The Entrust Group

Account Guide

What type of self-directed account is right for you?

www.TheEntrustGroup.com

Contents

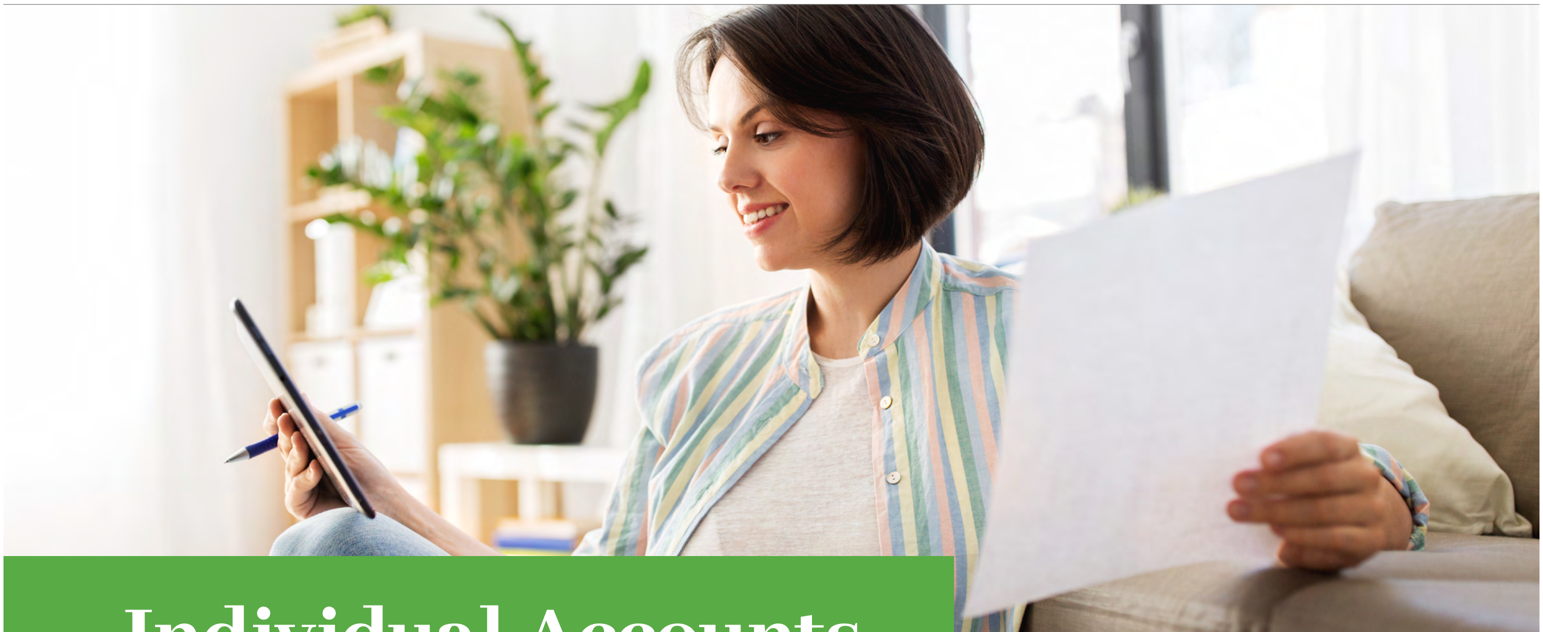
Congratulations on taking a step toward opening a self-directed retirement account. At Entrust, we offer several types of tax-advantaged accounts to meet the needs of both individuals and small businesses.

This account guide is designed to help you learn about your self-directed retirement account options and select the one that is right for you and your goals. The difference between Entrust and other traditional brokerage firms is that every account at Entrust is designed to be self-directed.

What that means is that with a self-directed account at Entrust, you can invest your retirement funds in alternative investments. While traditional brokerage firms only allow a select set of investment offerings like stocks, bonds and mutual funds, with a self-directed account, any investment allowed by the IRS is possible. That includes real estate, precious metals, notes, private equity and more.

At Entrust we have a long history of empowering investors. You choose the investments and manage every step of the process, while we do the recordkeeping and tax reporting. We do not offer investment advice, but we do have a comprehensive Learning Center to guide you every step of the way.

Take charge of your investments by choosing an Entrust self-directed, tax-advantaged retirement account today.



Individual Accounts

Traditional IRA

A traditional IRA or traditional Individual Retirement Account is a tax-advantaged retirement account that is funded with pre-tax dollars. The investments in a traditional IRA grow tax-deferred, which means you will pay taxes on the funds at a later date, when you distribute them. That includes any interest, capital gains, dividends, or income earned from the original funds.

Traditional IRAs are subject to required minimum distributions (RMDs) starting at age 72. They are calculated based on the prior year's account value and the life expectancy of the account holder. Use the **IRS RMD Worksheet** to calculate your RMD amount. Failure to distribute an RMD will subject any portion not distributed to a 50% penalty.

In addition to the tax-deferred growth of investments in a traditional IRA, contributions are potentially tax-deductible. These tax advantages are the reasons that the traditional IRA is such a popular retirement account choice.

Eligibility Requirements

You are eligible to open and contribute to a traditional IRA if you have received earned income during the year. There are no income limits for traditional IRA contributions, but there are **annual contributions limits**. These limits change regularly, so be sure to check the latest guidelines to know how much you can contribute.

If you are married and filing jointly, only one spouse is required to receive enough earned taxable income in order for both spouses to contribute to their own traditional IRAs. The income-receiving spouse may contribute on their spouse's behalf.

Roth IRA

The Roth IRA or Roth Individual Retirement Account is a tax-advantaged account that is funded with post-tax dollars. The contribution is taxed when it goes into the account, and it is not tax-deductible. The tax advantages of the Roth IRA are that all growth in the account can grow tax-deferred and may be withdrawn tax-free if certain requirements are met.

If you hold your Roth IRA for 5 years and meet one of the criteria below, you can distribute the account tax-free and penalty-free. The clock for the 5-year period begins on January 1st of the year for which the first contribution was made. The account holder must meet one of the following requirements:

- Be 59 ½ years old
- Be disabled
- Be a first-time home buyer (maximum $10,000 withdrawal)
- Death

> If you expect that your tax rate will be higher in the future, the Roth IRA may be a good choice.

If you expect that your tax rate will be higher in the future, the Roth IRA may be a good choice. You can pay the taxes on your contributions at your current rate, and you will not owe taxes on the growth at your higher rate in the future. Because the withdrawals are tax-free, you can also be assured of tax-free income in retirement. And unlike traditional IRAs, Roth IRAs do not have any required minimum distributions. You can also withdraw any of your Roth IRA contributions at any time with no penalty and no tax liability.

Eligibility Requirements

You may be eligible to open and contribute to a Roth IRA if you have earned income during the year. This type of account, however, has both income limitations and contribution limits. Check to make sure that your modified adjusted gross income (MAGI) does not exceed the **current Roth IRA income limits** before you contribute to a Roth IRA.

In addition to income limits for contributing to a Roth IRA, be aware that the **Roth IRA contribution limits** may be adjusted each year. The contribution limits are also different if you are under 50 or over 50. You will need to confirm the IRS Roth IRA income requirement limits to know how much you can contribute to a Roth IRA.

If you are married and filing jointly, only one spouse is required to receive enough earned income in order for both spouses to contribute to their own Roth IRAs. The income-receiving spouse may contribute on their spouse's behalf.

Key Differences Between a Traditional IRA and a Roth IRA

Each of these accounts has different tax advantages. Consult your tax or financial advisor to make sure you choose the right account based on your current and future situation.

Traditional IRA Fast Facts	Roth IRA Fast Facts
Tax-deferred account	Tax-free account
Contributions may be pre-tax	Contributions are post-tax
Contributions may be tax-deductible	Contributions are not tax-deductible
Withdrawals are taxed	Withdrawals may be tax-free if requirements are met
Yearly required minimum distributions begin at age 72	No required minimum distributions
10% penalty on funds withdrawn before age 59½	Contribution funds can be withdrawn at any time penalty-free
No income limits for contributions	Income limits for contributions
IRA contribution limits are adjusted by the IRS each year	IRA contribution limits are adjusted by the IRS each year

Health Savings Account

An HSA or Health Savings Account is a tax-advantaged savings account you can use to pay for medical expenses, such as prescriptions, eye care, dental, and some over-the-counter medications. Contributions are tax-deductible. The funds in an HSA roll over each year and continue to accumulate if they are not used.

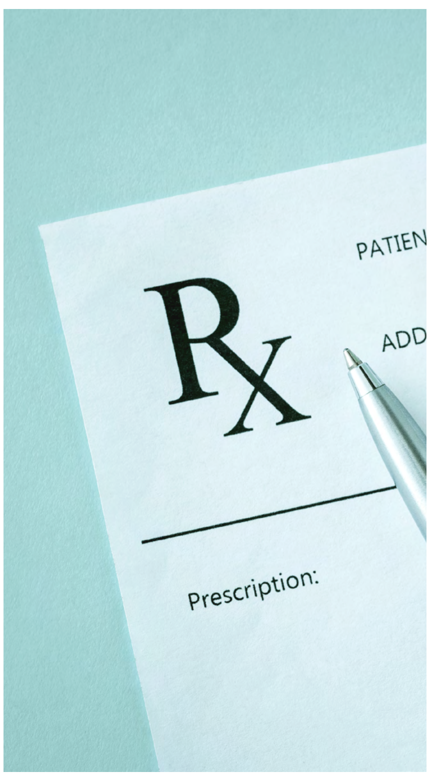
Withdrawals for qualified medical expenses are tax-free at any time. Before age 65, funds withdrawn for anything other than a qualified medical expense will be taxed and will also incur a 20% penalty. At age 65, funds that are withdrawn for non-medical expenses will be taxed, but there will be no penalty.

Eligibility

In order to be HSA-eligible and open and fund an HSA, you must be enrolled in an eligible high-deductible health plan (HDHP). You cannot have any additional health coverage or be enrolled in Medicare. You also cannot be claimed as a dependent on someone else's tax return.

If you change health plans and are no longer HSA-eligible, you still own your HSA. While you can no longer contribute to the HSA if you are not HSA-eligible, the funds remain in the account and can be invested, used for qualified medical expenses, or withdrawn subject to applicable taxes and penalties.

The HSA contribution limit for individuals and families is set by the IRS and adjusted annually.



HSA Fast Facts

- Tax-free account (if used for qualified medical expenses)
- Contributions are tax-deductible
- Withdrawals for qualified medical expenses are tax-free
- Withdrawals for anything other than qualified medical expenses prior to age 65 are taxed and incur a 20% penalty
- Withdrawals for anything other than qualified medical expenses after age 65 are simply taxed
- HSA funds roll over and accumulate each year
- No income limits for contributions
- HSA contribution limits are adjusted by the IRS each year

Education Savings Account

An ESA or Education Savings Account is a tax-advantaged custodial account set up to pay qualified educational expenses for a beneficiary. It is also known as a Coverdell Education Savings account.

Contributions to an ESA are made with after-tax dollars, and the distributions used for qualified educational expenses are tax-free. Contributions are not tax-deductible. Distributions can be made from an ESA for any qualified educational expenses, including elementary, secondary, and university studies. Qualified educational expenses include books, supplies, and tutoring. Any distributions that exceed the beneficiary's educational expenses will incur taxes and a 10% penalty.

The funds in the account must be distributed by the beneficiary's 30th birthday, unless the beneficiary is a special needs individual. If the funds are not distributed by the beneficiary's 30th birthday, they can be transferred to any eligible family member under 30.

Eligibility

Any child under the age of 18 or a special needs individual can be the designated beneficiary of an ESA. Anyone, not just a child's parents, can open or contribute to an ESA as long as their modified adjusted gross income does not exceed the limit established by the IRS each year. Be sure to check the current annual IRS contribution limit for an ESA beneficiary.

ESA Fast Facts

- Tax-free account (if requirements are met)
- An ESA can be designated for anyone under 18 or a special needs individual of any age
- Contributions are not tax-deductible
- Withdrawals for qualified educational expenses are tax-free
- Distributions not for qualified educational expenses are taxed and incur a 10% penalty
- ESA funds must be used by the beneficiary's 30th birthday or transferred to an eligible family member under 30
- ESAs for a special needs beneficiary do not have an age limit
- ESA contribution limit is set at $2,000 and does not increase

Small Business Accounts

◆ Simplified Employee Pension Plan IRA

A SEP IRA or Simplified Employee Pension Individual Retirement Account can be established by any employer to contribute to a retirement account for employees. Many businesses, regardless of size, including self-employed persons, are eligible to establish a SEP IRA.

Setting up a SEP IRA allows businesses to be more competitive in the market by offering retirement benefits for their employees. Partnering with Entrust to administer a SEP IRA prioritizes you and your employee's options to invest in a wide variety of assets.

Many employers choose to open a SEP IRA because it is a flexible plan that is easy to set up and has low administrative costs. Flexible annual contributions make it possible for businesses to contribute even if they experience cash flow fluctuations. Tax-deductible employer contributions can also benefit the bottom line.

A SEP IRA is structured like a traditional IRA and is subject to the same rules, however, who can contribute and contribution limits are different. Employers can contribute up to the allowed limit for each employee. This amount is the lesser of 25% of each employee's compensation or the **total allowable amount that is determined by the IRS each year**. Employer contributions are tax-deductible. Employees cannot contribute to a SEP IRA.

Each employee must establish a SEP IRA, which is a traditional IRA, to receive an employer's SEP contribution unless the employer is forced to open up an IRA on their behalf. Each employee must also receive the same level of contribution. Eligible employees include anyone who is at least 21 years old, has worked for the employer for at least 3 of the last 5 years, and has been paid the minimum amount required by the IRS each year. Employers are allowed to apply less restrictive eligibility requirements, but they may not apply more restrictive requirements. Employers may also exclude two categories of employees: those covered by a union agreement who have retirement benefits that were bargained for in good faith or nonresident alien employees who have not received U.S. sourced wages, salaries, or other personal services that were compensated by the employer.

Although only employers can contribute to the SEP IRA, employees own their account and are solely responsible to make investment decisions for their account. On the employee's side, the account will be set up as a traditional IRA, and will function with all the rules and regulations of a traditional IRA including being subject to required minimum distributions starting at age 72. Unlike with a 401(k), employees are not able to take a loan out based on their SEP IRA. The SEP IRA is not subject to a vesting schedule.

Partnering with Entrust to administer a SEP IRA prioritizes you and your employee's options to invest in a wide variety of assets.

Savings Incentive Match Plan for Employees IRA

A SIMPLE IRA or Savings Incentive Match Plan for Employees is a retirement plan that can be established by an employer who has fewer than 100 employees who earned $5,000 in the preceding year. Self-employed people are considered to be an employer and can contribute to a SIMPLE IRA. Employers who establish a SIMPLE IRA cannot maintain any other retirement plan during the same tax year.

Setting up a SIMPLE IRA makes it possible for small businesses to be competitive by offering retirement benefits with employee matching. Partnering with Entrust to administer a SIMPLE IRA prioritizes you and your employee's abilities to invest in a wide variety of assets.

Many employers decide to establish a SIMPLE plan because it is easy to set up, has low operational costs, and allows employers and employees to both contribute. In addition, employer contributions are tax-deductible.

Employers are required to make an employer contribution. The contribution must be either a matching contribution between 1% and 3% of the employee's compensation or a 2% non-elective contribution. The matching contribution must be dollar for dollar up to what the employee defers capped at 3% of the employee's compensation. The 2% non-elective contribution is limited to a **maximum compensation amount the IRS sets each year**.

Eligible employees may include anyone who has earned $5,000 in the two years previous and expects to receive the same amount in the current year as well. Employers are allowed to apply less restrictive eligibility requirements, but they may not apply more restrictive requirements.

One benefit of a SIMPLE IRA is that employees may also contribute to their retirement through this plan. The maximum employee contribution is also subject to limits set by the IRS each year. The account is not subject to a vesting schedule and employees are generally responsible for making the decisions about their investments in their account.

SIMPLE IRAs cannot be set up as a Roth IRA. A SIMPLE IRA is subject to the same withdrawal limitations and rules as a traditional IRA, including required minimum distributions beginning at age 72. Unlike with a 401(k), employees are not able to take a loan out based on their SIMPLE IRA. Prior to two years, the SIMPLE IRA cannot be transferred or rolled over to another IRA, and the early distribution penalty is 25% instead of the regular 10% penalty.

Key Differences Between a SEP IRA and a SIMPLE IRA

Each of these accounts provides a low-cost, easy-to-administrate option for employers who want to offer retirement benefits to their employees. Use this chart to compare the key differences at a glance. Be sure to consult your tax or financial advisor to choose the best account based on your business's specific needs.

SEP IRA Fast Facts	SIMPLE IRA Fast Facts
Available for any size business—most often used for small businesses and self-employed individuals	Available for any business—specifically with 100 or fewer employees
Only employers can contribute	Both employers and employees can contribute
Employer contributions are tax-deductible	Employer contributions are tax-deductible
Flexible annual contributions	Employers are required to make a contribution of either a match or non-elective contribution
Employers can contribute up to 25% of an employee's compensation not to exceed a yearly limit*	Must be set up as a traditional IRA
Must be set up as a traditional IRA	Subject to IRA rules and withdrawals after two years
Account is subject to IRA rules and withdrawals	Cannot be transferred or rolled over to another IRA in the first two years
The contributions are not subject to a vesting schedule	The contributions are not subject to a vesting schedule
Employees make their own investment decisions	Employees make their own investment decisions
**IRS limits apply*	**IRS limits may apply*

Individual 401(k)

An Individual 401(k), also known as a solo 401(k), is a tax-advantaged retirement account for owner-only businesses with no employees other than a spouse and other owners to invest in a retirement account. Business owners may decide to use the Individual 401(k) because this plan provides many of the benefits of a 401(k) that are not available in SEP or SIMPLE plans.

Although the account is designated as an Individual 401(k), it is important to note that this account is a traditional 401(k) that is subject to the same rules and requirements as any 401(k) except for one rule. The individual structure bypasses the need for nondiscrimination testing since there are no employees. Keep in mind, however, that if a business with an Individual 401(k) hires employees, nondiscrimination testing to assure all employees are compensated fairly would be required.

An Individual 401(k) allows a business owner to fulfill the roles of both employer and employee. This unique structure allows owners to make both an employee contribution and a profit-sharing contribution. The employee portion of the contribution is tax-deductible. Like other retirement accounts, **contributions are subject to the annual contribution limit** that is determined each year by the IRS.

Individual 401(k)s also allow owners to make post-tax Roth contributions, rather than requiring only traditional IRA pre-tax contributions. Another advantage of the Individual 401(k) over the SEP or SIMPLE IRA is the ability to take a loan from the account. The loan must be no more than 50% of the account value or $50,000, whichever is less. The contributions for an Individual 401(k) for a tax year must be made by the employer's tax return due date plus extensions. The plan may also be established at the same time.

Individual 401(k) Fast Facts

- Only available for owner-only businesses with no employees except a spouse
- Owners can contribute as both employers and employees subject to the IRS contribution limits
- Employer portion of the contributions are tax-deductible
- Timing and contribution amounts are flexible
- Deadline for contributions is the employer's tax return due date plus extensions
- Can be set up as a traditional IRA or a Roth IRA to allow for pre-tax deferrals or designated Roth contributions
- Account is subject to 401(k) rules and regulations
- Owners are permitted to take a loan from the account

Open an Account at Entrust

There has never been a better time to open an account at Entrust.

Our Online Account Application is quick and easy. It only takes about ten minutes to complete your application. Just make sure you have all the required paperwork and information ready before you start the process.

As soon as your application is completed, you're ready to fund your account and start investing.

Fund an Account at Entrust

There are several ways you can fund your account at Entrust. Whether you choose to make a contribution, a transfer, or a rollover, getting the funds into your account is important so that you can begin investing.

We have created a Funding Guide to help you understand the details and rules for each of the possible funding methods.

We're Here to Help

Our team is ready and waiting to help you begin your self-directed investment journey today. If you have any questions about self-directing your investments, our account types, how to open an account, or how to fund your account, please don't hesitate to reach out and schedule a free consultation.

Our Learning Center is also full of great resources, articles, and webinars to help you learn everything you can about self-directed accounts and investment opportunities.

With a self-directed account at Entrust, you can begin investing in your future today.