



Self-directed investing

The Basics

Angels of Main Street

Maximizing your self-directed investments

Angels of Main Street is focused on building a community of individuals who want to make informed investment decisions about opportunities to invest in small businesses and startups. The idea behind the community is to support one another in making our own decisions about where we invest our retirement and other savings dollars. Each of us brings a set of values and priorities to the table and it is this diversity of perspective that will allow us each to decide how to best action our respective values in our investment decisions. Every dollar we touch has impact. This community is for anyone of any income bracket who wants to feel certain that the impact one is having is ultimately the one that is desired. At the heart of our community is the belief that collectively, we can make profound and positive change to people's lives, our communities, and the planet by aligning our investments with our heart-felt beliefs.

In this white paper, we will explore the opportunities for diversifying your investments by investing in private companies and other alternative assets, in a way that aligns with your social and environmental values to achieve both positive impact and profitability.

Self-directed investments can be made from your retirement account savings and other assets. In this white paper we will discuss the use of self-directed IRAs as well as a new, limited time, tax-savings opportunity for highly appreciated assets held outside of a tax-savings vehicle.

Why haven't I heard of self-directed retirement vehicles and their ability to invest in alternatives?

Financial advisors at traditional financial companies are not set up to help their clients with alternative investments. Under the traditional model, the only way the advisor can make money is through assets under management fees and commissions. Some financial companies now charge low fees for any product they can put you into but the system is not set up for them to benefit from getting their clients into alternative investments like small business, startups and real estate. For this reason, many advisors do not talk about self-directed vehicles or recommend them when their clients ask about them.

By not relying on other people to choose the securities you buy and when to sell them, you can be sure about what your money funds. Input from a diverse group like AMS is arguably less biased than a broker who has a limited number of offerings to sell you based on the firm he/she works for. Having many different people to talk to about investment opportunities and receiving training to increase your knowledge is a powerful way to go about growing and preserving assets.

There is over \$9.2 trillion held in Individual Retirement Accounts (IRAs).

IRAs represent a significant percentage of the \$28 trillion held in retirement assets in the US. In addition to providing tax incentives to help you save, they allow you to consolidate your retirement savings from other IRAs and your workplace retirement plans when you change jobs or retire.

Most savers understand the benefits of saving in an IRA. What may be less well-known is the opportunity to use a self-directed IRA to expand your investment portfolio far beyond the certificates of deposit (CDs) or mutual fund investments found in most accounts. With a self-directed IRA, you can implement a personal investment strategy to take control of what your hard-earned money supports.

Regular vs. Self-directed IRA

With a regular IRA, your investment options are limited to common investments such as mutual funds or certificates of deposit. With a self-directed IRA, you still receive the same tax and other benefits available with a regular IRA, but you have the freedom to invest your IRA assets in almost any type of investment you can imagine. You are in control of your options. If more people exercised this control, we would start to see a very different small business landscape.

A self-directed IRA opens the door to a wide array of investment alternatives, expanding your ability to achieve multiple investment objectives with your IRA assets. You can invest in private companies that are having a positive impact on their communities or you can invest in real estate or other ventures and projects.

Your money creating meaning and financial growth

The journey of 1,000 miles begins with a single step. While we hope that our Angels aspire to ultimately shift their savings to 100% impact, this does not have to be an overnight change. AMS is here to help you in your journey from wherever you are, even if this is just your first step.

Start simple. Consider divesting from Wall Street companies that are not good corporate citizens--especially the ones that tell you what great corporate citizens they are while simultaneously being complicit in the very problems they claim to solve. Eat at a minority-owned local restaurant. Invest in a company whose mission you believe in. Every dollar you touch has an impact. The question to ask yourself is does it have the impact you want?

Benefits of self-directed IRAs

- Peace of mind about what you are funding
- Ability to hold a broad range of assets
- Higher investment growth potential than typical CDs and mutual funds
- Independence from the ups and downs of the stock market
- Opportunity to invest in a tangible or familiar asset
- Ability to choose investments based on social or environmental impact in addition to potential investment return
- Ability to pass assets on to heirs without the necessity of probate

Three steps to self-directed IRA investing

Step 1: Open an account with a qualified custodian (we can refer you to one if you like)

Step 2: Fund the account (rollover or initial funding)

Step 3: Select your investments

Prohibited transaction rules apply to self-directed IRA's.

The IRS prohibits you, as the owner of the IRA, your spouse, lineal ancestors (parents & grandparents) and lineal descendants (children, grandchildren & spouses) from transacting with the account including:

- Borrowing money from the IRA or making loans to the IRA
- Selling property or assets to the IRA or buying property or assets from the IRA
- Taking a salary from an IRA-funded business
- Using IRA assets for personal use

Funding your self-directed IRA

There are several ways you can fund your self-directed IRA. If you are eligible to contribute to your traditional or Roth self-directed IRA, you can make annual cash contributions up to your annual limit. You can also fund a self-directed IRA through a transfer or rollover from other IRAs regardless of your eligibility to make annual contributions. While your annual contributions have to be in cash, physical assets in an existing account can be moved without being liquidated. There is no dollar limit on transfers and rollovers, and they do not count toward your annual contribution limit.

Self-Directed IRA Fee Structures

When researching Self-Directed IRAs, you'll find that there are three basic fee structures:

1. **Transaction Fees.** In this model there is a low set-up fee, and the account holder pays a transaction fee for every action subsequently taken by the IRA.
2. **Dollar value of assets.** The more assets that are held, the higher the annual fee.
3. **Checkbook Self-Directed IRA.** There is a higher initial set-up fee, but there are virtually no fees afterwards.

Obviously everybody would like to choose the fee structure which affords them the greatest possible savings. However, even with that thought in mind, it's not always so obvious which of the three fee structures will accomplish that. A number of factors can determine how much is eventually charged, and they include value of the invested assets, frequency of transactions, and degree of investor involvement. It's best to run the numbers for your specific investment and see what makes the most sense