

New Product Under Construction!

PENSCO Trust Company is currently working hard to incorporate the new Solo Roth 401(k) phenomenon. We hope to be prepared to offer both the solo 401(k) and the new Solo Roth 401(k) as soon as the end of this first fiscal quarter. Check out our website for details about these exciting new retirement savings products!

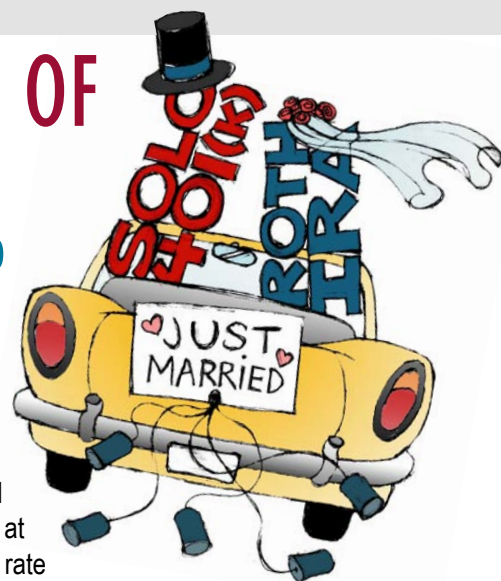
FINALLY, A MARRIAGE OF TWO OF THE MOST POPULAR PLANS

HERE'S THE SCOOP ON THE SAVING OPPORTUNITIES AFFORDED BY THE NEW ROTH AND SOLO 401(K)S.

January 3, 2006 was the first day that an individual saver and investor could legally make a contribution to the new Solo Roth 401(k) that was enacted by the Economic Growth and Tax Relief Act of 2001. Sounds pretty dry, doesn't it? Guess again. The Solo Roth 401(k) beats the Roth IRA five times over. Unlike the previous standard for phenomenal opportunity for retirement savings (the Roth IRA), the new Solo Roth 401(k) will allow an individual or married couple who own their own business, to sock away up to \$98,000 per year for retirement. Of this amount, \$40,000 can be composed of after-tax Roth elective contributions (provided the individual, and their spouse, if applicable) are both over 50. So now, for the first time in history, a retirement saver can put up to \$20,000 annually into a retirement plan that can grow tax-free for their lifetime! But it gets better! Not only is this amount five times greater than what can still be put into a Roth IRA (\$4,000 limit, plus a \$500 catch up if older than 50), but there is no cap on the amount of income an individual can earn before he or she become ineligible to contribute. So, while one is restricted from contributing to a Roth IRA when he or she earns more than \$110,000 (\$160,000, if married filing jointly), no such restriction exists for the elective Solo Roth contributions! Are we getting your attention now?

But it gets even better!! With the Solo Roth 401(k), you can invest in two types of investments ("S" corporation stock and life insurance) that are restricted for Roth or traditional IRAs. Furthermore, unlike what you cannot do with your IRA, you can personally borrow up to \$50,000 or 50% (whichever ever is less) from your Solo Roth 401(k).

Have you had enough? Or do you want to have "your cake and eat it too?" Well, the home run in the bottom of the ninth with two outs, is this: When you invest in real estate (with a few obscure caveats), and use leverage (e.g., a non-recourse loan from a bank in the form of a mortgage on the property) using a Solo 401(k) or Solo Roth 401k, you are not subject to tax on the income or capital gains produced by the portion of the investment that is debt financed.

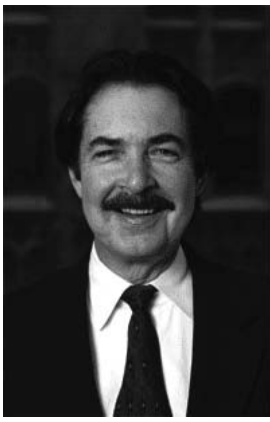


With traditional IRAs and Roth IRAs any income or capital gains on debt-financed property is taxed at the trust tax rate

(generally 35%) to the extent that debt supports the generation of the income. This is a very important benefit to real estate investors who are in the position to be eligible to form a Solo-401(k). Unlike investing outside of a retirement plan, where taxes apply to net income and any gains generated by debt financing, unless they are sheltered through a 1031 exchange, 401(k) plans are exempt. The secondary benefit is the avoidance of having to go through the 1031 process and its expense. So, for example, you could literally buy a house in the morning with \$100 down and flip the purchase contract in the afternoon, without paying any tax on the gains. The gains would be tax-deferred thereafter, if they had been funded by the tax deferred components of the Solo 401(k), or tax-free if funded by the elective Roth component. Many of you who have been successful with IRA real estate investments should certainly appreciate the value of this attribute of the Solo plans. Of course, you can also invest your existing Roth and traditional IRAs, including SEP IRAs, right along with your new Solo 401(k) into the same or multiple properties. In summary, the new PENSCO Trust Solo 401(k) plan will allow our clients to

Something absolutely incredible happened in the retirement savings arena on January 3, 2006!

experience all of the benefits described above. We expect to launch our new product in February of this year. Check our website or watch your email, if you're on PENSCO Trust's email notification system, for news announcing our Solo 401(k) launch!



Tom's Column

Q. I listened to your webinar on Solo Roth 401(k)s and I am very interested in knowing whether I can combine 401(k) from a former employer and my PENSICO Trust Roth IRA into a new Solo Roth 401(k)? Based on the webinar, as I understand it, I will relieve the burden of UBIT tax on any gains from leveraged real estate investments.

A. Yes. You can transfer your existing 401(k) into a PENSICO Trust Solo 401(k), as we have a provision that allows it and an ability to segregate those funds from other types of funds within the Solo 401(k) plan. The segregation is required because there are different rules for the distribution of funds when you eventually take money out of the Solo 401(k). So not only do the initial funds need to be segregated by type, but also the investments and gains/losses, etc. So, when we launch our new Solo 401(k) product shortly, you'll be able to do what you want, and get the benefit you expect.

Fee Schedule Changes

Effective March 31, 2006, the terms and conditions contained in the new, enclosed 'IRA Owner Agreement and Disclosure Statement' will apply to all existing PENSICO Trust client accounts. Please carefully review the enclosed Agreement, as it will supersede your current agreement. While most revisions concern a refinement in the language of the document, one notable change is an increase to our minimum annual maintenance fee. We are increasing the minimum annual maintenance fee from \$150/year to \$200/year; this will affect clients holding accounts valued between \$0 - \$28,574.99.

Free Monthly Webinar

PENSICO Trust Leads Again in Providing Free Education using New Technology. If you haven't heard us make the point before, PENSICO Trust feels passionately about our philosophy regarding free education, and this attitude differentiates us from industry competitors. Our latest project is a free 1-hour webinar, once a month, on every first Wednesday.

Go to www.PENSICOTrust.com and click the yellow button in the right-hand column to get to the registration page. After you sign up, we'll email you the phone number you need to call in.

Tom's Top 10 Commandments: Don'ts and Dos for Self-Directed IRAs

The Don'ts:

1. Don't try to "have your cake and eat it too" by engaging in a transaction with your IRA that involves either one or more of the following: yourself, your spouse, descendants, ascendants or your IRA provider (e.g., "disqualified persons");
2. Don't engage in a transaction with your IRA and a third party's IRA on a "quid pro quo" or reciprocal basis in attempt to circumvent an otherwise prohibited transaction;
3. Don't deal with an entity that you or the some of your related disqualified persons own 50% or more of;
4. Don't personally guarantee a loan that your IRA obtains;
5. Don't make personal (including disqualified persons) use of any asset your IRA owns;
6. Don't provide more than ministerial services (e.g., decision-making) to your IRA or IRA owned entity (e.g., no "sweat equity");
7. Don't take any personal compensation for any services provided to your IRA or as a result of a transaction that your IRA participates in;
8. Don't engage in any transaction that results in any personal gain for you or your disqualified persons (other than the benefit that the IRA receives (e.g., a guarantee of employment));
9. Don't co-invest personally with your IRA in any asset that you use as a loan collateral;
10. Don't take constructive receipt of any income from assets owned by your IRA and do not pay (personally) the expenses of assets held by your IRA.

The Dos:

1. Do consider including alternative assets in your retirement portfolio for diversification and risk protection;
2. Do create a team of knowledgeable advisors (CPA, attorney, realtor, CFP, and mortgage broker);
3. Do spend the time to become personally knowledgeable of the rules and regulations (see www.PENSICOTrust.com and "IRA Wealth" by Patrick Rice);
4. Do consider the opportunities associated with using leverage (e.g., mortgages) to accelerate returns for your income property investments;

5. Do consider including a portion of your retirement account to invest in a new business you or a relative or friend are starting (consult with a knowledgeable attorney, however, when doing so);

6. Do consider your Roth IRA for those investments with the greatest upside potential;
7. Do maximize your contributions to 401(k)s that are matched by your employer and contribute to Roth IRAs each year, if eligible;
8. Do, if you are a professional, sign up to become a PENSICO Trust "Preferred Professional" as a means to stay at the forefront of the knowledge curve;
9. Do tell your friends about the possibilities of self-directed IRAs - they'll thank you;
10. Do consider the ways you can expand your business practice by being the "go to" self-directed IRA expert in your area.