

Investors – Is Your Tax Sheltering Plan Bulletproof?

Regardless of whether you invest in the conventional market or you participate in more sophisticated investments like cryptocurrency, we are all sitting in a world of unknowns right now. However, all politics aside, there are two things that are certain. First, is that the trillions of dollars in government aid will need to be paid back. Second, is that this expectation foreshadows what recourse will most likely be taken, taxes. So, in anticipation of this impending tax event, does your investment strategy also include an optimal tax shelter plan?

The government has granted you the boon of many forms of tax sheltering vehicles, including the Self-Directed IRA (SDIRA). It is no secret, and yet Self-Directed IRAs are still one of the most underutilized vehicles for tax relief on alternative investments by new and even seasoned investors! SDIRAs are available for individuals in the form of Traditional or Roth IRAs and Solo 401ks, and for the entrepreneurs/business owners with SEP and SIMPLE IRAs.

Since its inception in 2011, Preferred Trust Company has empowered thousands of investors to invest in alternative assets within a SDIRA. Preferred Trust Company was one of the first custodians to offer to custody cryptocurrency investments for their clients. Per IRS regulations, digital currency is treated as “property”, not currency, and is therefore subject to capital gains tax rates. Capital gains tax is determined by multiple factors such as investment duration and your income tax bracket on the state and federal level. However, investors utilizing a SDIRA can invest in digital currency and compound capital gains tax-deferred or tax-free, depending on the type of account. Let’s put it into perspective by breaking down the numbers for investing with cash versus investing with qualified funds.

Let’s say around the end of 2018 you purchased 20 Bitcoin with cash and 20 Bitcoin in an IRA at \$3,500 per unit. You held onto the digital currency for about two years and then sold it near its peak in mid-February of 2021 at \$55,000 per unit. Per IRS regulations, this would be considered a long-term hold, so the long-term capital gains tax rate would apply. Now it’s time to compare your net income with the cash investment vs the IRA investment, reflected in the chart below:

Standard Cash Investment	SDIRA Funds Investment
\$3,500 Purchase Price Example	\$3,500 Purchase Price Example
Purchased 20 Bitcoin at \$3,500 per unit for a total of \$70,000	Purchased 20 Bitcoin at \$3,500 per unit for a total of \$70,000
Sold 20 Bitcoin at \$55,000 per unit	Sold 20 Bitcoin at \$55,000 per unit
Gross Profit	Gross Profit
\$1,100,000	\$1,100,000
Capital Gains Tax (15%)	Capital Gains Tax (15%)
\$165,000	\$0
Colorado Income Tax Rate (4.63%)	Colorado Income Tax Rate (4.63%)
\$50,930	\$0
Net Income	Net Income
\$884,070	\$1,100,000

As you can see, that is a significant amount of capital gains that is sheltered from taxes and can help supplement the growth of your retirement nest egg. So, can you say you are doing everything you can to protect your hard-earned business assets? If you can’t answer this question with confidence, you could be overdue on a visit with your tax advisor to discuss your options.

Self-Directed IRAs open the door to tax sheltered investments in alternative assets, such as real estate, precious metals, natural resources, private equity, and so much more. To learn more about Self-Directed IRAs, scan the QR code to download our FREE Whitepaper “Self-Directed IRAs: Fact or Fake”.

SPECIAL PROMOTION: Now until December 31st, 2021, Preferred Trust will waive the establishment fee and first year administration fee for all new accounts. Get started today by filling-out an application online, no promo code needed to take advantage of this offer. Have more questions? Give us a call 888-990-7892 or email us at info@ptcemail.com to get started on securing your financial future today!



TRADITIONAL	ROTH	SEP	SIMPLE
2021 Contributions: <ul style="list-style-type: none"> ■ Capped at \$6,000 (\$7,000 if age 50 or older) ■ May be tax deductible 	2021 Contributions: <ul style="list-style-type: none"> ■ Capped at \$6,000 (\$7,000 if age 50 or older) 	2021 Contributions: <ul style="list-style-type: none"> ■ Up to 25% of individual compensation, capped at \$58,000. ■ May be tax deductible 	2021 Contributions: <ul style="list-style-type: none"> ■ Capped at \$13,500 ■ May be tax deductible
Distributions: <ul style="list-style-type: none"> ■ Owe income tax 	Distributions: <ul style="list-style-type: none"> ■ Tax-free 	Distributions: <ul style="list-style-type: none"> ■ Owe income tax 	Distributions: <ul style="list-style-type: none"> ■ Owe income tax

Shift your investment portfolio into a Higher Gear!

Clearly define your path with investments in:

- Gold, silver, other precious metals
- Real Estate
- Cryptocurrency
- Marijuana industry investments
- Natural Resources

Act Now! Open an account with Preferred Trust today!



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