



## Prohibited Transactions and Disqualified Persons

It is best to think of your IRA as a completely separate entity when determining whether a transaction is prohibited or may involve a disqualified person. Consult with your legal representative before completing transactions that may be considered prohibited.

### Disqualified Persons

- **You**
- Your spouse
- Your children
- Your grandchildren
- Your parents
- Your grandparents
- Spouses of lineal descendants
- Investment advisors and managers
- Any corporation, partnership, trust, or estate in which the IRA holder has a fifty percent or greater interest
- Anyone providing services to the IRA such as the trustee or custodian

### Arms-Length Transactions

Investments made with self-directed IRAs must be at “arms-length,” which means that a willing buyer and willing seller are coming together with no undue influence from outside sources.

**Example:** You want to sell your IRA investment property to a friend at a discount of 50% of the property’s fair-market value. This would be considered a prohibited transaction because of the existing relationship and undue influence.

### Self-Dealing

[Publication 590](#) indicates that, in addition to prohibited investments, the IRS prohibits certain transactions with IRAs. Prohibited transactions include investments with disqualified individuals, “self-dealing” and receiving indirect benefits.

### Prohibited Transactions

[IRS Code 4975](#) lists very few investment restrictions, but some transactions are prohibited. Examples include and of the following between an IRA and disqualified person:

- Selling, exchanging, or leasing any property
- Lending money or extending credit
- Providing goods, services, or facilities
- Transferring income or assets
- Using income or assets for personal gain
- Use of property by any ascendants, lineal descendants, and any spouse of a lineal descendant

### Prohibited Assets

*Any Collectibles:*

- work of art
- rug or antique
- metal\* or gem
- stamp or coin\*
- alcoholic beverage

*Life Insurance*

*S Corporations* (S corporations do not allow IRAs to invest in them)

**\*Exceptions**

Gold, silver, platinum, and palladium bullion of certain purity. See [IRS Publication 590](#) for more details.