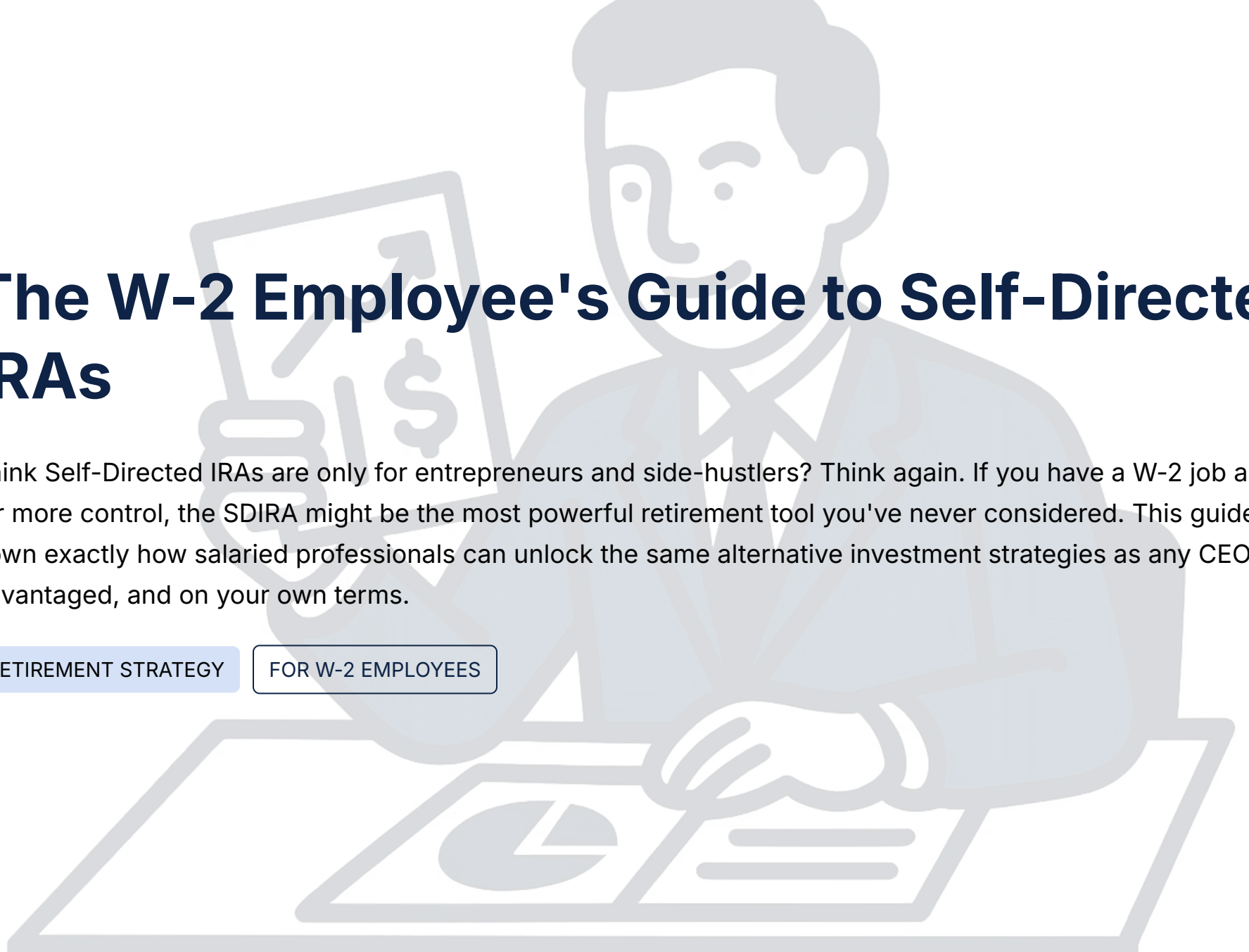
The W-2 Employee's Guide to Self-Directed IRAs

Think Self-Directed IRAs are only for entrepreneurs and side-hustlers? Think again. If you have a W-2 job and a desire for more control, the SDIRA might be the most powerful retirement tool you've never considered. This guide breaks down exactly how salaried professionals can unlock the same alternative investment strategies as any CEO legally, tax-advantaged, and on your own terms.

RETIREMENT STRATEGY

FOR W-2 EMPLOYEES



The Misconception "Self" Doesn't Mean Self-Employed

When most investors hear the term **Self-Directed IRA**, they assume it's a tool reserved for business owners, freelancers, and independent contractors. That assumption keeps millions of W-2 employees stuck in the "default" world of stocks, bonds, and mutual funds, not because they have to be, but because no one told them otherwise.

The word "Self" in Self-Directed doesn't refer to your employment status. It refers to *you*, the account holder, exercising control over where your retirement dollars are invested. Whether you work for a Fortune 500 company, a local school district, or a regional non-profit, your employment status does not disqualify you from opening and funding a Self-Directed IRA.

The IRS qualification requirement is simple: you need **Earned Income**. For a W-2 employee, your steady paycheck is precisely that. Your salary is the engine that can fuel a tax-advantaged investment vehicle powerful enough to hold real estate, private equity, and private loans all within a single retirement account.

The Real Qualification

The IRS requires only one thing to contribute to an IRA:

→ Earned Income

W-2 wages qualify, no business ownership required.

→ Age Eligibility

No age limit for Traditional or Roth IRA contributions.

→ Right Custodian

A qualified SDIRA custodian is all the infrastructure you need.

Your Earned Income Is the Key

The IRS doesn't care whether your income arrives via direct deposit from an employer or from a profit-and-loss statement filed quarterly. What matters is that your income is classified as **earned** meaning it comes from working, not passively from dividends or capital gains alone. For virtually every W-2 employee, your annual salary meets this definition completely and without exception.

This means that right now, today, you are eligible to open and contribute to a Self-Directed Traditional IRA or a Self-Directed Roth IRA. Your steady, predictable paycheck is actually an *advantage*, it gives you reliable, recurring capital to fund your account year after year, up to IRS contribution limits. You don't need to wait for a side hustle to take off or a business to become profitable. Your job is already doing the work.

Traditional SDIRA

Contributions may be tax-deductible. Growth is tax-deferred until withdrawal in retirement.

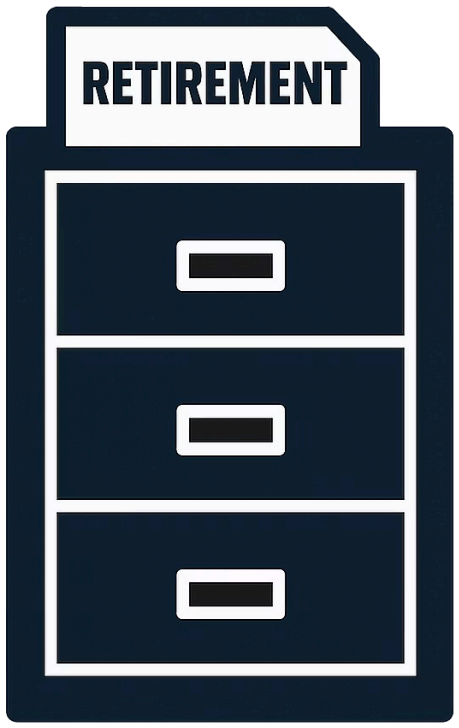
Roth SDIRA

Contributions are after-tax. Qualified withdrawals, including all growth, are 100% tax-free.

Annual Contribution

Contribute up to IRS limits each year directly from your W-2 earnings, consistently building your base.

The "Old 401(k)" Secret Most Employees Overlook



Here's the fastest and most overlooked funding strategy for W-2 employees who want to open an SDIRA: **rolling over an old 401(k)** from a previous employer. Most people leave these accounts sitting in their former employer's plan for years collecting modest returns inside a limited menu of mutual funds, simply because they didn't know there was a better option.

When you leave a job, you have the right to roll that 401(k) balance into a Self-Directed IRA without triggering any taxes or early withdrawal penalties. It's a **direct rollover**, your money moves from one qualified retirement account to another. Suddenly, a balance you had forgotten about becomes the seed capital to purchase a rental property, fund a private lending deal, or invest in a local business.

Your *current* 401(k) through your employer is likely locked into a limited selection of investment options, that's by design. But that old account? That's yours to redirect. Many SDIRA investors seed their accounts with five or six figures from a previous employer's plan, then begin building a diversified alternative investment portfolio from day one.

A direct rollover from an old 401(k) to an SDIRA triggers zero taxes and zero penalties and can be completed efficiently and easily with the right custodian.

True Diversification Beyond the Stock Market

The average W-2 employee's retirement portfolio is almost entirely tied to the performance of the stock market. Their 401(k) holds mutual funds. Their Roth IRA holds index funds. Even their employer match is invested in company stock. When the market corrects, and it will, their entire financial future takes the hit simultaneously. This is called **concentration risk**, and it's more common than most people realize.

A Self-Directed IRA solves this by opening the door to **non-correlated assets**, investments whose value doesn't move in lockstep with the S&P 500. When markets drop, a rental property still collects rent. A private note still earns interest. A hard asset still holds intrinsic value. This is the kind of portfolio resilience that institutional investors have leveraged for decades and SDIRAs make it available to every W-2 earner.



Real Estate

Rental homes, multi-family apartments, or fractional shares in commercial real estate syndications. Your SDIRA collects rent and appreciates in value — all tax-advantaged.



Private Lending

Act as the "bank" for local real estate investors or flippers. You set the terms, earn interest, and your loan is secured by the property. Predictable, asset-backed income.



Private Placements

Invest in early-stage startups or private businesses before they go public. Get in at the ground floor of opportunities that traditional brokerage accounts can't access.

The Roth Superpower is Tax-Free Wealth Building

Of all the SDIRA strategies available to W-2 employees, none is more compelling than the **Self-Directed Roth IRA**. Here's the fundamental power of this vehicle: you contribute dollars that have already been taxed, and from that point forward, every dollar of growth including capital appreciation, rental income, loan interest, private equity returns is *completely tax-free*, provided you meet the qualified distribution requirements.

Imagine purchasing a private real estate note inside your Roth SDIRA for $50,000. That note matures and returns $90,000. Or imagine investing in a private company at $30,000 that is acquired five years later for $150,000. Inside a traditional brokerage account, those gains trigger capital gains taxes. Inside a Roth SDIRA, the IRS cannot touch that profit. You keep every dollar of it.

For W-2 employees who may not be in the highest tax brackets today but expect their wealth to grow significantly, the Roth SDIRA is a generational wealth-building tool. You're not just accumulating assets, you're accumulating assets in a tax-free environment that compounds over decades without the drag of annual tax liability.

Tax-Free Growth

All returns inside a Roth SDIRA including interest, rent, and capital gains, all grow without annual tax implications.

Tax-Free Distributions

Qualified withdrawals in retirement are 100% tax-free, including all accumulated gains over your lifetime.

No Required Minimum Distributions

Roth IRAs (and Roth SDIRAs) are not subject to RMDs, giving your account the freedom to keep compounding.

Linear Growth vs. Market Volatility

The Traditional Portfolio Problem

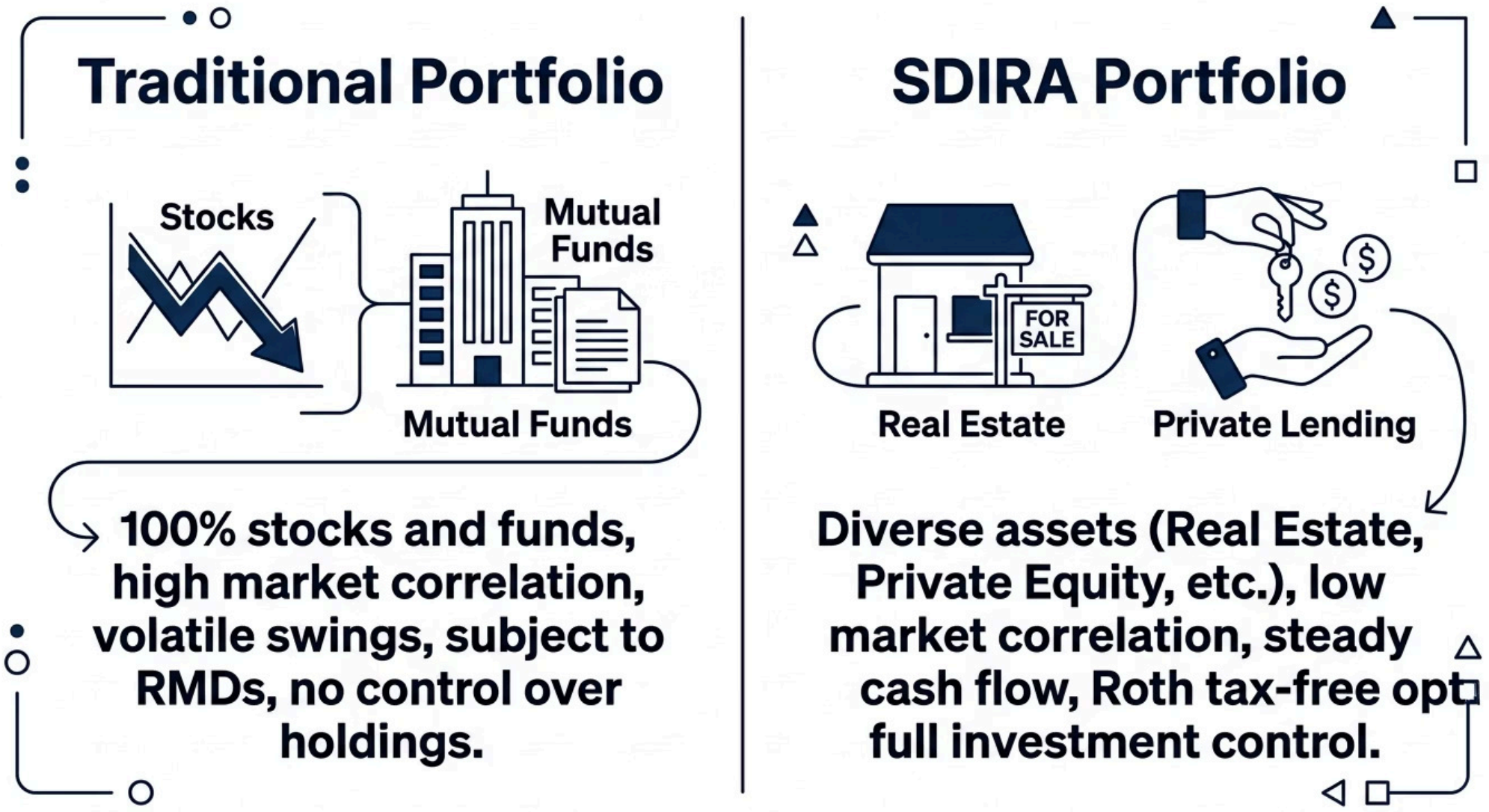
The traditional W-2 retirement portfolio is entirely subject to market sentiment, interest rate decisions, geopolitical events, and earnings season surprises. One bad quarter on Wall Street can erase years of disciplined saving. This volatility isn't just a financial issue, it's a psychological one. Watching your retirement balance swing dramatically year-to-year makes it difficult to plan, difficult to stay calm, and difficult to stay invested.

The mathematical reality is that **large losses require disproportionately large gains to recover**. A 50% loss requires a 100% gain just to break even. Every major market correction resets the clock on compounding — the most powerful force in long-term wealth building.

The SDIRA Alternative

Alternative assets inside an SDIRA tend to generate **more linear, predictable returns**. A private loan at 10% interest earns that interest regardless of what the Dow Jones does on any given Tuesday. A rental property generates monthly cash flow based on local housing demand, not market sentiment in New York. This is not to say alternative investments carry no risk, they do. But the *type* of risk is fundamentally different and often more manageable for the individual investor.

When you blend market-correlated assets with non-correlated alternatives, you create a portfolio that can weather storms more gracefully. Returns may not spike as dramatically in bull markets, but they won't crater in bear markets either.



Technology Has Caught Up to the Strategy

One of the most persistent myths about Self-Directed IRAs is that they're complicated, paperwork-heavy, and impossible to manage alongside a demanding full-time career. A decade ago, that concern had some validity. SDIRA custodianship was largely manual, transaction processing was slow, and account visibility was limited. For the busy W-2 professional, the administrative burden was genuinely a deterrent.

Modern platforms like **Lion** have fundamentally changed that equation. Today's SDIRA technology gives you a single, intuitive dashboard to view every asset in your account, whether that's a private note, a real estate syndication, or a direct equity investment in a local business. You can initiate transactions, upload investment documents, track returns, and monitor your account's growth in real time, from the same device you use to check your email at lunch.

For the W-2 employee who can't afford to spend weekends managing paperwork, this is a game-changer. The platform handles the administrative infrastructure. The custodian handles IRS compliance. You handle the investment decisions. The division of labor is clean, efficient, and designed for the modern working professional who wants more control without more complexity.

Unified Dashboard

Track every alternative investment: real estate, notes, and private equity in a single, clear interface updated in real time.

Streamlined Paperwork

Upload investment documents, subscription agreements, and transaction instructions digitally, no fax machines required.

Compliance Built In

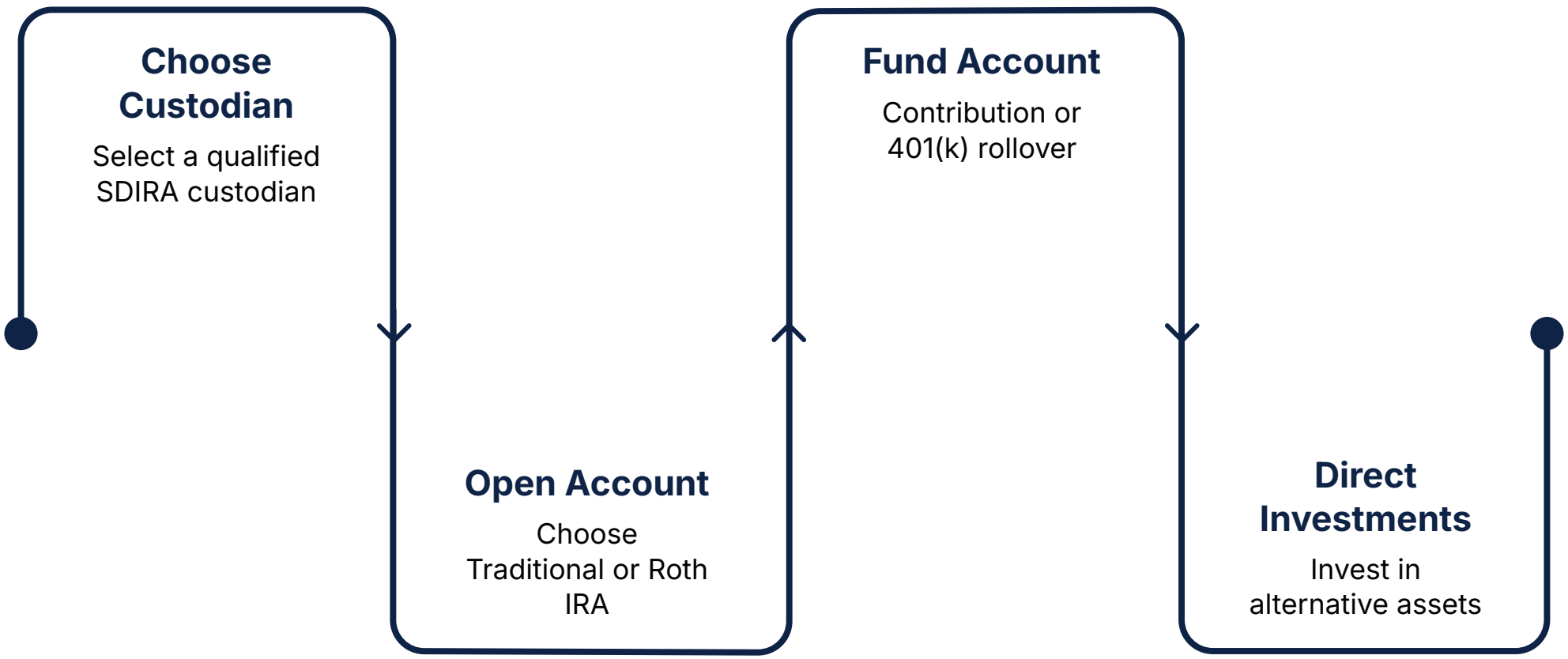
Your custodian ensures your account stays within IRS guidelines, so you can focus on strategy rather than regulation.

Scalable Management

As your alternative portfolio grows, the platform scales with you so managing a dozen assets is no harder than managing one.

Your Step-by-Step Path to Opening an SDIRA

Opening a Self-Directed IRA is more straightforward than most W-2 employees expect. The process typically takes a matter of days, not months, and requires no special certifications, business structures, or professional licenses. Here is the clear, sequential path from where you are today to having an active, funded SDIRA ready to make alternative investments.



The most important decision in this entire process is choosing the right custodian. Not all IRA custodians permit alternative investments and most traditional brokerages only allow publicly traded securities. A **qualified SDIRA custodian** specifically enables you to direct funds into real estate, private notes, and private placements. Look for custodians with transparent fee structures, modern technology platforms, responsive client service, and a clear compliance track record. That foundation makes every investment decision that follows significantly easier.

Important: The IRS prohibits "self-dealing" within an SDIRA so you cannot personally use SDIRA-owned assets or transact with disqualified persons (such as yourself, your spouse, or direct family members). Always consult a qualified financial advisor or tax professional before making investment decisions inside your SDIRA.

The Bottom Line — Don't Let a W-2 Limit Your Investment Horizon

The financial services industry has done an excellent job of convincing W-2 employees that their retirement options begin and end with whatever is in their employer's 401(k) menu. The SDIRA tells a fundamentally different story — one where your employment status is an asset, not a limitation. Your steady, earned income funds contributions. Your old 401(k) provides rollover capital. Your Roth election shelters decades of growth from taxation. And modern platforms make managing it all as straightforward as any other financial account you already use.

You have the same legal access to alternative investment strategies as any institutional investor, hedge fund manager, or real estate developer. The vehicle is the IRA, and the key is choosing a custodian that lets you use it fully. The only thing standing between most W-2 employees and a truly diversified retirement portfolio is the awareness that this option exists and the decision to pursue it.

Don't let inertia, assumption, or a limited employer plan define the ceiling on your financial future. The "alternative" path has always been available to you. Now you know it.

> You aren't just building wealth, you're building wealth the IRS can't touch. That's the Roth SDIRA promise for every W-2 employee willing to claim it.

Your SDIRA Checklist

- [ ] Verify your earned income eligibility
- [ ] Locate any old 401(k) accounts from previous employers
- [ ] Decide: Traditional or Roth SDIRA?
- [ ] Research qualified SDIRA custodians
- [ ] Initiate rollover or make initial contribution
- [ ] Identify your first alternative investment
- [ ] Consult a financial advisor for personalized guidance

Contact us at sepirak.com/contact and we will put you in touch with one of our partners so you can start your self-directed journey today!