

Fair Market Valuation Information



A fair market valuation is used to assign or change the value of an asset. Advanta requires that a fair market value be submitted on a **yearly** basis to ensure proper tax reporting. All IRA custodians are required to provide a year-end value for IRA accounts.

When completing the Fair Market Valuation form please follow these guidelines:

- Our IRS Form 5305 agreement with you requires that you provide the valuation, not Advanta.
- The IRA owner will fill out the fair market valuation form, but the valuation may not be completed by the IRA owner OR a disqualified person.
- Because these valuations are used to determine the fair market value of a particular asset, an independent, neutral, qualified party must complete the valuation.
- This form must be sent back with supporting documents.
- The guidelines below are sufficient for regular annual valuations of IRA assets. The requirements for determining FMV for purposes of a taxable event may differ. Please contact our office if you wish to distribute or convert an asset in your account.

Download the Fair Market Valuation Form at <https://www.advantaira.com/forms>.

Examples of Supporting Documents:

Real Estate: An appraisal is acceptable (required, if you are over the age of 70 1/2) but not necessary. Although an appraisal is a valuation, they are not one and the same. A qualified real estate professional who is strictly “arms length” from both you and the investment may provide a comparative market analysis to meet this requirement. We understand that real estate agents may not provide appraisals but they are qualified to determine the market value of a property. The IRS specifically does not allow a tax assessors “**assessed**” value as representative of the Fair Market Value of real estate. However, if the county property appraiser provides an estimated **market** value for your property, that may be representative of the Fair Market Value and utilized in satisfying our FMV requirements. If you choose to utilize a county property appraiser’s “Market Value,” please print the information from the property appraiser’s website & return with the completed FMV Form as supporting documentation. The print out from the property appraiser’s website will suffice as to having a valuator’s signature on the form. **PLEASE NOTE: If you do not provide Advanta with the FMV for real estate held within your IRA, including supporting documentation, we may research and determine the FMV based on property appraiser websites & we will charge a fee for doing so.**

Notes and Mortgages: Generally, the Fair Market Value of a Note is equal to the outstanding principal balance of the loan. **As of January 1st, 2015, Advanta has applied all payments as, “Interest Only.”** Due to this change an annual Fair Market Value is required on a yearly basis. An updated amortization schedule will suffice as substantiation for the principal adjustment, along with an updated FMV form. However, if the Note is in default or other circumstances exist, which results in the FMV of the Note differing from the outstanding principal balance, you must submit the FMV Form, completed by a qualified independent third party, along with supporting documentation.

Single or Closely Held LLC: All of the assets owned by an LLC, plus the cash in the LLC’s bank account make up the value of the LLC. **Advanta only needs to receive one fair market valuation form for each LLC.** We do not need a form completed for each asset owned by the LLC. Real estate assets owned in an LLC must be evaluated by a third party using the same standards as if it were owned directly by the IRA. Other assets, such as bank or brokerage accounts should have year-end statements proving their value. If you need further guidance on how to determine the value of the LLC, consult your financial advisor. K-1s are not acceptable valuations because they represent the book value of the company which is based on historical cost less depreciation.

Private Placements: Our IRS Form 5305 agreement with you requires that you provide the valuation, not us. You must contact the manager of the private placement and ask how you can obtain a value for the investment. The value of the asset may be provided by a qualified third party, but they must provide sufficient supporting documents.

Precious Metals, Brokerage Accounts, Currencies, and Cash: These do NOT need a valuation as these investments values can be easily determined by annual statements or with a set face value.

Bankrupt/Receivership/Zero Value Assets: Please indicate this status on the valuation form and sign it yourself. Provide the documentation that will support the status. There are additional requirements for zeroing out an asset.

Please contact our Client Relations department (help@advantaira.com or 800-425-0653) for more information on a zero value asset.

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