



2018 AMERICA'S BEST  
**IRA CUSTODIANS**

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**THE WINNERS LIST**

# Can investors afford to bet their retirements solely on the public markets?

## The Self-Directed IRA Alternative

More than one-third of all U.S. households now own an IRA, according to the Investment Company Institute, the \$8.4 trillion in these accounts representing nearly a third of total retirement savings in the U.S. Yet though these assets are a crucial part of American families' financial security, they are largely limited to investments in publicly traded stocks and bonds. Only a few IRA custodians provide the self-directed IRA accounts that permit investments in a wider array of assets, including direct investment in real estate and small businesses, private equity, hedge funds, structured notes, even Bitcoin, for broad diversification.

"For the last 18 to 20 months, public markets have been on an upward trajectory, and we've seen a downward trend in the non-publicly traded markets," observes Rajeev Kotyan, a principal at Innovative Advisory Group, a Cambridge, Massachusetts-based advisory firm that specializes in helping clients invest in private markets via self-directed IRAs. "But that trend ebbs and flows with the market demand and what's going on in the overall markets." Though it's still early, Kotyan says that he believes that recent tax law changes may favor private investments, particularly real estate and private equity.

In any case, diversifying across both public and private markets appeals to many investors. "I do see a lot of people balancing that with the publicly traded markets, just because I think a lot of people haven't forgotten 2008 crash," says Kotyan.

Bradford Dewan, an estate planning attorney at the San Diego-based law firm Miller, Monson concurs, "Over the last two decades, the amount of money that's going into the IRAs has increased dramatically, but since the 2008 downturn, there was some disenchantment with the stock market and some people are looking at alternative assets." One way to facilitate that diversification into non-public assets is through self-directed IRAs.

### **The self-directed opportunity**

Self-directed IRAs offer an unusual combination of flexibility, control and tax deferral. They are like ordinary IRAs in most ways. Contributions are pre-tax, and any income earned from investments compounds tax-deferred. Withdrawals are taxed as ordinary income after age 59 ½. Before that, there is an additional 10% tax penalty. After you reach age 70.5, you will be required to make annual minimum distributions from your IRA. Yet there two crucial differences. For one thing, the investor becomes the sole investment fiduciary for his account. And for another, a self-directed IRA can be invested in a very broad range of assets, not just traditional stocks, bonds, mutual funds and ETFs, but also more exotic vehicles including private equity, hedge funds, real estate and tangible assets.

### **Establishing a self-directed IRA**

Setting up a self-directed IRA is relatively straightforward. The first step is finding a custodian that will handle the buying and selling of hard-to-trade assets, not just S&P 500 ETFs, but buildings, closely-owned businesses, gold bars and other non-traditional investments. This requires a significant investment technology, electronic processing and the capability to manage the compliance and regulatory issues surrounding self-directed IRAs.

Then your client funds the IRA with cash. The cash can subsequently be used to purchase an array of private investments.

### **Choosing a custodian for a self-directed IRA**

Choosing the best self-directed custodian requires a firm grasp of each clients' goals and intended investments, says Kotyan. "We start primarily from the client's perspective, when we select an IRA custodian," says Kotyan, adding that different types of clients may have different needs. "For instance, is this a one-time investment which is there to be held for the long-term? Or is there to be multiple investments which are going to be short-term investments? How often does the advisor and his or her client have to communicate with a custodian? What are the response time of working with the custodian? How is their operational efficiency? Their security?"

### **Available assets**

Another key consideration is the breadth of assets that each custodian will handle. Most IRA custodians offer a wide variety of mutual funds. The more sophisticated ones add individual stocks, bonds and ETFs to the mix. Bank custodians provide banking products like certificates of deposit and money markets. That's enough for most investors. Yet for a select group of very sophisticated people, these options are lacking. Conventional custodians will often force you to sell anything that's hard to buy, sell or value before you sign up – assets like hedge funds, private equity, life insurance settlements, gold bullion, land and buildings. Self-directed IRA custodians permit investments in these types of assets.

### **Compliance**

In a self-directed IRA, the investor takes on all fiduciary responsibility for her or her investments. That means the self-directed IRA custodian isn't going to manage the investments or perform due diligence on them, but it does have a responsibility to keep everything running smoothly.

## **TOP SELF-DIRECTED IRA CUSTODIANS**

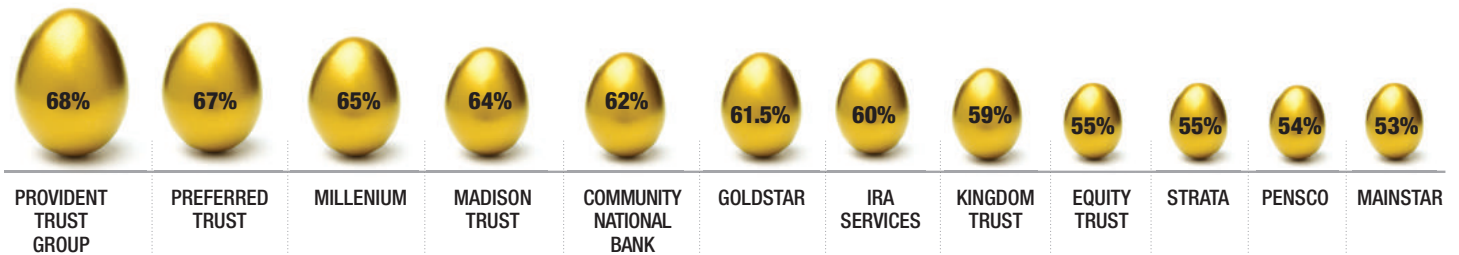
- 1. Provident Trust Group: 7.28**
- 2. GoldStar Trust Company: 6.97**
- 3. Mainstar Trust: 6.71**
- 4. Equity Trust: 6.68**
- 5. Millenium Trust Company : 6.65**
- 6. IRA Services Trust Company: 6.58**
- 7. Preferred: 6.53**
- 8. KingdomTrust Company: 6.47**
- 9. Madison: 6.42**
- 10. Community National Bank: 6.35**
- 11. Strata: 6.16**
- 12. Pensco: 5.9**

**SURVEY METHODOLOGY:** TheWealthAdvisor.Com commissioned an independent survey of its 200,000 registered subscribers in February 2018. The survey was designed to uncover investor preferences and attitudes towards selection of IRA custodians. The findings presented are based on aggregated responses of over 500+ respondents. Specifically, respondents were asked to rank their experiences with each custodian and identify the top three factors for selecting a custodian to work with.

The custodian is passive, non-discretionary, and directed. The level of observation and, if needed, interference with your account will vary from firm to firm, depending on the principals' sense of what it will take to manage their own liability, if for some reason things go wrong. Some firms take a strict "hands off" approach, purely playing an administration role. Other firms will at least passively check to make sure that the investments are on track. This is more onerous for them and some investors are not enthusiastic about having someone watching over their shoulders, but others find it comforting to know that the custodian is on duty.

Investors, therefore, need to find out how much oversight their custodian intends to perform and make a decision about whether they are comfortable with it. Bear in mind that if investors violate certain fundamental rules, the entire IRA may be disallowed, which can trigger substantial tax exposure, fines, and distribution of the account. The best self-directed IRA custodians provide a carefully calibrated level of compliance oversight, keeping investors out of trouble without unnecessarily closing down their options.

# IRA CUSTODIANS RANKINGS FOR 2018



## Delivering as promised

The best self-directed IRA custodians are, paradoxically, the ones you think least about. They're the ones that quietly, competently do their job, on time and without error. Quality of services was the #2 factor that advisors sought in their self-directed IRA. "You want to avoid situations where it's a pain in the neck to get things done," says Daen Wombell, CEO and Co-Founder at Dallas-based wealth management firm NIW Companies Inc.. "If I have poor people in processing or people who keep asking us the same questions again or something that's...I'll call it the administrative pain factor, that turns me off from the

## What kinds of investments can you make in a self-directed IRA?

SDIRAs enable investors to buy and sell a broad range of investments, in addition to publicly traded stocks and bonds, including:

- Real estate
- Private placements
- Precious metals
- Oil & gas partnerships
- Leases
- Joint ventures
- Limited partnerships
- Tax lien certificates

get go." He adds, "Provident processes extremely well. They do the basic stuff that you expect every-body to do but most people don't do it very well."

## The trade-off between cost and efficiency

Self-directed IRAs charge several different types of fees, including a one-time fee, typically \$50 to \$100, to open an account, an annual fee that may range from several hundred to a few thousand dollars and transaction fees for buying and selling assets in the account. These fees can vary substantially from provider to provider, but the cheapest option is not necessarily the best one.

As in all forms of investment, keeping costs to a minimum is important. Still investors should not make decisions based on cost alone says Innovative's Kotyan, but rather balance them against the quality of operations and service. "If you have to spend 20 hours on the phone trying to get one transaction done, there is a cost associated with spending time on the phone," Kotyan adds. "You may be the cheapest person on the block but if I spend 100s of hours just to do one transaction, you are not be the cheapest. We have to balance the actual fees that are charged versus the operational cost."

## Continual innovation

The standard for self-directed custodial services is always moving, and the companies that excel must continually reinvent themselves. Investors should look

## THE CHECKBOOK SDIRA

Most SDIRA custodians offer investors wide leeway about what types of properties and/or businesses they invest in; however, for investors who want more control — and the ability to make very rapid decisions about their IRA holdings, a new option called the “Checkbook IRA” has emerged.

Bradford Dewan explains, “When an IRA owner wants to buy real property, that can be a very time-pressured period. The investor may want to write a check right away, but the custodian’s review and approval process may take two or three days,” he says. Instead, he advises clients to set up a limited liability company within the IRA. “They can then invest in the limited liability company, and as the manager of the LLC when they decide to buy some real property, they can just write a check out of the bank account of the LLC. They don’t have to go through the review process.”

Income from the properties held within the LLC is tax free, but Dewan says that some of his California-based clients chafed at an \$800 per year minimum franchise tax which was still levied on the LLC. To avoid this tax, Dewan structured a business trust, rather than an LLC, within the IRA. Dewan cautions that both the LLC and business trust forms of checkbook bypass custodial compliance, so investors and their advisors will have to be extra careful in making sure they comply with IRS rules.

for partners that have consistently invested in people and technology to enhance the user experience. “Provident, for example, is always building out new services and faster, better electronic processing,” says Wombell. “They will work wherever they see friction points to try to make them smooth.”

“They’re also always looking for new opportunities to bring to your attention to additional ideas and services that might appeal to you,” he adds, a critical skill in an emerging age of big data-enabled investor services. That takes exceptional expertise and experienced personnel. Quality of in-house experts was the fourth most important quality that advisors sought in choosing a self-directed IRA custodian.

### Finding a Self-Directed IRA Custodian

Finding the right custodian can be challenging. The real secret to picking the right partner is patience. Unless you find the right match right away, it’s alright to keep interviewing custodians until your contribution deadline or rollover clock starts ticking down.

When we asked Wealth Advisor readers, three factors sealed the deal:

- Reputation and length of time in the business. Nearly all of the advisors we surveyed cited this as a factor in their decision-making.
- Quality of service based on testimonials and referrals. Well over half cited word-of-mouth recommendations as critical.
- Availability of in-house experts. Just under half of our advisors considered the quality of providers’ staff in making their decisions.

As you’ll see, price is not even an issue at this level. Instead, start with the basic homework, making sure each prospective partner’s regulatory and business profiles are clear of complaints that can’t be addressed to your satisfaction. Management should be able to explain any historical disputes or even grey areas. Be at least as demanding as you would be when interviewing a potential employee to work with your clients face to face.

Ask any prospective custodian if it can handle all of the asset classes you are contemplating. Get concrete examples of how this has worked out in practice. Were there additional fees? Did difficulties arise from a tax or regulatory perspective? How did the company respond to challenges in these areas and put stronger practices in place?

### Operational risk is your responsibility to investigate.

You want a partner with the scale to keep going if things get bad in the markets or if mistakes are made. Check error-and-omissions insurance, FDIC coverage (if applicable) and audit status. You may not need to see the balance sheet, but it’s good to see that someone is giving the books a check-up and certifying the results.

### What retirement investors want

Every time we ask our readers what matters to them when they pick a self-directed IRA custodian to work with, the ability to accept a broad array of assets goes without saying. That’s the cost of doing business with the investor community. From there, four factors weigh



## Self-directed doesn't mean "no rules"

Self-directed IRAs offer investors a very high degree of flexibility and control over their assets – however, there are still some important guidelines to remember.

### ■ **Start with cash**

You can't contribute real assets directly. To move the assets into your self-directed IRA, you need to direct the IRA to purchase them at a fair market price. A good custodian will be familiar with the process of evaluating the assets and smoothing the transaction.

### ■ **No self-dealing.**

You can't use an IRA to make investments that benefit you personally – for instance, you can't move your home or the buildings owned by your business into a self-directed IRA to save on taxes. You also can't invest in a business that you have substantial ownership or control over.

A good self-directed IRA custodian will be able to guide you through these rules and how they work.

### ■ **You can't benefit your family either**

Typically transactions where you buy or sell from family members are prohibited, as is investing in businesses owned or partially owned by relatives.

### ■ **No collectibles**

Vintage cars, art, fine wines, rare coins and first editions are all off-limits in self-directed IRAs, so you'll have to park the 1931 Bugatti in another (taxable) account.

### ■ **Be careful with life insurance**

IRAs specifically prohibit investing in life insurance, however pooled "viatical" products which aggregate multiple policies are sometimes acceptable. If this approach to generating income interests you, make sure your custodian will accept such investment vehicles and that they meet IRS and SEC requirements.

### ■ **Stick to quality**

Self-directed IRAs are a frequent target for fraud, because there is so much money in them and they are so lightly regulated, so investors and their advisors should be particularly careful about any investment that

seems too good to be true. Some custodians will even flag and refuse to accept certain investments in self-directed IRAs if they have reason to believe that fraud may be involved.

### ■ **You'll have to take distributions after age 70 ½**

Just like a regular IRA, a self-directed Traditional IRA has required minimum distribution rules after you reach the age of 70 ½. So it's important remember that you will eventually have to liquidate all or part of the assets you place in your self-directed IRA. Don't invest in assets that you can't sell or don't want to sell at any point in the future.

more strongly than anything else. Reputation is just about everything: nearly all investors want a partner offers proven integrity and significant experience in this business. Many of you also look to your peers for confirmation. You want to receive referrals from trusted colleagues or read testimonials from existing clients. In-house expertise is vital to others, who look to custodians for guidance on the complex rules governing self-directed IRAs.

A substantial proportion of advisors, too, are primarily concerned about fees. Smaller proportions of investors care strongly about how big their custodian is, as measured by assets under management, or where it is located.

Provident Trust Group has consistently met and exceeded client expectations in all these important areas. The Provident platform can accommodate a broad range of non-traditional assets, including real estate, mortgage notes, precious metals, limited liability companies, and private stock.

**THE SURVEY FOUND THAT ADVISORS LOOKED FOR THESE QUALITIES IN THEIR IRA CUSTODIANS.**

- 1. Reputation and length of time in business**
- 2. Quality of services based on testimonials/referrals**
- 3. Lowest priced services compared to competitors**
- 4. Availability of in-house experts**
- 5. Location**

The firm specializes as a self-directed administrator and passive custodian, supported by a team of tax attorneys and highly qualified professionals; its in-house staff provides exceptional expertise to clients. Provident does not sell proprietary products and is not affiliated with any bank or financial institution. Instead, its professionals focus on delivering personalized, timely service that assists clients in reaching their financial goals.

Provident Trust Group also is well-recognized for delivering the right kind of oversight – the kind that keeps investors out of trouble without limiting their options. Retirement investors have access to clear and concise information that helps them make well-informed decisions. They can rely on Provident's skill at handling all the administrative details to assure them that every reporting detail is covered and completed on time.

Self-directed IRAs offer investors an exciting opportunity to move beyond traditional retirement assets like stocks and bonds into more specialized investments that meet their needs for return, risk management and income. Provident Trust Group can help them make the most of this opportunity, with seasoned expertise, broad capabilities, and a commitment to service.

	<b>Provident Trust Group</b>	<b>Preferred Trust Company</b>	<b>Millennium Trust Company</b>	<b>Madison Trust Company</b>
	8880 W. Sunset Rd., Suite 250 Las Vegas, NV 89148 trustprovident.com/	2140 E. Pebble Road, Suite 140 Las Vegas, NV 89123 www.preferred trustcompany.com	2001 Spring Road, Suite 700 Oak Brook, IL 60523 www.mtrustcompany. com	401 East 8th Street, Suite 200P Sioux Falls, SD 57103 www.madisontrust.com/
<b>HIGHLIGHTS</b>				
<b>New Business Contact</b>	James Heiden Sales & Marketing Director 888-855-9856 james@trustprovident.com	Carrie Cook, CEO 702.998.5881 ccook@ptcemail.com	Tom Daley Director of Custody Services 630-368-6507 tdaley@mtrustcompany.com	Charles Knopf VP, Business Development (845) 947-1000 x 339 cknopf@madisontrust.com
<b>Is your company a trust company?</b>	Yes	Yes	Yes	Yes
<b>Total Assets Under Administration</b>	\$4 billion	\$275 million	\$23.3 billion (as of 6/30/17)	Over \$700 million
<b>Number of IRA custodian accounts</b>	30,000	3,500	600,000 (as of 6/30/17)	Over 3500
<b>Fee range</b>	\$395	\$300+	\$75+	\$196+
<b>Phone support</b>	Yes	Yes	Yes	Yes
<b>Number of employees</b>	63	15	300	15
<b>Support qualified plans?</b>	Yes	Yes	Yes	No
<b>Quality of Website</b>	Excellent	Very Good	Excellent	Very good



	<b>Community National Bank</b>	<b>GoldStar Trust Company</b>	<b>IRA Services Trust Company</b>	<b>Kingdom Trust Company</b>
	225 Main Street, Seneca, KS 66538 www.cnbservice.net	1401 4th Avenue Canyon, TX 79015 www.goldstartrust.com/	1160 Industrial Rd, Ste 1 San Carlos, CA 94070 www.iraservices.com/	PO Box 870 Murray, KY 42071 www.KingdomTrust.com/
<b>HIGHLIGHTS</b>				
<b>New Business Contact</b>	Michelle Thomas, Marketing Coordinator 800-680-0340 ext 6927 mthomas@communitynationalbank.net	Tanya Cowgill VP Sales 214-383-5704 tcowgill@goldstartrust.com	Michael McNair, Trust Officer 800-248-8447 Michael.mcnair@IRAServices.com	Tara Bogard Business Development Officer 888-753-6972 TBogard@KingdomTrust.com
<b>Is your company a trust company?</b>	No – We are a National Bank	Yes	Yes	Yes
<b>Total Assets Under Administration</b>	Over \$3 billion	\$1.8 billion	\$4 billion	\$12 billion
<b>Number of IRA custodian accounts</b>	40,000	37,856	125,000	100,000
<b>Fee range</b>	\$75+	\$65+	\$96+	\$75+
<b>Phone support</b>	Yes	Yes	Yes	Yes
<b>Number of employees</b>	30	55	NA	50
<b>Support qualified plans?</b>	No	Yes	Yes	Yes
<b>Quality of Website</b>	Excellent	Excellent	Excellent	Excellent

	<b>Equity Trust Company</b>	<b>STRATA Trust Company</b> (formerly known as Self Directed IRA Services, Inc.)	<b>PENSCO Trust Company</b>	<b>Mainstar Trust</b> (formerly First Trust Company of Onaga)
	1 Equity Way Westlake, OH 44145 www.trustetc.com	7901 Woodway Drive, Suite 200 Waco, Texas 76712 www.StrataTrust.com	275 Battery St., Suite 1220 San Francisco, CA 94111 www.pensco.com	214 W. 9th Street Onaga, KS 66521 www.mainstartrust.com/
<b>HIGHLIGHTS</b>				
<b>New Business Contact</b>	Kent Kinzer National Business Development Manager 888-382-4727 ext. 7330	Kelli Click, President 254-750-1001 Kelli.Click@StrataTrust.com	Business Development East: Bill Papp bill.papp@pensco.com, 303.658.3705 West: Matt Holscher matt.holscher@pensco.com 415-248-1466	Marleen Holthaus, VP Marleen.Holthaus@ MainstarTrust.com 1-800-521-9897 Tom Schmidt, Business Development Tom.Schmidt@MainstarTrust.com 1-800-521-9897
<b>Is your company a trust company?</b>	Yes	Yes	Yes	Yes
<b>Total Assets Under Administration</b>	Over \$30 billion	\$1.6+ billion	\$15+ billion	\$9.7 billion
<b>Number of IRA custodian accounts</b>	Nearly 300,000	32,000+	50,000	120,000
<b>Fee range</b>	\$205+	\$75-\$300	\$200+	\$95-125 plus transaction fees
<b>Phone support</b>	Yes	Yes	Yes	Yes
<b>Number of employees</b>	350	40+	180	44
<b>Support qualified plans?</b>	Yes	Yes	Yes	Yes
<b>Quality of Website</b>	Excellent	Not yet.	Excellent	Very Good



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