

INSIGHTS

Important News and Information Regarding Your STRATA Account

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STRATA
TRUST COMPANY

2017-2018 IRA CONTRIBUTION LIMITS, DEADLINES AND HOW-TO'S

If you're considering making an IRA contribution for 2017 or 2018, here are some important tips to keep in mind.

LIMITS

- ▶ For individuals under the age of 50, the maximum contribution limit is the lesser of \$5,500, or total earned income.
- ▶ For individuals age 50 and over, the annual contribution limit is \$6,500.
- ▶ The annual limit is the maximum amount that can be contributed across all your IRA accounts.

ELIGIBILITY

- ▶ For a Traditional IRA, you must be under the age of 70½ at the end of the tax year in order to contribute.
- ▶ For a Roth IRA, there is no age limit to contribute.

2017-2018 IRA CONTRIBUTION LIMITS, DEADLINES AND HOW-TO'S

► Taxable compensation is required to contribute to an IRA and this includes income from wages and salaries, net self-employment income, tips, commissions, bonuses and alimony. If you're married and file a joint return, generally only one spouse needs to have compensation.

DEADLINES

► You can contribute to an IRA at any time during the year, but to count for 2017, you must make your contribution by the due date of your tax return. Tax extensions do not extend the due date. This means your contributions must be made by April 17, 2018. If you contribute between January 1 and April 17, you'll need to specify the applicable tax year for the contribution. Otherwise, your custodian must apply as a current year contribution.

► See IRS Publication 590-A for more information on contributing to a Traditional, Roth, SEP or SIMPLE IRA.

HOW TO MAKE YOUR 2017-2018 IRA CONTRIBUTION TO YOUR STRATA ACCOUNT

Follow the easy steps when making your IRA contribution to your STRATA account:

- 1 Make your contribution check payable to:
STRATA Trust Company
- 2 Write your account number on your check.
- 3 Complete and include our Deposit Certification form, available at www.StrataTrust.com.
- 4 Mail it directly to STRATA at the address shown below (and not to your advisor or an IRA-held investment).

STRATA Trust Company
PO Box 849
Austin, TX 78767



LAST DAY TO MAKE
YOUR 2017 IRA
CONTRIBUTION

TUESDAY,
APRIL 17, 2018

Important Points

- ⚠ If contributing for the 2017 tax year, envelopes must be postmarked by the U.S. Postal Service to STRATA Trust Company no later than April 17, 2018.
- ⚠ Bill payment services do not meet the IRS guidelines for USPS postmarks and can often take several days to process before remitting your payment. If making a time-sensitive contribution for 2017, it's best not to use a bill payment service.
- ⚠ Don't send your IRA contribution to your advisor or to an IRA-held investment. IRS regulations do not allow for IRA contributions to be accepted by these parties.

IMPORTANT IRA DEADLINES FOR 2018

FEBRUARY 1

- If you received an IRA distribution or completed a Roth conversion, we will mail your Form 1099-R.

APRIL 1

- If you are a Traditional IRA owner and turned 70½ last year, but elected to defer taking your first required minimum distribution (RMD), you must take your first RMD payment by April 1. Keep in mind, you are also required to take the current year RMD by December 31, 2018.
- If you have an IRA-owned investment with UBTI, UDFI tax owed, send your completed 2017 IRS Form 990-T and instruction to pay the tax from your STRATA IRA prior to the April 17 filing deadline.

APRIL 17

- Establish a new IRA for your 2017 contribution (if your account is not already opened).
- Postmark and mail your 2017 IRA contribution.
- STRATA must file your 2017 IRS Form 990-T and remit your UBTI/UDFI tax payment to the IRS. (STRATA must have your instruction by April 1, 2018.)
- Remove prior year excess IRA contributions or recharacterize prior year IRA contributions - extensions allowed.

MAY 31

- If you made IRA contributions for 2017, STRATA will mail your IRS Form 5498.

OCTOBER 15

- Any excess IRA contributions made for the prior year must be removed.

DECEMBER 31

- If you have a Traditional IRA and are age 70½ or older, you must take your entire current year Required Minimum Distribution amount to avoid a 50% penalty. Owners that turned 70½ during 2017 have until April 1, 2018 to take their first RMD payment.)



TAX REFORM CHANGES THAT IMPACT YOUR IRA



It's official. The House and Senate have passed the Tax Cuts and Jobs Act of 2017, paving the way for sweeping changes in the tax code. Signed into law on December 22, 2017, the tax reform bill ushers in a broad range of tax changes including new rules for income tax rates and deductions, college savings incentives, estate planning, corporate taxes and more.

Some changes will have a significant impact for some IRA owners, while the other changes will likely not be broad-reaching. The main changes which will impact IRAs include:

IRA Recharacterizations Are Dead: The biggest change for IRAs is that the new law ends the option to recharacterize a prior Roth conversion starting in 2018. Although the IRS has not formally clarified, they have verbally confirmed that conversions completed in 2017 may be recharacterized up until October 15, 2018. In the past, taxpayers were allowed to recharacterize to undo a Roth IRA conversion for a limited time. This was often useful if the value of the converted investment (or investments) dropped, and it allowed taxpayers to pinpoint the exact amount to convert and recharacterize up to the top of a tax bracket, often called a bracket bumping conversion. If you are planning to do a conversion before year end under the new law, you will need better tax projections before the end of the year if you're trying to use the tax bracket bumping conversion strategy.

IRA Compensation No Longer Includes Alimony: Up until now, the definition of compensation for determining a taxpayer's eligibility for making an IRA contribution included taxable alimony payments. Under the new law, alimony is no longer considered for IRA contribution purposes. As a result, alimony received through a divorce or separation instrument executed, or certain instruments modified, after December 31, 2018 will not be taxable to the recipient, and therefore will not be considered compensation for purposes of making an IRA annual contribution.

2016 Disaster Area Tax Relief: Current law provides special tax treatment for retirement plan distributions taken by taxpayers affected by Hurricanes Harvey, Irma and Maria. The special tax treatment includes the ability to spread the income tax on the distribution over a three-year period, avoid the 10 percent early withdrawal penalty, and roll the distribution back into a retirement plan within three years after having taken it. Essentially, the new law includes 2016 presidentially declared disaster areas to be included in the list of affected areas eligible for the special tax treatment.

IRA Fees Not Deductible: The new law removes the deduction for miscellaneous expenses. In prior years, some IRA fees may have been deductible as a miscellaneous expense, but beginning in taxable year 2018, no deduction will be allowed.

Rollovers of Loan Offset Amounts to an IRA: The new law provides for an extended rollover period for certain loans distributed from an employer-sponsored retirement plan (i.e., 401k). Participants will now have until their tax return due date, plus extensions, to rollover a loan that is offset due to employment severance or plan termination. Under prior law, these rollovers were subject to the 60-day rollover rule.

UBTI AND UDFI TAX CONSIDERATIONS

IRAs are a great shelter for growing investments tax-deferred (in a Traditional IRA) or even tax-free (in a Roth IRA). However, there are instances in which the income produced by an IRA-owned investment can generate taxes, such as Unrelated Business Taxable Income and Unrelated Debt-Financed Income. It's important to know when your IRA may need to file IRS Form 990-T.

The most common triggers are:

- If your investment is an LP or LLC structured as an operating company that produces income from selling goods and services.
- If your investment is an LP or LLC that has obtained debt financing for the purchase of an underlying asset.
- If your investment is real estate in which your IRA obtained a non-recourse loan to purchase real estate.

At the end of each year, the investment entity must report each investor's financial information on a Schedule K-1 (IRS Form 1065). The investment entity should prepare and mail this directly to you. However, if a K-1 is received by STRATA, we will forward it to you.

Generally, if gross UBTI or UDFI of \$1,000 or more is generated during the year, IRS Form 990-T must be prepared and filed with the IRS on or before the April 17, 2018 filing deadline.

Keep these tips in mind to ensure your account is compliant with the IRS regulations.

- The UBTI or UDFI tax must be paid from your IRA account.
- If the amount of gross UBTI/UDFI is less than \$1,000, Form 990-T is not required to be filed. However, filing the form even if you have a loss, allows it to carry forward to subsequent years.
- Any income or loss shown on the K-1 for an IRA-owned asset should not be included or reported on your personal tax return.
- It is important that the K-1 properly reflect STRATA's tax identification number (TIN) of 26-2637994 and not your social security number.
- Please notify us promptly if the K-1 does not reflect our TIN.
- The account owner is responsible for determining if the filing of IRS Form 990-T is necessary.

How to File Form 990-T for a STRATA Account

- 1 Consult with your tax professional first to obtain an employer identification number (EIN) for your IRA by filing IRS Form SS-4.
- 2 Once you obtain the EIN, you'll need to complete IRS Form 990-T.
- 3 Send your completed Form 990-T to STRATA, along with your written instructions for us to pay the appropriate tax from your IRA.
- 4 STRATA will process and file your Form 990-T tax form and payment. A \$50 processing fee will be charged.



HAVE IRAS OR 401K'S WITH OTHER COMPANIES?

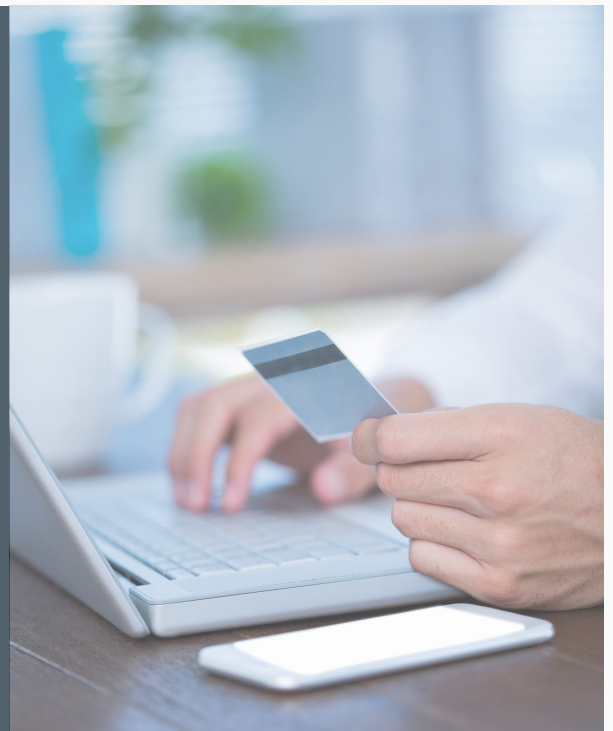
NOW'S A GREAT TIME TO MERGE

Consolidating your other IRA and retirement accounts can save you time and money. Let STRATA help make it easy and convenient for you. Simply complete our IRA Transfer Request form, available at www.StrataTrust.com, mail the completed form with a recent account statement to us. We'll take care of the rest!

E-INVOICES COMING SOON!

Effective February 1, 2018, if you receive your statements by electronic delivery, your annual renewal fee invoice will also be sent electronically and a paper invoice will no longer be sent by first class mail.

You will receive an e-mail notification several days prior to your account opening anniversary date, and your invoice may be viewed online by logging in to your account. Payments may also be made online using our secure Pay Fee feature on our website, www.StrataTrust.com.



REPORTING FAIR MARKET VALUES FOR UNCONVENTIONAL IRA ASSETS

One of the requirements for IRA custodians like STRATA is to report the fair market value (FMV) of IRAs to IRA owners each year and to the Internal Revenue Service (IRS) annually on IRS Form 5498. While determining the value may be easy when an IRA owns investments quoted on national exchanges (as with stocks, bonds, mutual funds, etc.), it can be more challenging when it comes to IRAs that hold alternative investments such as private limited partnerships, limited liability companies, and closely-held private stocks. Reporting the FMV of these alternative investments can be difficult when there is no organized market or exchange.



In fact, a recent Government Accountability Office (GAO) study found that IRA owners “can face challenges meeting their responsibilities to provide updated FMV information to their custodian.” The GAO also made recommendations to the IRS to provide improved guidance to IRA owners and to IRA custodians regarding the FMV of alternative investments with IRAs.

While there are no specific guidelines issued by the IRS on how IRA custodians should report the FMV of alternative investments, most IRA custodians report the FMV provided to them by the investment issuer. If an investment issuer is unwilling or unable to provide an updated FMV to the IRA custodian on an annual basis, the IRA owner is ultimately responsible for providing an updated FMV to the IRA custodian from an independent third-party. For real estate, the IRA owner is required to obtain an updated appraisal or broker’s opinion of value each year.

IRA custodians will mail an annual request for updated FMVs directly to investment issuers. For real estate investments, IRA custodians will mail an annual request to the IRA owner to obtain an updated appraisal or broker’s opinion. These FMVs are then used by the IRA custodian to report the value of the IRA to the IRS on Form 5498, and part of Form 5498 requires the IRA custodian to report whether the IRA holds any “hard to value assets” like alternative investments.

Updated FMVs may also be required for taxable events such as the in-kind distribution of an asset or a conversion to a Roth IRA. FMVs are also needed when it comes to accurately calculating the required minimum distribution (RMD) at age 70½. In these cases, the IRA owner should obtain an independent third-party valuation or real estate appraisal and provide it to the IRA custodian. This will allow the IRA custodian to report the FMV of the taxable event accurately to the IRS.

As always, IRA owners should consult their attorney or tax advisor before directing the investment of an alternative asset within an IRA. This will help ensure they understand their responsibilities when it comes to their self-directed IRA and the FMV reporting requirements of alternative assets.

IMPORTANT INFORMATION AND TIME-SAVING TIPS

At STRATA, we want you to be empowered with thoughtful strategies and tips to help you manage your investments— and save time during tax season.

- ▶ [Wish you could trade publicly-registered stocks and mutual funds within your IRA?](#) Through our relationship with TD Ameritrade, you now have the ability to open a brokerage account within your self-directed IRA to place trades online. Simply contact our Client Services team for details on how to get started.
- ▶ [Time to review your beneficiaries?](#) Now might be a good time to review your beneficiary selection on your account, particularly if any significant life events (i.e., marriage, divorce, birth, death, etc.) or changes in wealth, investment holdings or business interests have occurred since your account was opened. To update your beneficiary designation on your STRATA account, complete and submit STRATA's IRA Beneficiary Designation form, available on our Forms menu at www.StrataTrust.com.
- ▶ [Have an address change?](#) Complete and submit STRATA's Change of Address form, available on our Forms menu at www.StrataTrust.com.
- ▶ [Sending payments or contributions to your account?](#) Avoid delays by including a Deposit Certification when sending an IRA contribution (annual or rollover) or investment income such as a note payment, rental income, dividend, return of capital or sale proceeds to your STRATA account. The Deposit Certification form is available on our Forms menu at www.StrataTrust.com.
- ▶ [Take advantage of our online Account Access for viewing your account activity.](#) You can even download your account statements, tax forms and other important notices and communications. Account Access is available 24/7 at www.StrataTrust.com.

First-time users can complete the self-enrollment process to activate access. Contact our Client Services team for assistance at 866-928-9394 or Info@StrataTrust.com during business hours, Monday-Friday, 8 am-5:30 pm, Central Time.

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Thank you for choosing STRATA Trust Company as your IRA custodian.
We appreciate the opportunity to serve you.



Carve your own path to retirement.™

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The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual.
We suggest that you consult with your financial, tax, or legal advisor with regard to your personal situation.

Investment Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value