



# *Real Estate Fair Market Valuation*

Instructions and FAQs

## GENERAL INFORMATION

A fair market valuation is used to assign or change the value of an asset. Valuation of assets in your self-directed account must be provided to The Entrust Group, Inc. on a yearly basis to ensure proper tax reporting.

A Fair Market Valuation is also required when:

- Taking an in-kind asset distribution
- Converting
- Recharacterizing an asset

Note: An appraisal is required to submit along with the Fair Market Valuation Form for real estate asset distribution, conversion, and recharacterization to determine the fair market value.

The Entrust Group, Inc. is required to:

- Provide the Fair Market Value (FMV) of your Account as of Dec. 31st of each year to the Internal Revenue Service (IRS).
- Provide you a form 5498 with the same FMV information for your Account.

To properly report the FMV of an asset, a qualified, independent third party should perform the valuation and then complete the Fair Market Valuation Form. A qualified, independent third party may be:

- Certified Appraiser
- Licensed Real Estate Professional (such as Broker/Realtor)
- Knowledgeable Party (such as CPA, Attorney, Financial Planner, etc. who is strictly at “arms length” to both you and the investment).

## GUIDELINES

- The Fair Market Valuation Form **MUST** be signed and dated by **BOTH** you and the third-party valuator if an appraisal is not required. If the appraisal is required, the appraiser does *not* have to sign the FMV form. The appraisal report is sufficient.
- The FMV form must be sent back with supporting documents.
- If you hold more than one asset within your self-directed account, please complete one form for each asset.

## EXAMPLES OF SUPPORTING DOCUMENTS

**Real Estate** - An appraisal is required for Distribution and Conversion/Recharacterization of a real estate asset.

For yearly non-taxable reporting, a licensed real estate professional that is strictly at “arms length” from both the investment and you, the account owner, may provide a real estate fair market value analysis more commonly referred to as a comparative market analysis (CMA).

A CMA is a detailed report examining the homes currently on the market, under contract, recently sold and recently expired, withdrawn or canceled to determine what a property is worth in the current market.

**Worthless Assets** - Please indicate the status and value on the Fair Market Valuation Form and sign it yourself. Provide the necessary documentation that will support the status and value. You will not need a qualified, independent third party to perform the valuation. However, in order to remove the real estate assets from your account, the Internal Revenue Code requires that there be specific types of documentation to do so.

The following are some acceptable examples:

- Tax Form 1099-C (Cancellation of Debt).
- Deed in lieu of Foreclosure or a copy of the recorded Trustee's Deed (for defaulted mortgage).
- County's recorded Tax Deed (for defaulted property taxes).
- A "cease and desist order" from an entity such as the SEC or a similar state agency.

## FREQUENTLY ASKED QUESTIONS

### Q: May I provide my own valuation of my account assets?

No. For assets where fair market value cannot be determined and documented, such as real estate and private placements, this must be provided by a qualified, independent third party who is not a disqualified person.

### Q: Who is considered a disqualified person to my plan?

According to IRS publication 590, disqualified persons to your plan are:

- You
- Your Beneficiaries
- Your Spouse
- Your Ascendants
- Your Direct Descendants
- Your Direct Descendants' Spouses
- Fiduciaries

### Q: How should plan assets be valued?

To comply with the Internal Revenue Code requirement, plan assets must be valued at fair market value, not cost. A Fair Market Value (FMV) is an estimate of the market value of a property or asset, based on what a knowledgeable, willing, and

unpressured buyer would likely pay to a knowledgeable, willing, and unpressured seller in the market.

### Q: What happens if I do not turn in my Fair Market Valuation Form?

The Entrust Group is required to obtain the most current fair market value available for the investment(s) in your account at least once a year. If we do not receive The Fair Market Valuation Form, we will report the last known value of the assets in your account. Please note that the IRS requires annual valuations.

### Q: Is this only a requirement for self-directed accounts?

No. All IRA custodians are required to provide a year-end value to the IRS. Non-traditional assets are not easily determined by the market and require individual valuation.

### Q: Who pays for this valuation?

Your account does. If your account does not have sufficient un-directed cash to cover the cost you will have to make an annual contribution, transfer, or roll over funds from another Custodian to pay for the valuation service.

## SUBMISSION OPTIONS

**Submit by fax:** 510-587-0960

**Submit by email:** Forms@TheEntrustGroup.com

**Submit by mail:**

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