



How to Put Gold in Your IRA

 **The Dividend Hunter**



 **Investors Alley**

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I will first start out with the standard disclosure you hear with these types of reports dealing with tax considerations: I am not a tax attorney nor am I tax expert and do not claim to be either. Any decision you make regarding an Individual Retirement Arrangement (IRA) should be done in consultation with your tax advisor. Setting up an IRA is not difficult but needs to be done according to Internal Revenue Service (IRS) regulations.

With the legalese out of the way let's get started on the subject of gold IRAs. Gold IRAs have been an option for retirement minded investors for about two decades now. They were created by the U.S. Congress in 1997 and didn't get much attention until gold prices started an impressive rise just before the 2008 financial crisis and continuing through gold's most peak price in 2011. It seemed like for a while there you couldn't turn on the television without coming across an advertisement for a gold IRA directing you to call a special toll-free number for "free investor's kit".

With gold prices rising over the past year we've seen these ads starting up again and you may have caught yourself wondering if a gold IRA might be right for you and how to get started. Only you and your tax advisor can answer that first question but I can help with how to get started.

In this report I'll show you the seven steps you need to take to properly set up a gold IRA and steer clear of triggering IRS penalties. Plus you'll find out which types of gold qualify to be held in an IRA and which types the IRS does not allow.

So let's get started.



Tim Plaehn
Editor
The Dividend Hunter

Seven Steps for Setting up Your Gold IRA

1. Find a reliable trustee
2. Fund your account
3. Pick your investments and choose allowable precious metals
4. Find a qualified broker
5. Request funds from your IRA
6. Purchase and store your gold
7. Plan your distributions

Step 1: Find a reliable trustee

The first order of business is to establish your self-directed IRA. It's a type of IRA that allows you to personally manage your IRA directly versus many regular IRAs that are essentially tax-deferred mutual fund or even cash accounts.

As self-directed IRAs are generally considered a type of custodial account, which under federal law are a form of trust, you may come across language describing a trustee as a custodian. The trustee will be responsible for physically holding the gold you invest in with your gold IRA.

The trustee has to be a bank, trust company or a broker firm approved by federal and state agencies to provide asset custody services. To find one, start with your local bank or investment firm to ask about their policy on the purchase of precious metals for your IRA. They'll let you know which metals are allowed and in which form. You can also check out the list further in this report.

Keep in mind that your custodian will not select the dealer for you. That's your responsibility. However, better established custodians often have relationships with metals dealers (brokers) and may be willing to share their list with you. It's a good question to ask while you're meeting with the custodian.

Step 2: Fund your account

For tax purposes your account must be funded with cash. Additionally, you can make only a set number of contributions each year. For self-directed IRAs the cash contribution is usually limited to \$5,500 though you may be able to contribute more if you are over age 50. As I mentioned at the beginning of this report, see your tax advisor for details specific to your unique situation.

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Any gold you wish to purchase must be purchased from cash in the IRA account. This means each year you may be limited in your gold purchases by the amount in your IRA account. So for example if you plan on purchasing 10 ounces of gold and gold is trading at \$1,100 per ounce then you will need to wait two years and fund your account fully up to \$5,500 each year before making your purchase. Or, you can purchase up to \$5,500 in gold each year, understanding of course that the price of gold fluctuates just like any asset class.

Step 3: Pick your investments and choose allowable precious metals

When you're ready to invest the money in your IRA into precious metals you'll be the one choosing those investments. While your trustee will hold the assets for you and actually make the investments, many don't provide specific guidance as each investor's goals and circumstances are unique. When you open your IRA make sure from the very beginning to tell your trustee that this is a gold IRA and that it will include gold and other precious metals.

There are four precious metals allowed to be held in a self-directed IRA: gold, silver, platinum, and palladium — provided they are in the form of IRS-approved coins or bars.

"Collectibles" are not permitted in an IRA by IRS regulation. Among items like stamps and gems this also includes most gold and silver coins, except those in the list below.

The IRS makes exceptions for gold and silver bullion that it does not consider "collectibles." These would include any gold or silver coins and bars produced by a national government mint or approved refinery. The bullion must meet a minimum requirement of .995 fine gold or .999 fine silver. The IRS makes an exception for the American Gold Eagle, which is struck in .9167 fine gold by the U.S. Mint.

Note that when buying gold and silver bullion there is a dealer mark-up, usually about 5% over the spot price for cash-based purchases.

On the following page is a list of government-minted gold and silver bullion coins that are acceptable to own in a gold IRA:



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Gold

- American Eagle
- American Buffalo (not proofs)
- Canadian Maple Leaf
- Mexican Libertad
- Austrian Philharmonic
- Australian Kangaroo
- Australian Nugget
- Chinese Panda

Silver

- American Eagle
- Canadian Maple Leaf
- Mexican Libertad
- Austrian Philharmonic
- Australian Kookaburra
- Chinese Panda
- British Britannia

Commonly gold and silver coins that are ineligible to be held in an IRA include:

- American Gold Buffalo proof coins, due to their “collectible” nature*
- British Gold Britannias and South African Krugerrands, because they do not meet the minimum standard of fineness (Note: British Silver Britannias are allowed)
- Numismatic coins including pre-1933 gold coins, due to their fineness standards and “collectible” nature

* So-called “uncirculated” or “business-struck” American Gold Buffalo coins are allowed to be in a self-directed IRA. However, the Gold Buffalo proof coins are not.

Step 4: Find a Qualified Broker

In certain cases, your trustee may not be in a position to purchase gold on your behalf as you are responsible for your own investments with a self-directed IRA. In this case, you’ll need to find a broker to make the purchase for you. A quick online search will reveal many such brokers to choose from. As with everything finance related, do your homework. Costs should be one consideration but also look for any business complaints against firms under consideration, how long they’ve been in business, and if they have any established relationships with custodians and trustees.

Step 5: Request funds from your IRA

Remember from earlier that your IRA is a separate entity from you as a person. If you're someone who has not dealt with creating business entities this might all sound strange but for tax purposes it's absolutely necessary to keep your personal everyday funds and even your other investible funds separate from your IRA funds.

If for example, you see that gold takes a temporary dip and you decide to buy some outright from your checking account you cannot directly add that to your gold IRA. You have to first fund your IRA up to your annual limit, then have the gold purchased from those funds. Otherwise you risking immediate taxation from the IRS.

When you have figured out who you're buying your gold from and who will be your custodian and you have funded your IRA it is finally time to purchase the gold. You'll want to pay special attention to identifying your investment as you complete a direction of investment form. This includes details about it like how much it costs and where funds should be directed.

Additionally, you need to absolutely clear on titling your investment correctly. You need to be clear that you are a distinct entity from your IRA and the investment must be title under the name of the IRA, not you. I realize this sounds a little complicated but doing it wrong may get you taxed and penalized by the IRS for taking an IRA distribution. Your custodian should be able to help you with this.

Step 6: Purchase and store your gold

After your trustee has reviewed your funds request for your gold purchase that person will send funds from your IRA to purchase the gold under your instructions. Your trustee will keep records of all correspondence including deeds and operating agreements.

As your gold is a trust property and not just personal property it must be in the physical possession of your trustee, not you. If the gold is not in the possession of your trust then it will not be considered an allowable IRA investment and you may be penalized for early IRA distributions. Your trustee will likely charge an annual storage fee; you should ask about this before signing any contract with your trustee.

Step 7: Plan your distributions

In the excitement of setting up a gold IRA and making one's first purchase it's common to overlook planning for when you need to take funds *out* of your gold IRA. As with the more traditional IRAs comprised of cash or even stocks, you must begin taking distributions from your IRA during the year you turn 70 ½. And you must take distributions every year. You've probably come across the term

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required minimum distribution, or RMD for short. Pay attention to this because if you miss an RMD the IRS could sock you with a penalty equal to 50% of the required payout.

The RMD is simply based on your account balance on December 31st of the previous year divided by your life expectancy as list by the IRS. See <https://www.irs.gov/publications/p590b/> for details on RMD and life expectancy calculations.

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