

Cryptocurrency: How to Invest with Your IRA

Did you know that in 2014 the U.S. government made it possible for the American public to invest in cryptocurrency with an IRA? With a Self-Directed IRA, you can realize potential capital gains tax-deferred or tax-free (depending on the type of account) while diversifying your retirement portfolio from the conventional market with an asset that is inflation resistant. There are a few differences that you should be aware of when you invest with a Self-Directed IRA (SDIRA) versus the cash in your bank account. Below we go into greater detail on how the process works and answer some commonly asked questions.

What are the steps to get started?



STEP ONE

Step 1: Find a custodian that is aligned with your retirement and investment goals. Only a handful of SDIRA custodians offer to custody digital currency, including Preferred Trust Company. You will find that each custodian varies on the fees they charge, how you can invest in the digital currency, and storage of the digital asset.



STEP TWO

Step 2: Decide how you want to invest in the digital asset. For example, at Preferred Trust Company there are two routes you can take: work with an independent digital currency broker and Preferred Trust Company to direct your investments through a standard SDIRA account open an IRA LLC account.



STEP THREE

Step 3: Once you have established your SDIRA or IRA LLC account, you can rollover or transfer your assets from another qualified account and/or make a contribution to your account so you have funds to begin investing in digital currency.



STEP FOUR

Step 4: If you are working with a digital currency broker, you will work in conjunction with the broker and the SDIRA custodian to purchase, manage, and store your cryptocurrency investments. If you are managing your investments through an IRA LLC, then you can engage in a cryptocurrency exchange to buy, sell and store on your own terms.

Why invest through a digital currency broker?

A digital currency broker works in conjunction with you, the SDIRA custodian, and the cryptocurrency exchange platform. Digital currency brokers will typically work with you to choose which type of cryptocurrencies fit your digital currency investment goals. At your direction, the broker will then facilitate your investment with the SDIRA custodian and purchase the digital currency on your behalf on a cryptocurrency exchange platform.

It is important to note that because you are working through a digital currency broker and a SDIRA custodian, this adds an element of delay that could potentially affect the price of your asset when it is purchased or sold on the exchange. As with any company you choose to invest with, you should perform your due diligence and research on the digital currency broker prior to engaging in investments through them.

Why invest through an IRA LLC SDIRA?

For the more sophisticated investor, you may be more qualified to buy and sell cryptocurrency independent of a digital currency broker. This would give you the flexibility to buy and sell more quickly, and you would avoid paying the extra brokerage commissions and fees. If you do not already have an IRA LLC set-up, there will most likely be a cost to establish the LLC and carrying costs to maintain its LLC status.

Once your IRA LLC is created you are not limited to investing in cryptocurrency, the door is open to all alternative investments allowed within a SDIRA. To learn more about how to open and manage an IRA LLC, scan the QR code below to download our FREE guide "Achieve Ultimate Control: Alternative Investing with an IRA LLC."

However, for the increased freedom there is an even greater increase in responsibility on your part. You are solely responsible for protecting your IRA from fraudulent investments and ensuring that you handle your investments per IRS regulations, including being aware of and not engaging in prohibited transactions. Engaging in a prohibited transaction, even if on accident, will lead to the disqualification of your IRA.

How is my cryptocurrency stored?

Storage depends on the SDIRA custodian and if you invest through a digital currency broker or an IRA LLC. For example, at Preferred Trust Company, if you invest through a digital currency broker your cryptocurrency is stored on a ledger device*. Your "private" key will be placed in segregated, cold storage at an undisclosed depository, unbeknownst even to you to provide an additional layer of security to your asset.

When you invest through an IRA LLC, it is up to you to store your asset in a secure location, whether it be hot or cold storage through a 3rd party (it cannot be held by you personally).

* A ledger device is a cold storage wallet. These wallets are dedicated USB devices designed to store and send digital currency offline, which makes malicious attacks almost impossible. These devices have proven to be the best security for long-term investors.

What should I consider before investing in cryptocurrency with my SDIRA?

- Your knowledge of digital currency.
- Your tolerance for risk.
- The pros and cons of investing through a digital currency broker or an IRA LLC.
- Performing due diligence on the digital currency broker.
- Although digital currency has become a mainstream use of buying goods and services, when investing in digital currency through a SDIRA it is held as an investment.

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 to info@ptcemail.com to schedule a no obligation consultation to get started on securing your financial future today!



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