



My Solo 401k Financial®
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The Do's & Don'ts of Promissory Note IRA LLC Investment



Do's



Don'ts



Dos



Don'ts

Do confirm if your IRA can be invested in an LLC.

- Not all IRA custodians allow for investing an IRA in a single member IRA LLC.



Confirm

If the IRA custodian does not allow it, don't invest the IRA in a single member LLC.

- Make sure to first transfer the IRA to an IRA custodian who allows for investing in a single member LLC.

✓ Dos

✗ Don'ts



Do line up the funds.

If not enough funds in the IRA, transfer more retirement funds and/or make IRA annual contribution and invest them in the IRA owned LLC.



Liquid Funds

Don't lend funds to your IRA LLC.

- The rules don't allow for loans to an LLC for making IRA LLC Note investments.

✓ Dos

✗ Don'ts

Do draw up Promissory Note investment paperwork.

- The note investment is documented in writing NOT by a handshake.
- Documents include the Note instrument, payment schedule and documents securing the Note investment for secured notes.



Document
Investment

Don't forget to include the terms of the Promissory Note.

- The purpose of the Note investment is to grow the solo IRA LLC, so don't omit the interest rate, if the loan is secured or unsecured, the length of the note and the type of interest (simple vs compound).

✓ Dos

Do list the IRA LLC as the lender/beneficiary.

- The IRA LLC is the lender, so confirm it is listed on the note in the name of the IRA LLC.
- **For Example:** Sky Is The Limit Investments LLC

✗ Don'ts



Proper Title



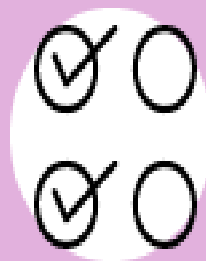
Don't list the IRA custodian as the borrower, as it is prohibited to lend funds to the IRA custodian.

✓ Dos

✗ Don'ts



Do confirm the borrower is not a disqualified party. It would be prohibited to process a Note to your parents, children and their business, for example.



Borrower

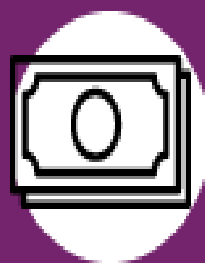
Don't lend the IRA LLC funds to yourself.

- Just like you can't borrow from your IRA, the same is true for an IRA LLC.
- Consider opening a solo 401k if you need to personally borrow from your retirement funds.

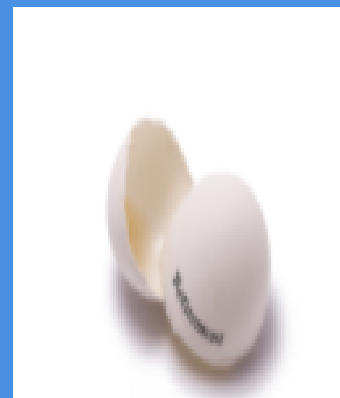


Do wire the funds directly to the borrower.

- Make sure the Note investment funds flow directly to the borrower's bank account; otherwise, it may result in a taxable distribution from your IRA.



Funding



**Taxable
Distribution**

Don't first loan your personal or business funds to the borrower and then have your IRA LLC reimburse you.



Do make sure the Note payments are made directly to the IRA LLC.

- Once Note payments commence, they need to be deposited directly to the IRA LLC bank account.



Note Payments

Don't first deposit the Promissory Note payments into your personal bank account.

- The lender is the IRA LLC; therefore, note payments and final payoff must be deposited directly to the solo IRA LLC bank account.

IRA LLC

Learn More

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