Self-Directed IRA Rules Checklist

Companion Reference Sheet for: Self-Directed IRA Rules for Traders and Alternative Asset Investors
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Eligible holdings and account roles

Asset or activity	General status	Why it needs attention
Real estate	Generally permitted	The IRA must own the investment, and personal use or other self-dealing can create prohibited-transaction concerns under Internal Revenue Code section 4975 and IRS Publication 590-A.
Private placements	Generally permitted, with care	Review the offering, ownership structure, related parties, liquidity limits, and potential business or debt-financed income. A custodian's processing does not verify the offering.
Notes	Generally permitted, with care	Lending to the IRA owner or another disqualified person can raise prohibited-transaction issues under section 4975.
Precious metals	Needs to meet statutory requirements	IRC section 408(m) generally bars collectibles, with exceptions for certain coins and bullion that meet statutory requirements, including applicable fineness and holding rules. Not every coin or metal qualifies. See IRS Publication 590-A.
Futures or options	Depends on the custodian and broker	Some providers permit these trades, but options approval, account features, and margin limits are provider-specific. Permission to trade does not replace tax-law compliance.
Collectibles	Generally prohibited	IRC section 408(m) treats an IRA investment in collectibles as a distribution, subject to statutory exceptions for certain coins and bullion.

Prohibited transactions and disqualified persons

Example	Relevant rule or risk	Authority
The owner or a family member uses an IRA-owned vacation property	Using plan assets for the benefit of a disqualified person can be prohibited self-dealing.	IRC section 4975(c)(1); IRS Publication 590-A
The IRA buys an asset from, or sells an asset to, the owner or a disqualified person	A sale or exchange between the plan and a disqualified person is restricted.	IRC section 4975(c)(1); IRS Publication 590-A
The IRA lends money to the owner or guarantees the owner's debt	Lending or extending credit between a plan and a disqualified person can be a prohibited transaction.	IRC section 4975(c)(1); IRS Publication 590-A
Investment income is diverted to the owner instead of the IRA	Using or transferring IRA assets for a disqualified person's benefit can create a prohibited-transaction concern.	IRC section 4975(c)(1); IRS Publication 590-A

Example	Relevant rule or risk	Authority
The owner pays an IRA investment expense with personal funds	This can create tax and account-treatment issues. Keep expenses in the IRA and get professional guidance on unusual situations.	Review under IRC section 4975 and IRS Publication 590-A

Active trading, borrowing, and account mechanics

Tax concept	Relevant authority	What to review
Unrelated business taxable income, or UBTI	IRC sections 511 to 512	Determine whether income from an IRA-owned operating business falls within the unrelated business income rules. Do not assume every investment produces UBTI.
Unrelated debt-financed income, or UDFI	IRC section 514	Review whether debt used to acquire or hold an investment creates taxable debt-financed income and whether exceptions apply.
Form 990-T reporting	IRS Instructions for Form 990-T	Check the current instructions to determine whether the IRA has a filing obligation and what records it needs.

Checklist for keeping IRA investments compliant and manageable

☐ ☐ Map who owns the asset, who directs transactions, and how money moves through the IRA or an IRA LLC.

☐ ☐ Screen the owner, family members, fiduciaries, and related businesses for disqualified-person or prohibited-transaction concerns.

☐ ☐ Check whether an asset is a collectible or has other specific holding requirements.

☐ ☐ Review debt, operating income, and possible UBTI or UDFI before committing funds.

☐ ☐ Keep IRA cash, investments, income, and expenses separate from personal finances.

☐ ☐ Retain transaction instructions, confirmations, invoices, account statements, and documents supporting fair market value.

☐ ☐ Set a process for valuation updates and retain any related tax filings, including Form 990-T when required.

☐ ☐ Plan for liquidity, expenses, distributions, and applicable required minimum distributions without relying on a quick sale.

☐ ☐ Ask the custodian or broker about transaction procedures, margin limits, and options approvals, while treating provider permission as separate from your tax-law responsibilities.

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