

FAQs for Equity Trust Company IRA Owners



The purpose of these FAQs is to educate you on your responsibilities as the owner of a self-directed individual retirement account (IRA), and the limited role of Equity Trust Company. Please read these FAQs carefully.

WHAT IS A SELF-DIRECTED IRA?

A self-directed IRA is a retirement account that enables you to exercise your own discretion to select the assets that you invest in and hold in your IRA, including real estate, private equity, private lending, precious metals, and other assets permitted to be held in an IRA. All investment decisions and directions in your self-directed IRA are made exclusively by you or a designated third party, such as an investment advisor or power of attorney that you appoint.

WHAT IS A SELF-DIRECTED IRA CUSTODIAN?

The Internal Revenue Code requires that a qualified custodian maintain custody of the assets in an IRA for the account owner. Unlike registered financial advisors and broker-dealers, Equity Trust Company, as custodian, does not offer or sell investments, or provide any investment guidance or advice. Rather, we perform the role of a directed custodian, and execute your investment decisions solely at your direction.

WHAT DOES THE CUSTODIAN OF A SELF-DIRECTED IRA DO?

As custodian of a self-directed IRA, Equity Trust acts in the limited role of a non-discretionary administrator of your retirement assets. We provide the following services for your self-directed IRA:

- Processes and maintains an IRA agreement and forms you submit to request actions in your IRA
- Accepts receipt of and records contributions, transfers, and rollovers from other IRAs/retirement plans
- Receives and acts on your instructions to remit funds from the IRA to pay for investments you have selected
- Receives and acts on your instructions to sell, withdraw from or liquidate investments held in your IRA
- Holds originals or copies of documents, such as subscription agreements, operating agreements, offering memoranda, promissory notes, certificates, and other evidence of your IRA's ownership of investments
- Receives and records income from assets held in your IRA
- Receives and acts on your instructions to distribute assets to you or to other retirement plans from your IRA
- Provides you with statements reflecting transactions, funds, and assets held in your IRA
- Performs tax reporting on IRS Forms 1099-R and 5498 as required by the Internal Revenue Service (IRS)

WHAT DOES THE CUSTODIAN OF A SELF-DIRECTED IRA NOT DO?

A self-directed IRA custodian does not provide the following services:

- Offer to sell investments
- Provide investment, tax, estate planning, or legal advice
- Recommend, endorse or approve any investments
 - This means that, in acting as custodian of an investment you have selected, the self-directed IRA custodian does not recommend, endorse, or approve that type of investment.
- Recommend or endorse investment advisors or sponsors
 - This means that, when a custodian communicates with or acts on directions from an investment advisor or sponsor selected by you, the self-directed IRA custodian is not recommending, endorsing or approving of that advisor or sponsor. The custodian is also not an agent of that advisor or sponsor or affiliated with such

advisor or sponsor, unless otherwise disclosed.

- Determine the fair market value of account investments
 - The Internal Revenue Code requires the valuation of assets held in IRAs. The custodian of your self-directed IRA will not perform a valuation of your assets. It is your responsibility to ensure that the custodian of your self-directed IRA receives any required valuation. The custodian's receipt, recording or filing with the IRS of any valuation submitted to the custodian of your self-directed IRA is not a warranty or representation by the custodian of your self-directed IRA that the reported value is accurate.
- Perform due diligence on any investment or investment advisor or sponsor that you select
- Determine the safety, prudence, or suitability of any investment that you select for your IRA or for yourself
- Have an obligation to determine whether a transaction would be deemed a Prohibited Transaction as outlined in Internal Revenue Code section 4975 (26 USC § 4975). The responsibility lies with the account owner to ensure the transaction is not a Prohibited Transaction and otherwise complies with IRA rules and regulations.

DUTIES OF AN ACCOUNT OWNER

Self-Directed IRAs provide the account owner the opportunity to make his or her own investment decisions and invest in a variety of asset classes. The owner of a self-directed IRA has the following responsibilities:

- Provide direction to the custodian for all desired investments and action
- Conduct any due diligence of an investment opportunity, sponsor, advisor or other third party with which the account owner wishes to work
- Understand the risks associated with investments and seek qualified investment, legal, tax or other advice to assist with this understanding
- Provide annual valuations to the custodian for all assets held in the IRA
- Ensure that all assets can be held legally in an IRA under IRS rules and do not violate the Prohibited Transaction rules or any other applicable rules or regulations
- Monitor the IRA and review account statements and all other required tax forms and custodian forms on a regular basis
- Take any required minimum distributions from the IRA

WHAT SHOULD I DO BEFORE I MAKE AN INVESTMENT IN A SELF-DIRECTED IRA?

Before you invest, it is prudent to perform your own thorough research and due diligence on the risk profile of an investment and the track record of the investment advisor and/or sponsor. Websites, including but not limited to ftc.gov, sec.gov, finra.org, www.nfa.futures.org and bbb.org maintain free and valuable resources. In addition, it is also prudent to consult with tax and legal advisors for specific questions about your investment and any tax or legal implications.