

What are the differences between an IRA Custodians, Administrator, and Promoter?

To invest in alternative assets such as real estate or private equity with your retirement savings, you need a self-directed IRA. The IRS states that this must be through a passive 3rd party. Many investors choose a custodian for the added protections this oversight brings. [Google – “IRS Publication 590” for more information]

However, there are many financial institutions out there that hold alternative investments in IRAs, not all of which are custodians. It's important to differentiate between these types of companies, since they're not all regulated the same (if at all). It's important to choose the right company— one that will help you meet your retirement goals.

[To speak with IRA Custodians that Central Ohio Real Estate Investment LLC has worked with in the past Click Here](#)

Here are the basics differences between types of companies that provide self-directed IRA services:

IRA Providers & Administrators

- Usually NOT custodians— these companies rely on a custodian (a separate entity) to conduct business.
- Not directly regulated by state and federal law, they act as a third-party administrator for your account.
- May be backed by an outside custodian who they operate under or have a contract with.

IRA Promoters

- Usually offers a product such as an LLC to hold your investment.
- May or may not be custodians, but typically works with one.
- Most act as a third-party investment provider, referring business to one or many custodians.

IRA Custodians:

- Are regulated directly by state and federal law.
- Hold the title of the assets and investments in your IRA directly.
- Must comply with IRS requirements, and are directly overseen and regularly audited by the regulating state.

About Self Directed IRA Custodians

A company must apply to become a **self-directed IRA custodian**. They must demonstrate certain requirements and meet certain legal and IRS regulations before approval. This is a complex process. The company must meet strict standards and provide a capital pledge, insurance to cover liabilities, a fidelity bond, and other stringent qualifications. When the company and its leaders have demonstrated they are capable to perform custodian duties as outlined by the law, then it receives a Charter and Certificate of Authority from the state in which it applied.

Trust companies are audited regularly and held to specific guidelines based on written policies and procedures. During these reviews, auditors do a thorough examination of the books, records, funds, and IRA investments held by the company. They want to make sure that everything is being done correctly. Auditors will specifically be looking for any prohibited transactions (transactions involving disqualified persons or asset-types), as this falls afoul of IRS regulations.

Custodians Come in All Types and Sizes, But Choose Wisely

Not all *SDIRA custodians* are the same or provide the same services, but they all are regulated similarly by federal and state law.

It is important to determine the type of company you want to work with, based on your *investment strategy* or asset class you are investing in. Are you looking for a one-stop shop? If so, perhaps a large company with many types of services would be ideal. But beware, don't get stuck with a company that is a jack of all trades, master of none.

When choosing a self-directed IRA custodian, here's what to look for:

Fees

Overlooked fees can have a huge impact on *IRA accounts*. Retirement plan fees are the biggest drain on retirement funds, keeping your hard-saved money from growing like it should. Learn how custodians charge and compare to understand transaction fees and schedules. As your *investments* grow, you shouldn't have to pay more

Industry Knowledge

Clear communication is very important, especially when it comes to your retirement. If you have a time-sensitive question, you want to make sure you can get ahold of the staff. — and when you do, they know what they're talking about

Servicing Times

Servicing times are very important. Timing can make or break an investment deal. You can end up paying late fees if your bills aren't paid on time. You want the **SDIRA custodian** you chose to make things easier for you, not harder.

To learn about a company's customer service, servicing times, or communication style, pay attention to the signs. Did someone call you back in a timely manner? Did you get tossed around from one person to the next? Ask how long it takes to process your transaction. Asking these types of questions can save you major headaches when trying to get the basics handled down the line.

Now that you know what are the differences between an IRA Custodian, Administrator, and Promoter; you should be able to make a educated decision on which is best for you.

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