



EMPLOYEE BENEFITS & EXECUTIVE COMPENSATION BLOG

Why Collectibles are Making Retirement Plan News

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The stock market has been whipsawing, mostly down, mixed with a few up days. Inflation, gas prices, food prices - consumers have been cutting back purchases. Participants in 401(k), 403(b), and profit sharing plans with directed investment accounts, along with IRA's, have been asking: *are there alternatives to which I may direct investments?*

The *Wall Street Journal* (6.19.22), published an article entitled - "Your 401(k) is Down, Bitcoin Won't Fix It" - and cited renewed interest in collectibles as investment alternatives to stocks, bonds, mutual funds, U.S. Treasury bills or bonds. The article focused primarily on cryptocurrency, specifically Bitcoin. We won't here, as Bitcoin and other cryptocurrencies would require a much longer analysis. The hidden issue within the article was collectibles. The *WSJ* got the tax issue only partly correct.

What is the real story behind a participant's 401(k) or 403(b) account, or an IRA, investing in collectibles? Collectibles can include works of art, precious metals, rugs, antiques, gems, stamps, coins, alcoholic beverages, musical instruments, and historical objects (a historical document, for example). The plan or IRA must treat the cost of the collectible as having been distributed to the participant or the IRA owner, who is taxed on the cost. A significant exception exists for investments in gold, silver, platinum and palladium coins and bullion, especially for gold and silver coins minted in the United States (American Eagle coins). There are strings attached, and that's where it gets tricky, legally, and we can help.

If you would like additional assistance or information, please contact Michael Conger at 816.425.9698 or mconger@sandbergphoenix.com.