

Title: RC holds his shares in an LLC and this is how you can too - the Self-Directed IRA LLC

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[Papa Cohen owns his shares in an LLC](<https://preview.redd.it/uqv08tld7a781.png?width=337&format=png&auto=webp&s=3dd670b28a1fbc387dfb6b674bf271c0b7cc4033>)

There has been a lot of debate over the effectiveness of direct registering shares held in IRA accounts, how best to do so, and if it's even possible. I've found an interesting option that seems to be optimal given each concern brought forth. For those concerned over whether or not having a custodian in charge of your IRA will impact the ability of these shares to be lent, this appears to solve that problem. For those who wish to avoid any hefty tax or other penalties associated with cashing out your retirement account and wiring the funds over to buy, direct register, and lump them with the rest of your shares, this appears to solve that problem as well.

It turns out that there is more than one type of Self-Directed IRA account. The one causing concern for some is the "Custodian Controlled Self-Directed IRA". In these accounts, the custodian does everything on your behalf at your direction. The concern is that because this custodian is essentially holding the shares for you, it may be possible for them to continue lending them behind your back. There is a cool way to get around this though, like there is with most things in the financial world.

Enter the "'Checkbook Control' Self-Directed IRA". Also called a Self-Directed IRA LLC, Self-Directed LLC, Checkbook Control IRA, etc., this is a special type of IRA account that essentially came out of the court case [Swanson v. Commissioner, 106 T.C. 76 (1996)](https://scholar.google.com/scholar_case?case=15277963416926279130&hl=en&as_sdt=6&as_vis=1&oi=scholar). The interesting bit here in these cases is that Mr. Swanson caused his IRAs to form and own two companies. He made himself director of these companies, and then directed the custodian of his IRAs to purchase all of the original issue stock in the companies he created. This left his IRA accounts holding all of the shares in his companies, letting him retain full control of the companies he created. This also injected his companies with all the cash in his IRA accounts. Remember, those companies sold stock to his IRA accounts, so it makes sense that the companies that sold stock should receive money for it, right? This was all upheld as being legal by the courts. The only part the courts didn't like was that one of the companies was basically intermingling funds with a property sale that Mr. Swanson was conducting in Illinois, after moving to Florida. However, that's not really relevant to what's going on here (except for the Florida part, although that's some fun tinfoil I'll get to in a bit).

The way these accounts work is that just like Mr. Swanson, you create a company for yourself with a business checking account. This LLC issues shares of ownership, which you buy with funds in your SDIRA account. Your LLC's business checking account receives a phat deposit from the sale of shares to their angel investor (your SDIRA), and they are free to use these funds conduct business as long as they don't enter in to any [prohibited transactions](<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-prohibited-transactions>) (buying stock is not a prohibited transaction).

Here's a nifty flowchart that I stole from IRA Financial Group's website to sum up the process so far:

[<https://www.irafinancialgroup.com/learn-more/self-directed-ira/the-self-directed-ira-llc-checkbook-control/>](<https://preview.redd.it/6uqiwwca0a781.png?width=514&format=png&auto=webp&s=03680442a5ea36358dcf789fe3e81c4adc4a2cdf>)

Now in order to get that money into Computershare and buy stock directly registered in your name, you just use your fancy business checking account to wire funds to a Computershare account that you set up

with your [Employer Identification Number (EIN)](<https://www.irs.gov/businesses/small-businesses-self-employed/single-member-limited-liability-companies>). Think of an EIN as being like a Social Security Number (SSN) for a business instead of a person. You will need to apply for an EIN by filing Form SS-4 with the IRS and requesting to have one assigned to your single-member LLC. After receiving your EIN for your LLC and a business checking account, you can set up an account with this information and use your business checking account as the source of funds to buy GME shares through Computershare (and change to book entry)!

Keep in mind that if/when you sell these shares additional rules apply, such as the requirement that the funds go back into the LLC and not be distributed to yourself. You still have to go back out the same way you came in, through your IRA account, you can't pay yourself directly from the LLC or anything like that. As always, make sure to consult with professionals before doing this yourself.

Upon digging through some of RC's [earlier SEC filings from 2020](<https://www.sec.gov/Archives/edgar/data/0001822844/000101359420000670/rc13d-082820.htm>), I noticed something that confused me at first but started making a bit more sense when thinking of this type of account structure. The things that stick out to me are that it is a joint filing that includes both RC and RC Ventures LLC. The second is the source of funds for each filing party. RC's source of funds is PF (Personal Funds) and RC Ventures LLC's source of funds is WC (Working Capital). To me, this sounds like something that could be the result of RC using personal funds to invest in RC Ventures LLC, and RC Ventures LLC using the funds it received from that investment (which would now be considered Working Capital) to invest in GameStop. If my understanding is correct, this means that both parties are listed on this joint filing because both are considered to have beneficial ownership of the shares. RC Ventures LLC holds the shares primarily, and RC holds the shares indirectly through his ownership of RC Ventures LLC. At this time I can't prove that RC actually holds his shares in a Self-Directed IRA LLC specifically, but it appears to be the same method either way. The only difference would be the source of personal funds. RC could have invested in his LLC through any other form of investing and not necessarily used a Self-Directed IRA to do so and the filings should appear the same (again, to the best of my current understanding).

For the fun tinfoil mentioned earlier, and speaking of [Ein (which happens to also be the name of a Pembroke Welsh Corgi from Cowboy Bebop)](<https://imgur.com/a/QnTuYJv>) and the defendants from the case above [residing in Florida](<https://www.irafinancialgroup.com/IRAFinancialGroupSwansonCase.pdf>), didn't RC tweet something containing both of those things?

<https://preview.redd.it/5u1c02zb4a781.png?width=589&format=png&auto=webp&s=a2ed7156ca1d72725cd5a3dfec1d8ae59269fd3>

Yes, he did.

Here's a couple links to find companies that offer Self-Directed IRA accounts. Make sure you find one with "checkbook control" and compare/contrast each provider! I have not had time to do research into each individual provider at this point.

(<https://www.investopedia.com/best-self-directed-ira-companies-5086593>)(<https://www.investopedia.com/best-self-directed-ira-companies-5086593>)

(<https://www.myrealestateira.com/>)(<https://www.myrealestateira.com/>)

(<https://www.broadfinancial.com/>)(<https://www.broadfinancial.com/>)

(<https://iracheckbook.com/>)(<https://iracheckbook.com/>)

(<https://www.iraclub.org/>)(<https://www.iraclub.org/>)

<https://www.irafinancialgroup.com/>

<https://irallc123.com/>

<https://www.sensefinancial.com/>

<https://udirectira.com/>

<http://selfdirectedira.nuwireinvestor.com/list-of-self-directed-ira-llc-facilitators/> (Not secured link, though I copied the above individual company links from this website.)

****Full disclosure:** while I would love to try this myself first and be the guinea pig, I do not have an IRA account or any excess funds at the moment so unfortunately I am unable to.** Though I would rather admit that and potentially embarrass myself by doing so than give people the idea that I have done this myself and can personally attest to it. My intent is to share the information I have found and my interpretation of it, not mislead anyone or make any guarantees as to truthfulness or accuracy. And as always, *****PLEASE DO YOUR OWN RESEARCH***** before making any decision based off of information posted here. Again, please do **your own** research to verify everything posted here and consult with professionals before making **your own** decision.