

Finding an IRA Custodian/Trustee

One of the most difficult, yet important, tasks an investor faces when looking to participate in the self-directed industry is finding the right IRA Custodian. An IRA Custodian works as the bank and is highly regulated by the IRS, state and federal banking commissions and has to meet stringent federal requirements in order to keep their good standing. In most cases, your custodian or trustee will also serve as your administrator for the retirement account. The question is how do you find them and how do you know who to work with? A Retirement Account Facilitator, like Guidant, works with most custodians nationwide and can help you better understand which one is right for you.

There are very few non-traditional IRA custodians simply because the business is not as profitable as it is for the brokerage houses. It also requires many more “man hours” to complete a real estate purchase. This is why the fees that non-traditional custodians charge seem so high. Because their systems, for the most part, cannot be automated, they have to charge you asset fees just for having the account and then transactional fees every time you make an investment. This is not unlike fees charged by high-end brokerages (commissions for trades).

Traditional brokerage houses don’t compete because it doesn’t fit within their business objectives. They make money by leveraging your money. A bank will charge you very little to administer your IRA (which can only buy securities) because they will take those deposits and lend them to someone else for a car loan, home equity line of credit and so on. You get less than a 1% return in your checking account—they get 5% to 20% for lending it to another party.

In the self-directed industry you get what you pay for. Unfortunately, if you buy cheaply -- you will likely buy twice. Because the IRA Custodians who allow non-traditional asset participation cannot implement as much electronic atomization, their fees are quite costly. The relationship between you and your custodian is much like that of a parent-child relationship where, if you find an investment, you have to go back to them for permission. The custodian’s ability to react and service your request in a timely manner is crucial to your success with a “traditional” self-directed retirement account. The custodians who have the capacity to provide great service can be very expensive.

Assuming you found a home that you viewed as an ideal real estate investment, you would have a realtor write up a purchase and sale agreement for the property. The purchase would need to be written up as being purchased by your retirement account. You would then have to download or request a non-publicly traded asset investment authorization form and fill it out. From there you’ll need to fax the purchase and sale, with the authorization form and all escrow wiring instructions and contact info to your custodian for their review. There may be a fee for this review (varying from a flat rate to upwards of \$100 per hour) and there will be a fee for the custodian to wire the earnest money to escrow. The time in which that money gets to escrow depends on the custodian, how long it takes them to review the purchase, fill out the necessary documents and whether or not you paid an expedite fee. The closing agent (escrow or attorney) will forward the appropriate documents to your custodian to sign and fund the purchase of the home. There is a fee involved for a notary, additional wiring fees, recording fees, safekeeping and more. Once a purchase is recorded and funded—the deed will need to be forwarded to your custodian for safe keeping. **Guidant can help you eliminate transactional fees for your investments.**