

What is a prohibited investment in an IRA?

Written by "Layin' it on the line" By Lawrence Castillo Guest Columnist
Friday, 22 July 2022 05:57



The IRS restricts specific investment options for an IRA.

These restrictions do not allow investment in collectibles, antiques, and other assets. Here is a list: If an IRA invests in collectibles, the amount invested is considered distributed in the year invested. The account owner may have to pay a 10% additional tax on early distributions.

Here are some examples of prohibited assets held in an IRA:

- Artwork
- Rugs and other home furnishings
- Antiques
- Precious metals, some exceptions for gold bullion

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- Gems, diamonds, other precious stones
- Stamps and coins as collections
- Alcoholic beverages
- Certain other tangible personal property based on the exact nature of the asset
- A partnership or company that owns sells or buys these items could be a named asset within an IRA.
- Insurance products are also not allowed **except for annuities.**

Assets that are allowed to be held in an IRA include:

- Stocks
- Bonds
- Mutual funds
- Real Estate Investment Trusts

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- Brokerage accounts
- Banks products such as CDs and savings account
- Insurance company annuities

If your IRA is engaged in any prohibitive practice, you may be exposed to being taxed as a distribution and also be liable for a 10% penalty.

Remember that an IRA is just a tax-deferred receptacle for invested assets. Almost any category of investment can be placed there, and different IRA custodians make their money by selling and managing these assets. If you open one at a bank, you'll be able to invest in CDs or savings accounts. If you open it at an insurance company annuity could be a viable option. If you select to open an IRA at a brokerage and mutual fund company, you'll be able to invest in mutual funds, stocks, and bonds, as well as other options.

Always make sure your IRA matches up with your goals, and if you do not fully understand the investment options available to you, get a second opinion. Owning an IRA can be a massive advantage to you in later years, make certain your IRA is designed for your specific period and goals.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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