

Using a Self-Directed IRA to Fund Your Venture Investments



For disclosure information, please refer to the Important Disclosure section on page 17 of this presentation.



Main Take-Aways

- The IRA was created in the 1970s in response to a decline in defined-benefit pension plans and has become one of the most popular ways to invest for retirement.
- With both traditional IRAs (to which you make tax-deductible contributions) and Roth IRAs (from which you take tax-free distributions), you can invest in conventional financial assets like stocks, bonds, and mutual funds.
- You can invest in a much wider range of investments through a self-directed IRA (SD-IRA) that provides the benefits of IRAs, including the potential of tax deferral and tax-free gain. Popular choices for SD-IRAs include real estate and precious metals. Venture capital is also becoming an increasingly popular option.
- Venture capital (VC) can be a good match for SD-IRAs for many reasons. Venture investments typically have a 10-year term — compatible with the typically longer timeframe of a retirement vehicle. VC has also been less affected by adverse economic conditions than assets such as stocks, bonds, and mutual funds.¹
- Investing in venture via a qualified retirement account is a strategy that over a third of AV investors employ to diversify their retirement portfolios. AV works with STRATA Trust Company, which sets up an IRA on the behalf of AV investors and manages all administration.

¹ Julian Gary, “Does Private Equity Outperform Public Markets?”, *The Economic Review*, June 10, 2022.



Building a Retirement Security Net



The IRA has proven to be a valuable tool in the retirement savings game. It was created in the 1970s in response to a decline in defined-benefit pension plans² and has become one of the most popular ways to invest for retirement. Over 60 million taxpayers now own individual retirement accounts³ (IRAs), which offer individuals an opportunity to save for retirement in a tax-advantaged⁴ account. Taxpayers may either contribute to IRAs annually or roll over balances from employer-sponsored plans.

With both traditional IRAs (to which you make tax-deductible contributions) and Roth IRAs (from which you take tax-free distributions), you can invest in conventional financial assets like stocks, bonds, and mutual funds, provided by brokers such as Charles Schwab, Fidelity Investments, or Vanguard.



² Julia Kagan, "[Defined-Benefit Plan](#)," *Investopedia.com*, May 2, 2022.

³ "[Key Elements of the U.S. Tax System](#)" *Taxpolicycenter.org*.

⁴ James Chen, "[Tax-Advantaged](#)" *Investopedia.com*, October 31, 2021.



Advantages of a Self-Directed IRA



While regular IRAs are a popular choice for retirement accounts, they do have their limits. The custodian — usually a bank or a brokerage firm — typically restricts your investment options to approved securities like stocks, bonds, and mutual funds.

A self-directed IRA,⁵ on the other hand, offers much greater options. While participants must follow the same eligibility requirements and contribution limits, the term “self-directed” refers to the fact that the investor, not a custodian, chooses investment options.

And you can invest in just about anything, unless it’s prohibited by the IRS. Choices range from real estate and precious metals to dairy cows and Broadway shows. Such investments are growing in popularity. A recent study⁶ showed that ultra-high-net-worth investors (net worth of at least \$30 million) committed 50% of their assets to alternative investments in 2020.

Here are some commonly cited benefits⁷ of having an SD-IRA:

- Individuals can align publicly traded investments and alternative assets with their passions, knowledge, or experience.
- The potential for tax-free growth, with the benefits of IRAs, as well as tax deferral and tax-free gains.
- Available as either traditional or Roth IRAs.
- Increasing portfolio diversification can lower risk by spreading money across and within different asset classes.⁸

5 Jean Folger, “[Self-Directed IRA \(SDIRA\)](#),” *Investopedia.com*, February 25, 2022.

6 Lyle Daly, “[Alternative Investments of the Ultra-Wealthy in 2022](#)” *The Motley Fool*, September 26, 2022..

7 Rachel Hartman, “[A Guide to Self-Directed IRAs](#)” *US News*, February 2, 2022.

8 Julian Gary, “[Does Private Equity Outperform Public Markets?](#),” *The Economic Review*, June 10, 2022.



Choosing Venture for Your SD-IRA?



Venture capital (VC) is a form of private equity and a type of financing that investors provide to startups that are believed to have long-term growth potential. While venture is a high-risk asset class, the rewards can also be attractive for winning investments. Indeed, VC was among the fastest-growing alternative investment asset classes tracked by *Pensions & Investments*' annual U.S. retirement plan survey⁹ — increasing 85% to \$83.9 billion in the 12 months ending Sept. 30, 2021.

As with other types of SD-IRA investments, the potential benefit of investing in venture capital funds is the possibility of gaining tax advantages, such as tax-deferral or tax-free growth on income or gains the investment generates.

There are many reasons that VC and SD-IRAs can be an appealing pairing. Venture investments typically have a 10-year term — compatible with the typically longer timeframe of a retirement vehicle. Therefore, many investors see retirement accounts (which they may not plan to access for many years) as an attractive vehicle for VC investing.

Investors also like the performance and resilience of VC-backed companies. According to Q1 2022 PitchBook-NVCA Venture Monitor:¹⁰ “U.S. VC remains strong while navigating market of uncertainty. ... Venture-backed companies attracted nearly \$71 billion during Q1. Even though the figure was off pace from every quarter in 2021, it still exceeded pre-2021 quarterly totals.”

⁹ Arleen Jacobius, “Record year for deal value vaults venture capital,” *Pensions & Investments*, February 14, 2022.

¹⁰ “Pitchbook-NVCA Venture Monitor” *Pitchbook*, April 13, 2022.



In addition, the ability of VC and other private equity assets to withstand, adapt, and prosper in volatile market conditions is demonstrated in studies by AngelList Venture¹¹ and Cambridge Associates.¹² In fact, some of the most iconic companies — from Microsoft to Airbnb — launched in the midst of harsh economic headwinds.¹³

Other VC advantages were cited at the May 2021 Fiduciary Investors Symposium¹⁴ (FIS) by a panel of experts that included Todd Ruppert. His 40 years of experience in the financial services industry included service as CEO and president of T. Rowe Price Global Investment Services. Ruppert recommends investors tap the VC asset class — in part, because since many companies are waiting longer to go public, when they may already be past some of their highest-growth years.¹⁵



11 Abe Othman, "[Innovation isn't Correlated with the Markets](#)," *AngelList Venture*, May 12, 2022.

12 Caryn Slotsky, "[US PE/VC Benchmark Commentary: Calendar Year 2020](#)," *Cambridge Associates*, July 2021.

13 Matthew Wilson, "[14 successful companies that started during US recessions](#)," *Business Insider*, April 20, 2020.

14 Sarah Rundell, "[Venture capital: how it adds value in a diversified portfolio](#)," *Top1000Funds.com*, June 3, 2021.

15 "[Why Successful Companies are Choosing to Stay Private-and How Investors Can Adapt](#)," *cnlsecurities.com*, September 29, 2021.



How to Invest in a Self-Directed IRA



While enrolling in traditional IRAs is relatively straightforward, SD-IRAs can be somewhat complicated to set up and manage.

An SD-IRA is not an account you manage completely on your own,¹⁶ says Brian Stivers, president and founder of Stivers Financial Services. “Self-directed IRAs require you to utilize the services of a third party, often referred to as a custodian or trustee.”

Opening an SD-IRA requires the following steps:

1. Identifying a custodian or trustee for your account.
2. Vetting and choosing the investments you want.
3. Finding a broker to purchase the investment and funding an account.
4. Directing the custodian or trustee of the account to make the transaction you want.



¹⁶ Rachel Hartman, [“A Guide to Self-Directed IRAs,”](#) *USNews.com*, February 2, 2022.



Enrolling in a Self-Directed IRA Through Alumni Ventures

Investing in venture via a qualified retirement account is a strategy that over a third of Alumni Venture investors employ¹⁷ to diversify their retirement portfolios.

While Alumni Ventures is open to working with other custodians who accept AV fund investments, we also make it very easy to create an SD-IRA for your AV portfolio through [STRATA](#) Trust Company. STRATA sets up an IRA on your behalf and manages all administration. Monies can be transferred without penalty or jeopardizing tax-deferred status.

AV chose STRATA as its independent third-party provider for several reasons:

- Excellent customer service, including AV-dedicated service team
- Low flat annual fee of \$225; no transaction fees or higher fees based on holdings
- Undirected cash held in interest-bearing FDIC insured account
- Clients can also invest in stocks and mutual funds
- Strong back-end systems
- Excellent track record: 50,000+ clients, \$4+ billion in assets
- Trade public securities through TradeStation partnership

17 AV Communications Team, "Invest In Venture With An IRA," Av.vc, July 1, 2021.

Enrolling in a Self-Directed IRA Through Alumni Ventures ▲▲

Although the process to enroll in an SD-IRA through Alumni Ventures is fairly straightforward, you are encouraged to contact investor.relations@av.vc to begin.

- First, you need to demonstrate you're an [Accredited Investor](#).
- Next, you set up an account online with STRATA and complete a transfer form.
- Then, you return to the AV portal to sign our Subscription Agreement.
- STRATA funds your AV investment as soon as your transferred funds settle.

Interested in learning more? STRATA has an AV-dedicated page on their website: stratatrust.com/avg. AV investors can receive assistance setting up their account, funding their investment, or any post-investing questions.





Commonly Asked Questions

How much does the STRATA service cost?

There is a \$225 annual account fee regardless of the number of holdings in the account.

Can I use an existing SD-IRA?

Our Investor Relations Managers can help you discover whether your present firm can custody an AV fund investment.

Can I use 401(k) funds?

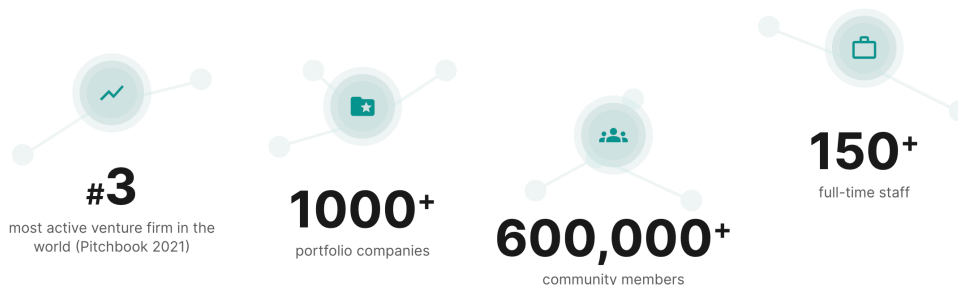
Maybe. If it's an active plan, check with your employer. If from a previous employer, then yes, you can roll those into an SD-IRA.

What about distributions?

Distributions are paid directly back to your SD-IRA, rather than to you as an individual.

What about K-1s?

K-1s are distributed to your custodian.



About Alumni Ventures

Alumni Ventures (AV) is a fast-growing, network-powered venture capital firm democratizing the venture asset class by offering a path for accredited individuals to own an actively managed, diversified venture portfolio, co-investing alongside experienced VC firms such as Sequoia, Kleiner Perkins and Bessemer. Ranked as the third most active VC in the world (Pitchbook 2021) with more than 1,000 companies, AV recently passed \$1 billion in total capital raised.

Still Have Questions?

Contact AV Investor Relations via email at Investor.Relations@av.vc.

*All AV Fund investments described above are for illustration purposes only. These investments are not intended to suggest any level of investment returns; not necessarily indicative of investments invested by any one fund or investor. Many returns in investments result in the loss of capital invested. These investments are not available to future fund investors except potentially in certain follow-on investment options. To see the performance of each exited investment for all Alumni Ventures funds over the last twelve months and our historical performance since 2014, [click here](#).



Important Disclosure Information

The manager of the AV Funds is Alumni Ventures (AV), a venture capital firm. AV and the funds are not affiliated with or endorsed by any college or university. These materials are provided for informational purposes only. Offers of securities are made only to accredited investors pursuant to each fund's offering documents, which describe among other things the risks and fees associated with the Fund that should be considered before investing. The funds are long-term investments that involve a substantial risk of loss, including the loss of all capital invested. Past performance is not indicative of future results. Opportunities to invest in any security (of a Fund, of AV or in a syndication offering) is not a guarantee that you will be able to invest and are subject to all terms of the specific offering. Diversification cannot ensure a profit or protect against loss in a declining market. It is a strategy used to help mitigate risk.

AV offers smart, simple venture investing to accredited investors. Specifically, AV provides a path for individuals to own an actively managed diversified venture portfolio with a single investment co-investing alongside experienced VC firms. Traditionally, with limited investment capital and contacts, individual investors have had limited access to desirable deals alongside experienced VC firms, and even if they could access one or more such deals, it would take an inordinate amount of time, money and negotiation to build a diversified portfolio. With AV Funds, investors can choose from a number of funds to make a single investment to gain exposure to a diversified portfolio of investments selected by an experienced manager. AV Funds' simple fee mechanism permits investors to avoid constant capital calls throughout the life of the fund as found in other private investment vehicles.

F50-X0562-240208.01

