



# SINGLE MEMBER LLC OR IRA LLC



*For active, self-directed IRA investors, setting up a Single Member or "IRA LLC" may make sense. But be aware that good books and records should be maintained*

## IMPORTANT CONSIDERATIONS FOR SINGLE MEMBER LLC INVESTMENT STRUCTURES

A **Single Member LLC**, or **IRA LLC**, is one where the only investor in the LLC is your IRA and you, the IRA account owner, act as the LLC manager. A Single Member LLC gives the IRA account owner "checkbook control".

**One of the benefits** of a Single Member LLC is that it gives the active self-directed IRA investor the ability to pay for investment-related expenses on the spot and quickly respond to investment opportunities as they arise.

**One of the challenges** for the IRA account owner is that you are responsible for maintaining accurate books and records related to the LLC's business activities (investment purchases and sales and expense payments) and insuring that no prohibited transactions occur within the Single Member LLC. As the LLC

manager and IRA account owner, you are prohibited from taking any funds directly from the IRA LLC. Funds must be moved back to the IRA and a formal distribution request must be made to M2 Trust.

### How is a Single Member LLC set up?

The LLC is usually established by a "facilitator" familiar with setting up an LLC as an investment vehicle and the general language requirements related to Prohibited Transactions with Disqualified Persons that must be incorporated into the operating agreement of the LLC.

Once the entity is established by obtaining a Federal Tax ID number (EIN) and creating the operating agreement, the IRA account owner/manager can then establish a bank account in the name of the LLC.

### Considerations for the Self-directed IRA Investor

There are pros and cons for establishing a Single Member LLC.

Having "checkbook control" means the IRA account owner (LLC manager) can react quickly to investment opportunities. However, managing a Single Member LLC requires personal discipline, time and effort in order to keep proper records for the entity and avoid any prohibited transactions.

Some investors think that there is cost savings involved in taking the Single Member LLC path but it's prudent to "do the math first" as there are fees related to establishing the entity and, depending on the state of incorporation, annual fees and/or taxes. Those recurring fees should be compared to the cost of directing the custodian to process transactions.

M2 Trust Services encourages investors to review their self-directed IRA investing plans with their trusted advisors.

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