



## Precious Metals

### Gold and Other Metals— What Can I Buy with My IRA?



With so many coins and metal choices out there in the market it can be somewhat confusing. Following is a simple step-by-step way to determine if the metal of your choice is acceptable for an IRA investment. Note that whatever your choice, the IRS will not allow you to hold the metal personally. The IRA custodian or depository will hold the metals for your IRA.

You've probably seen evidence of the modern day gold rush – everything from Super Bowl commercials to famous financial advisors telling you to buy gold. In the past six months, many people have asked us if they can use their retirement funds to buy gold and other metals. The answer is YES, if you have a self-directed retirement plan such as those provided by Entrust Hawaii IRA, your IRA may invest in precious metals. This article will help you answer the next question, what kind of gold and what other metals?

With so many coins and metal choices out there in the market it can be somewhat confusing. Following is a simple step-by-step way to determine if the metal of your choice is acceptable for an IRA investment. Note that whatever your choice, the IRS will not allow you to hold the metal personally. The IRA custodian or depository will hold the metals for your IRA.

First, the basics. Your self-directed IRA can only invest in Gold, Silver, Platinum and Palladium. The key word here is invest. Your IRA cannot buy collectibles – your IRA is only investing in the metal itself, not rare or attractive coins. The metal must be in a certain form (usually coins or bars) and/or of a certain purity. The purity or fineness of the metal is how the quality of the metal will be measured for your IRA.

When most of us hear about gold investment we picture the 400 ounce gold bars we have seen in movies. Extraordinarily heavy (about 25 pounds), those bars are also quite the expensive items, particularly with the recent price increases in gold. IRAs are often priced out of the gold bar market, but, fortunately, other options exist. One other option is smaller units of bullion, provided they meet the fineness, or purity level, requirement. Another option is coins.

Initially, the IRS deemed all coins to be collectible and disallowed IRA investments in coins. In the mid 1990s, after realizing that a 400 ounce gold bullion bar would be prohibitively expensive for most IRAs, Congress revised the rules and allowed IRAs to own certain coins in addition to bullion.

Generally these IRA allowable coins fall into two categories:

1. Coins specifically listed in the Internal Revenue Code and minted by the US Mint. These include:

a. American Gold Eagles – Proof and Non-Proof

These coins are issued by the US Mint in both Proof and Uncirculated (non-proof) form. Because the coins are specifically listed as NOT being collectables, they are allowed in your IRA. Prices for Proof and Non-Proof Gold Eagle coins vary due to a number of factors including the availability, original production, and date.

Interestingly, these US minted coins are not of sufficient purity to classify them as bullion. They are only approximately 91% pure gold. The other material in the coin offsets the softness of the gold and makes the coin more durable. Gold Eagles arrive in one of 4 forms: 1/10, 1/4, 1/2 and 1 full ounce coins.

b. American Gold Buffalo coins. Non-Proof Only

First minted in 2006, they are of bullion fineness, .9999 fine (known as four nines). Note that the specially processed proof version of this coin is NOT acceptable, due to the treatment raising the value of the coin beyond the value of the metal.

c. American Silver Eagles. – Proof and Non-Proof

These coins are issued by the US Mint in both Proof and Uncirculated form. Because the coins are specifically listed as NOT being collectables, they are allowed in your IRA in

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proof and non-proof form. Prices for Proof and Non-Proof Silver Eagle coins vary due to a number of factors including the availability, original production, and date.

Silver Eagles land in only one form: 1 full ounce coin. They are of bullion fineness, but are only .999 (three nines) due to the addition of a touch of copper for added durability.

d. American Platinum Eagles. Proof and Non-Proof.

These coins are issued by the US Mint in both Proof and Uncirculated form. Because the coins are specifically listed as NOT being collectibles, they are allowed in your IRA in proof and non-proof form. Prices for Proof and Non-Proof Platinum Eagle coins vary due to a number of factors including the availability, original production, and date.

The rarest of birds, the Platinum Eagles are minted in 4 forms: 1/10, 1/4, 1/2 and 1 ounce coins. These are of .9995 fineness

Any of the above coins which have been graded for condition by certification organizations and placed in tamper-proof plastic containers called “slabs”, will generally fall into the collectible category and thus are not allowed for IRAs. Recently a national certification service has initiated an authentication service for bullion coins. Authentication provides a guarantee as to the purity of the metal and the weight of the coin. While the authentication process does place the coin in a tamperproof container and give it a unique serial number, it is intended for verification only and does not move the bullion into the collectible category.

If you’re not sure about this, ask your custodian or metals dealer. All US minted coins have nominal face values, but the true value is based on the value of the metal in the coin.

2. Some coins meet the minimum fineness requirements but are not rare enough to receive collector attention.

a. Gold Coins - .995+ note that gold is a soft metal (although heavy) and thus most typical minting includes other alloys to harden the coin. Therefore most minted gold coins intended for use as currency do not meet the fineness requirement.

b. Silver Coins - .999+

c. Platinum - .9995+

d. Palladium - .9995+

Non-coin forms of metal, such as smaller gold bars, must be manufactured to meet specific weight specifications for the amounts of metal included and meet the above fineness requirements.

In addition to these American options, there are some coins issued by mints of other nations that do meet the fineness requirements:

- Australian Nugget (Kangaroo) Gold coins .9999 fine
- Australian Kangaroo and Kookaburra Silver coins .999
- Australian Koala Platinum coin .9995 fine
- Austrian Philharmonic Gold coins .9999 fine
- Austrian Philharmonic Silver coins .999 fine
- Canadian Maple Leaf Gold coins .9999 fine
- Canadian Maple Leaf Silver coins .9999 fine
- Canadian Maple Leaf Platinum coins .9995 fine
- Canadian Maple Leaf Palladium coins .9995 fine
- Mexican Libertad Silver Coins .999 fine
- Isle of Man Noble Platinum coins .9995 fine

Some examples of coins that don’t meet the fineness requirements are: Austrian Corona and Ducat, Belgian Franc, British Sovereign and Britannia, Chilean Peso, Columbian Peso, Dutch Guilder, French Franc, GermanMark, Hungarian Korona, Italian Lira, Mexican Peso and Ounza, South African Krugerrand, Swiss Franc, and any coin that falls into the “Rare”, and thus collectible, category.

Again, if you’re not sure about the fineness, ask your self-directed IRA custodian or metals dealer.

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Generally, coins that were actually issued for trade are not going to qualify for IRAs. Coins issued for special occasions, like Olympic games, national celebrations, and those issued in limited quantities are generally valued by collectors and their price is generally higher than the value of the raw metal. If they are valued as collectables, they are not allowed in IRAs.

When you are researching a particular coin, check two things:

- 1) Make sure the fineness of the coin meets the required amount from the table above. If not then it does not qualify.
- 2) Compare the price of the coin to that of an equivalent weight coin of the same metal and to global spot price of the metal. If you find the price for your coin of choice significantly higher than one or both of the other prices, pass it up for your IRA, as it is likely a collectible.

Remember that your IRA's investment in gold is just an investment in the value of the metal; personal appeal of the form of the coin should not come into play in your investment decision. In other words, consider the value of the coin melted down – not as a conversation or art piece.

Also remember that you will not be holding the coins personally when your IRA invests. The IRA custodian will require that the coins be held in a depository, and you will likely never see them unless you take them as a distribution when you retire.

Now that you're armed with good information on what kinds of precious metals your retirement account can invest in, you can join the gold rush. Thankfully, you won't need to trudge up and down mountains with a pick and shovel to diversify your retirement portfolio with precious metals.

For more information on self-directed IRAs visit [www.EntrustHawaii.com](http://www.EntrustHawaii.com).