA funds in the LLC—i.e. your IRA holds only one investment: an LLC;
- Your IRA is the “Member” (i.e. owner) of the LLC;
- You, as acting Manager of the LLC, decide what the LLC invests in;

This structure is entirely permissible according to IRS rules governing IRAs, and it has been successfully defended in numerous tax court cases.

Operating Agreement

An LLC’s Members and its Manager are free to work out virtually any deal among themselves about how the company will operate and how income and expenses will be shared.

The understanding normally is set out in a written document executed by the Members and the Manager and is referred to as the LLC’s “Operating Agreement.”

An Operating Agreement has the same function for an LLC that bylaws have for a corporation.
An Operating Agreement can be as simple or as complex as the Members want, depending on what they are trying to accomplish.

The Operating Agreement for an LLC that is part of an extraordinary IRA must be in writing and must be signed by the custodian (representing the Member) and by you (as the Manager).

It is essential that the Operating Agreement include provisions that allow the LLC to remain within IRS guidelines.

That means, among other things, that the Operating Agreement should rule out anything that would be a prohibited transaction for an IRA, as a protection for you and to make the arrangement acceptable to a licensed IRA custodian.

We’ll go into what that means soon. For now, you should understand that the Operating Agreement is a critical document for the directed IRA structure.

**Multiple Members**

Some of the investment examples covered above can require quite a bit of capital to start out. With an extraordinary IRA you can even combine the funds from your spouse’s IRA into the same LLC.

Do you have BOTH a Traditional AND a Roth IRA right now? No problem—these can be combined into the same LLC as well.

Or maybe you have an IRA and a 401(k)? Go for it—these can be pooled into the same LLC too.

Or maybe both you and your spouse have multiple IRA accounts across a number of different custodians. They can all be combined into the same LLC so that you can access investments that are currently out-of-reach.

In this case, the LLC would be called a “multi-member” LLC, whereas the case of only one IRA, the LLC would be a “single-member” LLC.

**Tax Treatment**

In most cases, the custodian of an extraordinary IRA is the LLC’s only Member, so the LLC is a “single-member” LLC. For tax purposes the single-member LLC is treated as a disregarded entity.

This means the profits and losses of the LLC flow directly through to the single member, which is the custodian-held IRA.
Since the IRA does not need to file taxes until a distribution is made (with a Traditional IRA) or it has already reported and paid its taxes (with a Roth IRA) there are no additional reporting requirements for the LLC beyond what a regular IRA would need to report.

**If the LLC takes in an additional Member or is a multi-member LLC (as in the case where multiple IRAs own the same LLC), the LLC will be then treated as a partnership for income tax purposes.**

That means that each year the multi-member LLC will be required to file the Partnership tax Form 1065 each year. It outlines all of the LLC’s income, expenses, profits, and losses.

But it’s important to note that just because you file the form, you will not need to pay taxes thanks to the IRA’s tax-shielding advantages.

Another important thing to note is that an IRA is a structure that is supposed to hold passive assets. An IRA’s gains should come from dividends, interest, and capital gains.

As such, the LLC owned by the IRA is what is commonly referred to as a “**Holding Company**”, and its primary business purpose is **investing**.

**Registered Agent**

By law all LLCs in the US are required to have a registered agent. A registered agent is an unrelated third party that basically serves as a point-of-contact with a permanent address within the state where the LLC is registered.

For example, if someone wants to sue the LLC and the manager is M.I.A., the lawsuit can legally be ‘served’ to the Registered Agent.

The registered agent does very little, but the LLC cannot exist without one.

**Tying it all Together**

To tie this all together, let’s look at a normal company like Ford. When Ford issues stock, it gets money in exchange for issuing share certificates.

The owners of those share certificates are the company’s shareholders. When the company does well, shareholders receive dividends, and the value of the shares increases.

In an extraordinary IRA structure, your IRA becomes the sole shareholder (sole member) of an LLC. This means the IRA invests its cash with the LLC in exchange for ownership in the company.
Back to Ford – it’s a large company that is run by a lot of individuals. In fact, all companies have teams of managers that make decisions about how the company spends money and invests capital.

The way the extraordinary IRA works is similar. The LLC organization documents – the Operating Agreement – name a person (sometimes a group of people) to be the “manager”. And in this case, the manager of the LLC is you.

In this way, your IRA owns the LLC, but you have the management control.

And because your IRA owns the LLC, the investment profits of the LLC flow through to the IRA, so you still receive the same IRA tax benefits.

Best of all, as the Manager of the LLC, you get to influence where your retirement savings is invested… not the banks.

Want to open an offshore brokerage account and invest or trade in equities worldwide? Sure.

Want to own physical gold? Done.

Want to ship your retirement savings abroad to a foreign bank account? Great.

Want to buy investment farmland overseas? Great idea.

Want to invest in private businesses, such as early stage startups, or buy a part of a more mature business? Excellent choice.

All of these options become available. The world truly is your oyster.

And even if you just want to buy shares of Alibaba or Apple, you can do that too… all without having to pay a portion of your retirement funds to the big banks.

In this way, the extraordinary IRA setup has multiple benefits:

1) You free your savings from the US financial system, ensuring that should the government ever make a grab for your retirement accounts, your money won’t be there.

2) You open up your retirement savings to an entire world of investment options, not just the limited choices your financial institution gives you.

3) You can protect your retirement funds from the demise of the US dollar by holding other currencies or assets that aren’t denominated in US dollars.
4) You can invest in real assets to protect your retirement funds from both inflation and deflation (market collapse).

5) You can achieve true diversification.

Bottom line—It makes sense no matter what happens.

Doing the Math

It’s important to note that there are costs involved, both to setting up the structure and keeping it going.

On an annual basis, you’ll typically have to pay a flat fee to the IRA custodian, the registered agent, and possibly LLC renewal fees to the state where it was registered. But these fees are typically fixed. So in total, even if your IRA is of a modest size, typically the fees amount to less than 0.5% of your IRA assets—and of course decrease even further as your IRA funds grow.

Last, it’s important to note that there are a few tax issues to be aware of.

Because your IRA is a tax-deferred savings vehicle, the profits of your LLC flow through to the IRA. This means that there are generally no current taxes due on your LLC’s investment gains.

It’s effectively the same tax situation as your IRA has now.

If right now your IRA is invested in some mutual fund that generated a 5% return last year, those investment profits are tax deferred, and no current taxes are due today.

But let’s assume your IRA owns an LLC, and the LLC has a simple brokerage account. You invest your funds well and generate a 25% return.

Similarly, those investment profits ‘belong’ to the tax-deferred IRA, meaning that no current taxes are due today.

There are a handful of instances, however, when an IRA may have some current taxes. It’s what the US tax code refers to as “Unrelated Business Taxable Income”.

These rules apply to charitable organizations, as well as IRAs. But there are numerous rules, exceptions, and exclusions that apply.
SETTING IT UP: DOING IT YOURSELF

If you’re a DIY type person, it is possible to set one of these structures up yourself as long as you don’t mind doing all the legwork, paperwork, etc.

One of the most important decisions you’ll need to make is selecting the state in which to establish the LLC for your IRA.

Many states (New York, cough cough) charge handsomely for establishing an LLC, as well as annual fees. There may be also some state tax implications if you are a resident (or even non-resident) of a particular state or if the LLC has any assets there.

With the state selected, you’ll need to file all the appropriate forms with that particular state to form the company, including the right operating agreement which ensures you’ll stay square with the IRS. (We covered this earlier in the document-- it’s very important).

The company also needs to be registered with the IRS. Depending on your individual circumstances, this requires at a minimum filing form SS-4 to obtain a tax ID number for the LLC.

[Please be prepared to sit on the phone for a long time when you call the IRS.]

You’ll also need to select a custodian for your IRA. This can be any state-registered bank or trust, as well as certain non-bank custodians that have been approved by the United States government. You can see that list here:


Each custodian will have its own process and paperwork to go through, as well as their own specific fee schedule. You’d need to get in touch with them directly for more details.