Investors Guide

A New Path to Retirement

PENSCO TRUST COMPANY

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How to take control of your nest egg with a self-directed IRA.

When it comes to investing, you have the confidence not to follow the herd. So, why would you treat your retirement account any differently?

Real estate. Private Equity. Commodities. Alternative investing has increasingly been featured in financial media headlines over the past decade and you've taken note. Whether you've already invested in alternatives, such as real estate or private equity, or you're just starting to do some research, the news has been tough to ignore.

You're no stranger to the diversification benefits and return potential of alternative assets.

But, what you may not know is you can grow alternative investments in a tax-deferred way by purchasing them in a traditional IRA (or even tax-free in a Roth IRA*).

** For tax and penalty free distributions, your Roth IRA must meet IRS guidelines.*

Ready to get started? You're in the right place. In the pages that follow, you'll learn more about what is needed to take control of your retirement investments. When you're done reading, you'll be more informed about investing your IRA funds in the alternative assets that can potentially help strengthen and diversify your portfolio.

"For shrewd investors, alternative-asset IRAs can be a boon, allowing them to diversify their portfolios far beyond everyday holdings while deferring income taxes for years."

IRAs Get Sexier
The Wall Street Journal
March 2, 2012

Retirement is just around the corner.

Time to get serious.

If you're between the ages of 51 and 69, the good news is it's likely you've been saving for retirement. In fact, 37% of people in your generation own IRAs[1], which is more than any other age group. Chances are you've also built a decent nest egg over time. As of end of 2015, financial assets by head of household (median household) aged 50-64 held in retirement savings was $250,000.[2]

The bad news? You also fit squarely in the "Baby Boomer" generation, an age group rapidly approaching retirement in unprecedented numbers. While this, in itself, isn't bad news, the timing of your retirement creates challenges unique to your generation. While stocks are in the seventh year of a bull run, investors are deeply skeptical about the market's ability to continue to make gains. This is leading to bouts of severe volatility, causing stock prices to swing wildly. In the first quarter of 2016, the S&P 500 recorded 26 moves of 1% or more from one day's close to the next --- double the index's average and the sixth most for a first quarter.[3]

At the same time, investors have endured a decade of low interest rates as the Federal Reserve attempts to stimulate an anemic US economic recovery, and numerous global central banks have dropped interest rates into negative territory. This is hurting Baby Boomers' ability to earn income on bond investments at the exact time they may need to be relied upon to fund retirement.

1 Source: ICI Research Perspective, Appendix – Figure 4-A, February 2016
2 Source: ICI Research Perspective, Appendix – Figure A-7, February 2016
3 Source: "Wall Street Journal, "Volatile First-Quarter Signals a Big Move for S&P 500 This Year," April 2016

Luckily, there is still hope if you want to win at the retirement game. Investors who focus on their retirement savings and investments may have a distinct edge over those who don't, which means it's important to know all the options and take advantage of opportunities where they arise. For many investors, a self-directed IRA represents one of these important opportunities — a way to leverage the tax benefits of a qualified account plus gain the potential performance and diversification benefits of alternative assets.[4]

"Americans are in the middle of a retirement crisis. According to the U.S. Senate Committee on Health, Labor and Pensions, there is a $6.6 trillion retirement savings deficit between what Americans need to have and what they actually have saved for retirement. Pew researchers estimate Late Baby Boomers lost 25% of their wealth during the Great Recession."

How to Retire at 55, Forbes – June 2013

Why you love alternatives.

The exponential growth of alternative investing in recent years has been widely publicized. Some of the most sophisticated institutional investors were early adopters, with many of the largest U.S. university endowments allocating more than half of their portfolios to alternative assets. Even pension funds — which are generally more conservative — have increased alternatives allocations from 5% to nearly 20% over the past 15 years.[5]

Many individual investors soon discovered that institutions were embracing alternative assets with good reason — some endowments with large alternatives allocations also boasted some of the highest returns.

And during the 2008 financial crisis, investors holding traditional securities like stocks, bonds and mutual funds, found many of their asset types lost value at the same time. Many alternative assets didn't move in sync with the rest, sending a clear message to investors that true diversification involves looking beyond traditional assets.

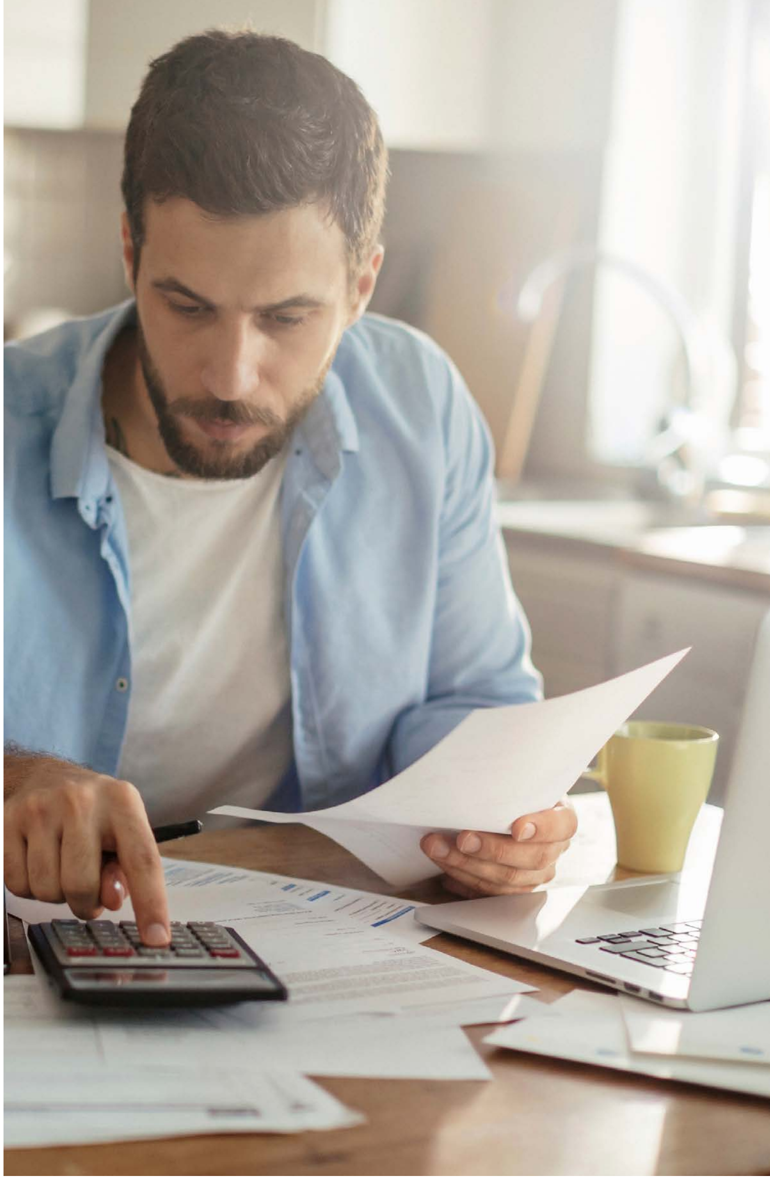
It is precisely for these reasons — diversification and the potential for enhanced returns — that people can become passionate about alternative investing. You may have already begun to venture into this new world of investing in your brokerage account — why not explore the possibilities in your IRA, too?

4 There is no guarantee investments in alternative assets will outperform traditional investments such as stocks, bonds and cash.
5 Source: Towers Perrins, 12/31,13

Alternatives in your IRA?
Yeah, you can do that.

Most Americans — even those passionate about investing — aren't aware of the many asset types permissible in IRAs. As of the end of 2015, Americans held $7.3 trillion dollars in their IRAs,[6] with the vast majority of that money held in traditional securities.[7] What these IRA owners may not know is that they can hold numerous types of alternative assets in their tax-advantaged retirement accounts.

That rental property you've been eyeing? You can purchase that in your IRA. Knowledgeable about farming? You can invest in livestock through your IRA. That commercial building in an up-and coming neighborhood? You guessed it — all of these can be permissible IRA investments and can offer diversification benefits and returns potential, all in a tax-advantaged package.[8] Self-directed IRAs can make these types of investments possible. The major difference between self-directed IRAs and traditional IRAs is that the IRA owner is in control of the potential investment options. Typically, IRA investments are limited to exchange-traded assets, like stocks and bonds. Holding a self-directed IRA with a custodian such as PENSCO enables IRA owners to expands their investment options to include alternative assets.



ALTERNATIVE ASSET TYPES

- Residential Income/ Growth Properties
- Commercial Properties
- Mortgage Notes and Trust Deeds
- REITs
- Private Equity
- Start-ups
- Private Placements
- Infrastructure Projects
- Precious Metals
- Much more

On March 30, 2014, A recent MainStay survey found 22% of the typical portfolio is invested in alternative assets. Furthermore, 62% of those currently using alternatives in their portfolios have increased their exposure over the last year. It's not surprising why some folks are looking at alternatives. Low rates have made interest-bearing assets like bonds and savings accounts less attractive, and a five-year rally for the market since the lows of 2009 has some investors wondering when the party will stop for stocks."

Hate Stocks and Bonds? Try Alternative Assets,
USA Today – March 30, 2014

[6] ICI Investment Company Institute data
[7] Source: ICI Research Perspective, February 2016
[8] All investments, including alternative investments , contain risk. Not all alternative investments may qualify to be held in an IRA account. Please consult with a tax professional before investing.

Only two things in life are certain.

We can help you with one of them.

No matter how well you invest your savings, you'll have more money left over to live on in retirement if you make your investments in a tax-advantaged qualified account. Chances are you know this already, and have amassed a substantial amount of savings in at least one IRA or employee sponsored plan like a 401(k) — and potentially a combination of both. So, how do you keep those tax benefits working for you while also opening up your investment options within a self-directed IRA?

First things first: It's important to understand the different types of IRAs in order to know which one works best for you... the difference between Self-Directed IRAs and IRAs is that the IRA owner is in control of the potential investment options. The table below gives a quick rundown of how the two most common IRAs work.

	Traditional IRA	Roth IRA
Contributions	Generally tax deductible	Not tax deductible
Earnings	Generally grow tax-deferred, but are taxed upon withdrawal	Generally grow tax-deferred and are not taxed upon withdrawal (after age 59 ½)
Income	No income limitations	Modified adjusted gross income (MAGI) must be below certain limits
Upon Death	In most cases, beneficiaries must take distributions during their lifetime or within five years after the original account holder passed away. With an Inherited Traditional IRA, taxes will be paid on any distribution taken.	In most cases, beneficiaries must take distributions during their lifetime or within five years after the original account holder passed away. With an Inherited Roth IRA, taxes are not paid on any distribution.
Required Distributions	Required starting at age 70 ½	Not required at any age

**Penalties are incurred for withdrawing from a Roth IRA before five tax years have passed. However, these penalties may be avoided for qualified withdrawals.*

ROTH OR TRADITIONAL: WHICH SHOULD I CHOOSE?

Since you're nearing retirement, you probably already have a certain amount amassed in a qualified account (or several) somewhere, and you have decided to fund your self-directed IRA with that money. If this is the case, your options are generally as follows:

- You can transfer your traditional IRA or rollover from other non-Roth qualified plans into a PENSCO traditional IRA. Your new, self-directed traditional IRA will retain many components of your old plan — namely, tax-deferred (if applicable) contributions and tax deferment until distribution.

- You can transfer your Roth IRA into a PENSCO Roth IRA. Your new Roth IRA will retain the features of your old Roth — namely, taxed contributions with tax-free growth and distributions.

- You can transfer your traditional IRA or other non-Roth qualified plan into a PENSCO traditional IRA, then perform a Roth IRA conversion. This can be done without meeting the income requirements for opening a new Roth IRA; however, you will be required to pay income tax upon conversion. Once converted, it's just like any other Roth IRA — you can grow (and later withdraw) your retirement assets tax-free.[9]

Note: Penalties are incurred for withdrawing from a Roth IRA before five tax years have passed. However, these penalties may be avoided for qualified withdrawals. You should consult with your tax professional to determine which investment options are best for you.

It is important that you understand what the future tax consequences might look like for any alternative assets you purchase using your traditional or Roth IRA. You should consult with your tax professional prior to making the investment.

Once you've determined what kind of IRA works for you, you're ready to open your PENSCO account — we make it easy with a two-step process:

STEP 1:

OPEN YOUR NEW PENSCO IRA ACCOUNT.

We know your time is valuable, so we've made sure that opening an account at PENSCO is a quick and easy process. Our online account application process guides you through each step, ensuring that you set things up the right way. And when you're ready to sign on the dotted line, all we need is an e-signature to seal the deal. Head over to www.pensco.com to get started opening a PENSCO account or give us a call at 866-818-4472 to speak with a self-directed IRA specialist.

[9] *All investments, including alternative investments, contain risk. Please consult with a tax professional before investing.*

STEP 2:

FUND YOUR NEW IRA ACCOUNT.

Funding your new account is easy, too. Here's a breakdown of the common funding methods:

- **Cash Transfer**
  Cash transfers are the safest, easiest and fastest way to fund an IRA. A transfer entails electronically moving cash with a wirehouse from one IRA to another IRA (e.g., traditional IRA to PENSCO traditional IRA). There's no limit to the number of transfers that can be requested and because the account holder never takes physical receipt of the money, a transfer does not create a taxable event.

- **In-Kind Transfer**
  If you don't want to liquidate an asset before transferring it, you may be able to do an in-kind transfer of the asset from another IRA to your new PENSCO IRA. The process can take longer than a cash transfer and alternative assets must be reviewed by PENSCO for administrative purposes. You will also need to check with PENSCO first to ensure we can hold the asset in question — if not, you may need to liquidate the asset and transfer the cash instead.

- **Rollover***
  A rollover occurs when you move assets from a qualified plan such as a 401(k), profit sharing plan or other employer sponsored plan, to your PENSCO IRA. This is a very common method of funding a self-directed IRA, but will take much longer than any other method since many employer-sponsored plans have longer timelines for rollovers.

- **Roth IRA Conversion**
  Under certain circumstances, the IRS allows individuals to convert a traditional IRA into a Roth IRA. PENSCO has extensive experience with the rules and processes around Roth IRA conversions, so just give us a call if you want to learn more.

Note: All investments, including alternative investments, contain risk. Please consult with a tax professional before investing.

**One-year rollover period.*

Knowledge is power.
And we'll help you flex those muscles.

So far, we've provided some information about saving for retirement, types of alternative assets people choose in a self-directed IRA and information about the differences between types of IRAs. What's left?

Well, there's a world of opportunity out there for IRA investors. So much so, that you might think the only limit to your investing potential is your creativity.

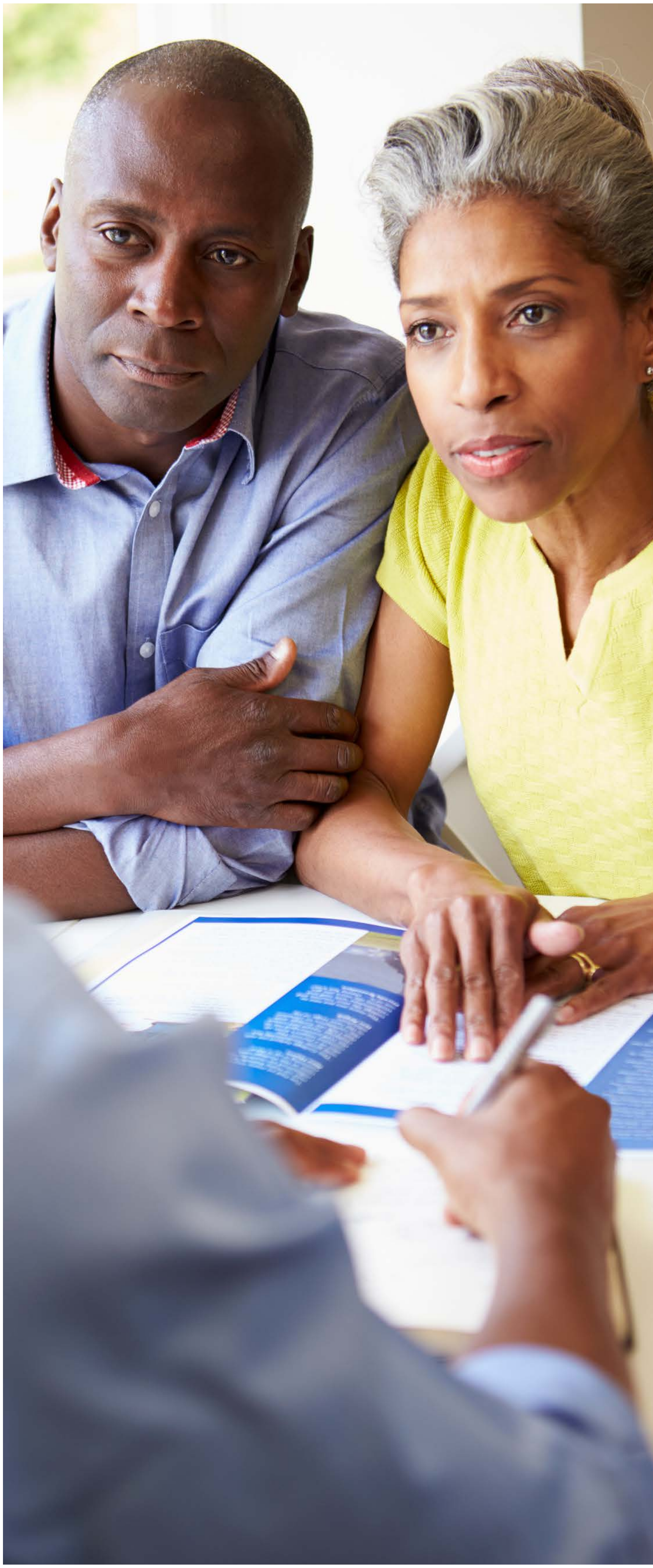
We want to help you get the facts you'll need to become a confident self-directed IRA investor. At this point in the process, many individuals seeking more information will visit our website at www.pensco.com. There you'll find:

- Important information regarding IRS Rules and prohibited transactions
- More details on alternative assets such as real estate and private equity
- Access to other educational resources, including our webinars, blog and white papers

So, now that you've decided you'd like to take control of your IRA, let's review the final piece of the equation: The role of the custodian.

Choosing the right provider.
Important questions to ask.

One of the most important steps in the self-directed IRA process is choosing the right custodian for your account. A good custodian can provide information regarding the complexities of self-directed IRA ownership and help you understand some of the pitfalls. However, the wrong custodian can make your IRA experience harder, riskier and more complicated than it needs to be.



How do you find the right custodian? Here are a few important questions to ask that will help you compare:

WHAT KIND OF BUSINESS IS IT?

ADMINISTRATOR

An administrator's role is to process the necessary paperwork to establish IRAs. Administrators are not regulated.

FACILITATOR

Facilitators are non-regulated bodies that mostly provide education on self-directed IRAs and assist in establishing single member LLCs.

CUSTODIAN

A custodian, like PENSCO, is a highly regulated bank, credit union or non-depository bank that is permitted to custody assets in an IRA. The high level of regulation is also subjected to both state and/or federal regulatory oversight.

IS THE CUSTODIAN BETTER BUSINESS BUREAU (BBB)-ACCREDITED?

YES

An accredited custodian like PENSCO has successfully met BBB standards of competency in performing its services. PENSCO has been a BBB accredited business since 1995 and currently has an A+ rating, on a scale of A + to F.

NO

The standards that must be met for BBB accreditation include building trust, advertising honestly, being responsive and honoring customer privacy, among other things. If a custodian is not accredited, there is no guarantee they meet these standards.

DOES THE CUSTODIAN HAVE ADEQUATE SIZE, SCALE AND EXPERTISE?

YES

The size of a custodian's business can speak volumes about their level of experience and expertise. With approximately $12 billion in custodial assets, over 48,000 client accounts and more than 40,000 unique assets, PENSCO has the breadth and depth of knowledge to accommodate countless types of assets.

NO

A custodian with a low level of assets under custody or relatively few unique positions under custody may have limited capabilities and expertise.

WHAT IS THE CUSTODIAN'S CLIENT SERVICE MODEL?

TALK TO A COMPUTER	TALK TO A PERSON
Setting up and maintaining your self-directed IRA with a new custodian can be complex and time-consuming if you don't have access to a responsive client service team.	PENSCO has a dedicated client service team to answer questions you may have when opening your account and can answer questions that may arise during the lifecycle of the account.

WHAT IS THE CUSTODIAN'S SCOPE OF COVERAGE?

SERVE ONE REGION	NATIONAL COVERAGE
Smaller, regional custodians can be focused on narrow geographic areas — so if you're out of their area, you may be out of their strategic scope and have limited access to services.	PENSCO's provides access across the entire U.S., via web and phone service, so wherever you are located you can open a PENSCO self-directed IRA account and access our dedicated client service team.

DOES THE CUSTODIAN SPECIALIZE IN A PARTICULAR TYPE OF ALTERNATIVE ASSET?

YES	NO
Some custodians have a particular area of specialty, such as private placements, private stock, LLPs, hedge funds, LLCs, direct real estate or exchange-traded assets. Depending on your alternative investment needs, having a specialization can be limiting.	With over 40,000 unique assets under custody, PENSCO offers custodial services to for clients whose IRAs hold a broad range of alternative assets.

The choice is clear

These are just a few of the important questions that will help you identify the right custodian for your self-directed IRA. After you've done the due diligence on your custodian along with your investments, you'll be ready to implement your alternative asset retirement strategy — and PENSCO will be by your side to help you every step of the way.

PENSCO Makes It Possible™

For more than 25 years, PENSCO Trust Company has been helping people who want to use retirement funds to buy and hold alternative investments in their self-directed IRAs.

As a trusted custodian of approximately $12 billion in assets on behalf of over 48,000 client accounts, PENSCO can work with you to create a seamless self-directed IRA investment experience. PENSCO works with asset sponsors, financial institutions, and financial advisors, as well as self-directed investors who typically have a point of view about alternative investment opportunities based on their own knowledge or expertise.

PENSCO 25 YEARS

To start working with PENSCO, please visit http://www.pensco.com or give us a call:

1-866-818-4472

PENSCO Trust Company performs the duties of an independent custodian of assets for self-directed individual and business retirement accounts and does not provide investment advice, sell investments or offer any tax or legal advice. Clients or potential clients are advised to perform their own due diligence in choosing any investment opportunity as well as selecting any professional to assist them with an investment opportunity. Alternative investments are not FDIC insured and are subject to risk, including loss of principal. PENSCO is indirectly affiliated with a registered broker dealer and with a licensed small business investment company through Opus Bank ("Opus Affiliates"). Other than the Opus Affiliates, PENSCO is not affiliated with any financial professional, investment, investment sponsor, or investment, tax or legal advisor.

BBB ACCREDITED BUSINESS

PENSCO is an A+ BBB Accredited Business.

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