



Your Guide to Private Equity in an IRA

Information provided by Advanta IRA



Introduction to Private Equity Investments in an IRA

Private equity investments give investors a percentage of ownership in private businesses or entities that are not publicly listed or traded. Private equity is typically available to sophisticated, accredited investors of high net worth. Non-accredited individuals who meet certain guidelines can also invest in private equity.

Additionally, the IRS allows private equity holdings in retirement plans and other tax-advantaged accounts. [Self-directed IRAs](#), individual 401(k)s, health savings accounts (HSAs), and education savings accounts (ESAs) use these assets to build retirement wealth and to save for health care costs and education expenses.

Self-directed accounts are unique in that plan owners choose their own investments. Plan owners can use a myriad of alternative assets—like private equity—to grow wealth without compromising their plans' tax-sheltered status.

This report provides detailed information on private equity assets in tax-advantaged accounts like IRAs.





Advantages of Private Equity in an IRA

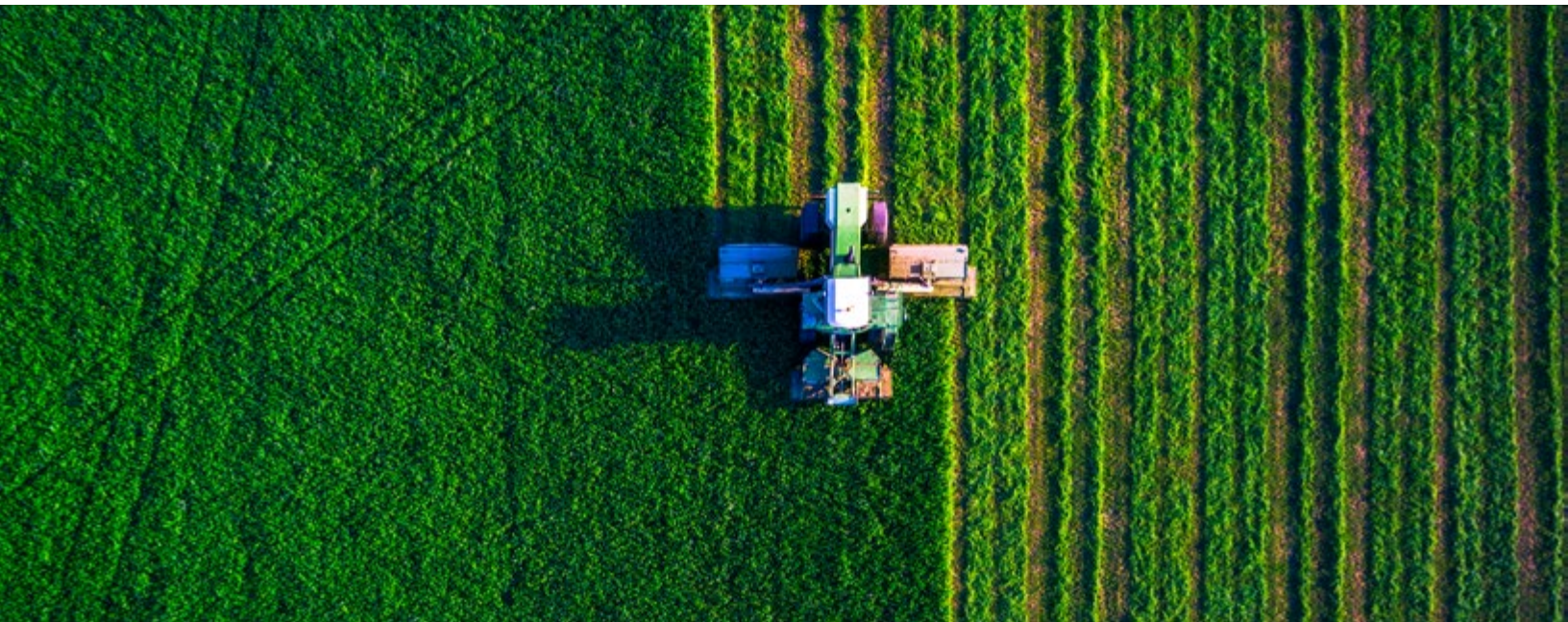
- Private equity offerings often give access to opportunities that publicly traded stocks do not.
- Your earnings are tax advantaged.
- These options allow true diversification of your retirement account.
- You choose the companies/entities to invest in with your IRA funds.

Types of Private Equity Investments

There are many different private equity opportunities. Below are some of the most common in IRAs.

- Limited partnerships (LPs)
- Limited Liability Companies (LLCs)
- Pre-IPO companies
- C-Corporations
- Limited liability partnerships (LLPs)
- Land trusts

Note: IRAs are not allowed to be general partners in a GP or invest in S-Corps.



Types of Self-Directed Accounts

- Traditional IRA
 - Roth IRA
 - Solo 401(k)
 - SEP IRA
 - SIMPLE IRA
 - HSA
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How Self-Directed Plans Work

- As a separate legal and financial entity, your IRA investments are titled in the name of the IRA: Advanta IRA FBO Client Name, IRA #12345.
- Initial investment and capital calls are made from IRA funds and all incoming cash (dividends or proceeds from sale) is deposited into the IRA.
- As the account holder, you negotiate the deal, review investment documents, and sign to confirm you have read and approved the documents.
- Advanta IRA, as the account administrator, signs all documents on behalf of your IRA.
- Per IRS regulation, the IRA holder, with the help of the investment issuer, must provide a fair market valuation of the asset every year.





Before You Invest

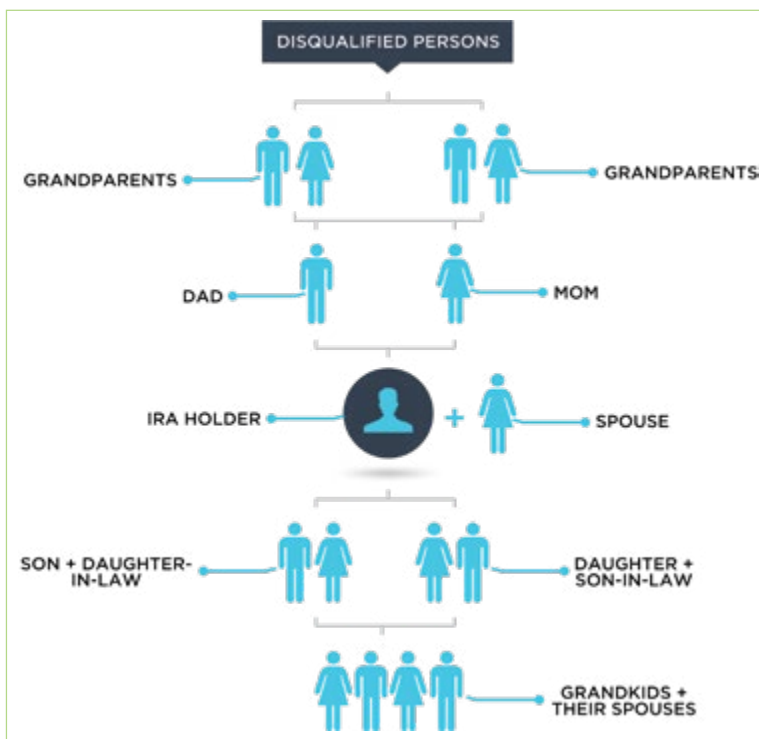
Perform due diligence

The IRA holder (and their legal/financial team if applicable) is responsible for performing due diligence on all the account's investments. Neither Advanta IRA nor the IRS perform any part of this function. Lawyers, CPAs, financial planners, and real estate professionals can be hired to provide analysis, which can help when evaluating an investment.

Avoid prohibited transactions

The IRS has regulations that limit certain holdings and transactions, as well as persons with whom your IRA can transact. These individuals and entities are considered "disqualified persons" by the IRS and include:

- The IRA holder and his or her spouse
- The IRA holder's lineal ascendants, lineal descendants, and their spouses
- Investment advisors, managers, and fiduciaries, or anyone providing services to the IRA
- Any corporation, partnership, trust, or estate in which disqualified persons have a 50 percent or greater interest



Understand unrelated business income tax (UBIT)

Earnings generated by certain investments may incur UBIT. Consult with a CPA or other tax professional to find out this applies to your investment. If so, the IRA files form 990-T with the IRS in conjunction with payment of the UBIT due.



How to Get Started

Step 1: [Open your self-directed account.](#)

Step 2: Fund your account by performing a rollover, transfer, and/or making a contribution.

Step 3: Choose your investment.

Your Advanta IRA account manager helps you throughout this process.

