

Fair Market Valuation (FMV) Instructions

General Information

Your submission of a fair market valuation (FMV) is used to assign or change the value of an asset.

The IRS requires IRA custodians to report the value of assets held in IRAs on an annual basis. You have the responsibility to substantiate the value of assets held in self-directed IRAs unless the asset has a publicly available value (i.e., precious metals). These instructions are not meant to be all-encompassing, but rather are meant to provide examples of documents that may support the value of the asset(s) in your account.

If the value of an asset in your account changed during the year, you must send an updated FMV to Entrust no later than January 31 of the following year. Note that each asset in your account requires its own FMV update. For example, if your account owns private equity and a real estate property, you would submit two separate FMVs.

If there has been no change in the value of an asset held in your account, **you do not need to submit an FMV** for that specific asset. Entrust will report the last known value of the account to the IRS. Even if the asset value has changed, there are scenarios where you may not need to submit an FMV. See more details below.

A fair market valuation is required when:

- Taking an in-kind distribution
- Converting an asset held in a tax-deferred account to a post-tax account
- Converting an entire tax-deferred account to a post-tax account
- Demonstrating an asset no longer has value (i.e. a worthless asset)

Assets that have a readily available market value **do not** require your submission of a fair market valuation because these investment values are determined by the market. For example, Entrust updates the value of most precious metals and publicly-traded assets daily. Entrust will report the value of precious metals and publicly traded assets, along with any other assets held in your account, to the IRS via Form 5498 on an annual basis. These assets include:

- Precious metals
- Publicly traded assets (stocks, bonds, mutual funds, etc.)
- Currency

Entrust is required to:

- Provide the fair market value of your account as of December 31 of each year to the IRS.
- Provide you Form 5498 with the same FMV information for your account.

! IMPORTANT GUIDELINES

- If there has been no change in the value of an asset held in your account, no action is required from you.
- You have two methods to report a change in the FMV of your asset(s):
 - a) Provide supporting documentation (examples on page 3)
 - b) Utilize third-party valuator services
- If you are completing the Fair Market Valuation Form via paper, it must be signed and dated by you.
- A separate Fair Market Valuation must be submitted for each asset held in your account.



FMV Reporting Methods

There are two methods to report the FMV of your asset(s):

- 1. Provide supporting documentation:** In this case, you are the only party required to sign the form. Please find a list of supporting documentation examples on the following page.
- 2. Utilize third party valuator services:** If you are not submitting supporting documentation, the use of a third-party valuator is required to value certain assets. A third-party valuator should complete the Fair Market Valuation Form and both you, the account holder, and the third-party valuator are required to sign the form.

Below are examples of qualified, independent third party valuers who could perform the value of your asset(s):

- Managing partner (or equivalent) of investment sponsor
- Certified appraiser
- Licensed real estate professional (such as a broker/real estate agent)
- Knowledgeable party (such as a CPA, attorney, financial planner, etc. who is strictly at "arm's length" from both you and the investment)

SUBMISSION OPTIONS

- **Online (recommended):** Login to your **Entrust Client Portal**, go to the Activity tab, scroll down and click on Fair Market Valuation.
- **Alternative Option:** Send the paper form along with the supporting evidence via:

Email:
fmv@theentrustgroup.com

Fax:
510-587-0960
Attention: FMV

Mail:
The Entrust Group Attention: FMV
555 12th Street, Suite 900
Oakland, CA 94607

Examples of Supporting Documentation

Note: These are examples only. The IRS does not define what acceptable documentation is for the purposes of substantiating Fair Market Value.

ASSET TYPE	SUPPORTING DOCUMENTATION
Real Estate	<ul style="list-style-type: none"> ▪ Property Tax Bill Note: A property tax bill is acceptable, if it is not used to calculate or take an in-kind distribution ▪ Comparative Market Analysis (CMA) A CMA is a detailed report examining the homes currently on the market, under contract, recently sold and recently expired, withdrawn, or canceled to determine what a property is worth in the current market. A licensed real estate professional, who is strictly at “arm’s length” from both, you (the account holder) and the investment, can provide the CMA. If you are providing a CMA, the licensed real estate professional must sign and date the Fair Market Valuation Form. ▪ Real Estate Appraisal Note: An appraisal is REQUIRED when taking an in-kind distribution but is not required for the annual FMV reporting of the asset. ▪ Other Supporting Documents An opinion letter on company letterhead from a qualified, independent third-party. If you are providing an opinion letter, the third-party must sign and date the opinion letter.
LLCs and Entities	<p>The value for these types of assets submitted to Entrust should reflect the total value of the LLC or entity, not the individual value of each underlying asset. Supporting documentation for these types of assets may include:</p> <ul style="list-style-type: none"> ▪ End of year bank account statement for the LLC ▪ Valuation letter signed by an independent third-party appraiser
Private Equity	<p>The value of the asset may be provided by the investment sponsor or via an official letter from the investment on company letterhead signed by someone with knowledge of the asset’s value. An updated asset value may also be acceptable when sufficient supporting documentation is provided by an independent, qualified third-party.</p>
Private Lending	<p>Please provide an amortization schedule at the time your investment is made. If we do not receive an amortization schedule, we will report the value of the private lending investment based on payments to principal only to the IRS via Form 5498 on an annual basis. In either case, no action is required on your part.</p>
Worthless Assets	<p>To mark an asset value to \$0.00, the Internal Revenue Code requires specific types of documentation. The following are some acceptable examples of documentation:</p> <ul style="list-style-type: none"> ▪ A Trustee’s Deed (for a Deed of Trust asset) ▪ Final Bankruptcy or Receivership paperwork showing the Bankruptcy or Receivership has been completed and that the dispersion of all assets has been completed. Evidence of an entity being in bankruptcy or receivership is not by itself adequate. ▪ A “cease and desist order” from an entity such as the SEC or a similar state agency

Frequently Asked Questions

Q: Why does the IRS need to know the value of my account assets on an annual basis?

A: If a taxable event such as a non-cash distribution or a Roth conversion takes place during a given tax year, the assets must be valued so that the recipient pays income tax on the correct amount.

Q: How long is my FMV valid for?

A: Your FMV is valid for 90 days after submission. Please note that if an asset valuation is needed to facilitate a taxable event after the 90-day period, you will need to submit a new FMV.

Q: Am I required to seek out a qualified third party to value my asset?

A: No. If you are able to provide supporting documentation that clearly demonstrates the value of your asset(s), you can submit it on your own.

Q: Who is considered a disqualified person to my account?

A: According to IRS Publication 590, disqualified persons to your plan are:

- You
- Your beneficiaries
- Your spouse
- Your ascendants
- Your lineal descendants
- Your lineal descendants' spouses
- Fiduciaries

Q: How should the assets in my account be valued?

A: To comply with the Internal Revenue Code, assets must be valued at fair market value. An FMV is the market value of a property or asset, based on what a **knowledgeable, willing, and unpressured buyer** would pay to a **knowledgeable, willing, and unpressured seller** in the market.

Q: What happens if I do not turn in my Fair Market Valuation Form?

A: Entrust is required to report the most current FMV available for the investment(s) in your account at least once a year. If Entrust does not receive the Fair Market Valuation Form, the last known value of the assets in your account will be reported. Please note that the IRS requires annual valuations.

Q: Is this only a requirement for self-directed accounts?

A: No. All IRA custodians are required to provide a year-end value to the IRS. Non-traditional assets are not easily determined by the market and require individual valuation.

Q: Who pays for this valuation?

A: Your account does. If your account does not have sufficient undirected cash to cover the cost, you will have to make an annual contribution, transfer, or rollover funds from another custodian to pay for the valuation services.

Q: I have a single-member LLC in my account. Do I need to provide an FMV for each asset that the LLC holds?

A: No. You only need to submit one FMV for the single-member LLC indicating its total value.

ATTENTION

1. If there has been no change in the value of an asset held in your account, no action is required from you.
2. You have two methods to report a change of FMV of your asset(s):
 - a. Provide supporting documentation (examples of documentation can be found in our [FMV instructions](#)) OR
 - b. Utilize third-party valuator services
3. If the asset is a secured or unsecured note, you may use this form to update the value of the asset. However, Entrust will report their value based on payments to principal only on an annual basis which means no action is required on your part.

1 Account Owner Information

Check box to update your contact information

NAME <i>(as it appears on your account application)</i>	ENTRUST ACCOUNT NUMBER	ACCOUNT TYPE	
EMAIL ADDRESS <i>(required)</i>	MOBILE	DAYTIME PHONE NUMBER <input type="checkbox"/> Home <input type="checkbox"/> Work	
ADDRESS	CITY	STATE	ZIP CODE

2 Self-Reported Asset Market Value

NOTE: Please attach supporting documentation to evidence the current market value of the asset. If you are reporting no change in the value of the asset, no supporting documentation is required.

ASSET DESCRIPTION / NAME OF ASSET ON YOUR ACCOUNT STATEMENT	ASSET TYPE <i>(select one)</i> <input type="checkbox"/> Real Estate <input type="checkbox"/> Private Equity <input type="checkbox"/> Private Lending (See Note in Attention Section Above)		
PERCENTAGE OF OWNERSHIP FOR YOUR INVESTMENT %	CURRENT ASSET VALUE BASED ON PERCENTAGE OF OWNERSHIP \$	CURRENT TOTAL ASSET VALUE \$	
NOTES:			

3 Third-Party Valuator Asset Market Value

NOTE: If you are using a qualified, independent third party to value your asset(s), this section must be completed and signed by them.

VALUATOR NAME	TITLE		
COMPANY NAME	COMPANY DAYTIME PHONE NUMBER		
COMPANY ADDRESS	CITY	STATE	ZIP CODE

I certify that I am qualified to give an independent valuation/appraisal for this particular asset. I understand that this valuation/appraisal will be used for reporting purposes to the Internal Revenue Service and that any false or misleading valuation/appraisal of any assets may result in penalties and fines for both the valuator/appraiser and the account owner.

VALUATOR'S SIGNATURE:	DATE:
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4 Account Owner Signature

I certify that I am the owner of the above referenced account and that the information contained herein is true and accurate to the best of my knowledge.

ACCOUNT OWNER'S SIGNATURE:	DATE:
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