

Self-Directed IRA Prohibited Transactions Made Simple

Self-Directed IRA prohibited transactions often sound like complicated messes—but a recent post at American IRA offered simple answers for retirement investors.

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When an individual invests in a Self-Directed IRA, there's always a possibility of running afoul of IRS rules, which can result in penalties, taxes, and stress. But a recent [post](#) at American IRA, a Self-Directed IRA administration firm based in Asheville, NC, recently explained how prohibited transactions—one of the key considerations for anyone with a Self-Directed IRA—can be simpler than they sound.



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Self-Directed IRAs and 401Ks

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Although many investors don't deal with prohibited transactions through retirement accounts—often because these investors do not self-direct—those who do guide their own retirement assets through a Self-Directed IRA custodian find that they have to exercise their independence with an eye on avoiding running afoul of the rules. One key to that is avoiding “prohibited transactions,” or those IRA transactions all investors have to avoid—but is especially pertinent to anyone with a Self-Directed IRA.

What are those transactions? That was the question posed in the first section of the post, which dealt with the transactions that violate IRS rules which govern all IRAs—not just self-directed ones. As American IRA pointed out in the post, that includes preventing “self-dealing,” or the possibility of using an IRA to benefit the IRA holder or someone the IRA holder immediately knows, such as a sibling or a direct ancestor/descendant.

For example, a prohibited transaction would be if the investor purchased a piece of real estate property within a Self-Directed IRA, then turned around and rented that property out to someone like a sibling. This would be a form of getting immediate personal benefit out of the Self-Directed IRA, which the IRS can then consider an early withdrawal, subject to early withdrawal penalties and fees.

American IRA regularly posts facts and [information](#) to its blog to help people who are looking for

information about Self-Directed IRAs and retirement investing. To find that blog, visit www.AmericanIRA.com. Or to contact American IRA directly, call the Self-Directed IRA administration firm's number at 866-7500-IRA.

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