

Support for Member Trusts in myICLUB

MYICLUB INVESTMENT CLUB WEBINAR SERIES

Presented by myICLUB Team
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Your Hosts for This Presentation



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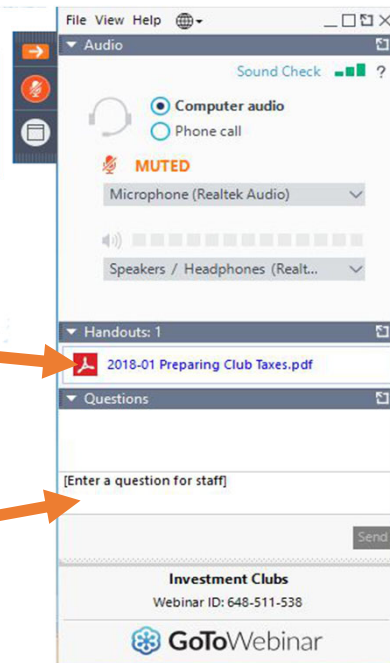
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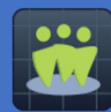
Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.



Purpose of This Webinar



- What is a trust?
- How trusts work.
- Partner entity types in myICLUB.
- Trust appearance & use in myICLUB.

Disclaimer



Neither myICLUB, ICLUBcentral nor BetterInvesting provide personalized investment or tax advice to individuals or investment clubs. With respect to tax form preparation, we have done the utmost to make certain that the data that appears on tax forms produced by myICLUB Club Tax is correct as based on the data as entered in your books. Nevertheless, we do not warrant the accuracy or completeness of the data on the completed tax forms. All responsibility for accuracy and completeness rests with your investment club and with the person who handles the tax matters for your club. In addition, you are responsible for submitting accurate and complete information when preparing your tax return and for reviewing your tax return for indications of errors prior to electronically filing or printing your return. You are responsible for knowing and meeting tax filing deadlines, and for preparing your return early enough to meet any applicable deadlines.

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BRIEF OVERVIEW OF TRUSTS

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What Is a Trust?



- Legal arrangement where one person (the grantor) gives another person (the trustee) the right to hold and manage assets for the benefit of a third party (the beneficiary).

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Types of Trusts



- 16 types of trusts are recognized in US.
- Can be divided into 2 main groups:
 1. Living trusts – Created while grantor alive.
 2. Testamentary trusts – Created only at death of grantor.
- Can be revocable or irrevocable.

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Revocable Living Trust



- Most common type is “Revocable Living Trust.”
- Legal arrangement commonly used in estate planning.
- Grantor creates & designates beneficiaries & trustee
- Also decides what assets to transfer into ownership of trust.
- Assets held in trust can be transferred outside of probate upon death of trustor.

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Trusts in Investment Clubs



- In past, many investment clubs allowed members to transfer their club ownership to a trust, typically **Revocable Living Trust**.
- Bipartisan Budget Act of 2015 changed IRS partnership audit rules.
- These changes effective January 2018 make it **problematic to allow trusts as members in investment clubs.**

myICLUB March 2025 webinar covers IRS audit rules. Available on YouTube at
<https://www.youtube.com/watch?v=sD0R1a6FhqU>

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myICLUB Recommendation



- As result of new audit rules, myICLUB recommends that investment clubs **do not allow trusts as partners.**
- For most clubs, any member's ownership is not likely to be significant portion of their estate, so holding club asset outside trust should not be major issue.

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For More Help



- Contact Attorney or Financial Planner to discuss options for your personal estate planning.
- NOTE: Many attorneys & planners do not have firsthand experience with investment partnerships & may not be aware of problems with allowing trusts as partners.

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Save the Date



- myICLUB Club Webinar on Tuesday, August 19, 2025 will cover **“Do’s and Don’ts of Investment Club Member Beneficiaries.”**
- Will cover basics of various forms of account ownership that are typically used to handle payouts of deceased members.

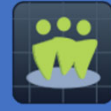
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SUPPORT FOR TRUSTS & OTHER ENTITY TYPES IN MYICLUB

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Who Can Be Member of Your Club



- Clubs should define who officially can (& can't) be members in their partnership agreements.
- If partnership only allows individuals, then transferring asset to trust should not be permitted unless partnership agreement is revised.
- Always follow your partnership agreement!

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Member Profiles



- New fields added to member profiles in myICLUB **People** page:

- **Partner Entity Type.**
- **Entity Name.**

Personal Information

First Name:

Middle Name:

Last Name:

E-mail:

Phone 1:

Phone 2:

Social Security Number:

Partner Entity: [\(What's this?\)](#)

Entity Name:



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Partner Entity Types



- **Partner Entity** can be:
 - **Individual** (default).
 - **Corporation.**
 - **Estate of Deceased Partner.**
 - **Trust.**
 - **Eligible Foreign Entity/Foreign Partner** (not supported in Club Tax).
 - **S-Corporation** (not supported in Club Tax).

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Individual Entity Type



- **Individual** is Default selection.
- Joint partners sharing a member profile **adds complexity.**
 - Only one SSN can be included in myICLUB member profile & myICLUB-generated tax returns.
 - Are both spouses actually contributing to club?
 - If yes, why not separate membership?

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Corporation & S-Corporation Entity Types



- Corporation members are rare in investment clubs.
- S-corporations receive some special consideration under IRS audit rules
 - But are not supported in myICLUB Club Tax.

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Estate of Deceased Partner



- This is uncommon since BetterInvesting™ & myICLUB sample partnership agreement states that members **are automatically withdrawn upon their death.**
- Should club change member to this entity on their death?
 - Probably unnecessary unless there are estate issues.
 - May need professional advice if estate has settlement issues.

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Eligible Foreign Entity/Foreign Partner



- Non-US partners must have additional federal tax withholding done & remitted to IRS.
- Non-US partners also require additional tax forms.
- Not supported in myICLUB or myICLUB Club Tax.

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Trust Entity Type



- Select this option for Living Revocable Trusts or any other types of trusts.

Personal Information

First Name:

Middle Name:

Last Name:

E-mail:

Phone 1:

Phone 2:

Social Security Number:

Partner Entity: [\(What's this?\)](#)

Entity Name:



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Trust Name on Profile



- Trust names can be much longer than member's first & last names.
 - Example: John Smith Revocable Living Trust Dated November 21, 2022
- Full trust name is not required in this field, so abbreviate as necessary using:
 - Name of Trustor.
 - The word "trust"
 - Date of agreement.
- For example:
 - "John Smith Rev.Trust 11-21-22" is acceptable.

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Member Name in Club Reports



- **Member name** appears in most myICLUB reports: Member Status, Member Payments & Fees, etc.
- **Entity (Trust) name** appears on Member Withdrawal Report, Member Tax Summary, & in State & Federal tax returns.
- Before this field was added, clubs would use first & last name fields in myICLUB for trust name, which often provided for weird formatting & alphabetization problems.

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Tax ID Number



- If entity has its own Tax Identification Number (TIN), it should be entered in Social Security Number field in member profile.
- However, most living revocable trusts use SSN of grantor & are treated by IRS the same as individual.

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IRS RULES ABOUT TRUSTS IN PARTNERSHIPS

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Summary of IRS Audit Rules



- Partnerships with trusts as members are **disqualified** from opting out of IRS Centralized Partnership Audit Regime.
- As result, these partnerships are treated with rules favorable to IRS in cases of tax underpayment or penalties.
 - Tax liabilities under these rules are borne by current members – **regardless of whether those members were partners at time of infraction.**
- For clubs that do opt out of Audit Regime, any past liabilities are borne by members at time shortfall or penalty occurred.

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For More Information on IRS Audit Rules



- See replay of March 2025 myICLUB Club Webinar on myICLUB YouTube Channel:

www.youtube.com/ICLUBcentral



**UNDERSTANDING
IRS AUDIT RULES
INVESTMENT
CLUBS**

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March 2025**

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ANY QUESTIONS?

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