

Do I need a custodian for a self-directed IRA?

An individual retirement account is a trust or custodial account, set up in the United States for the exclusive benefit of you or your beneficiaries. All IRAs must be held by a custodial entity such as a bank, credit union, trust company, or an entity that is licensed and regulated by the IRS as a “non-bank custodian. The trustee or custodian must be a bank, a federally insured credit union, a savings and loan association, or an entity approved by the IRS to act as trustee or custodian.

These are the rules or stipulations set up by the Internal Revenue Service – IRS in publication 590a, page 7 – paragraph titled “Individual Retirement Account”. [you should be able to Google it and find the publication pretty easy]

Self-directed IRA account custodians maintain a fiduciary responsibility to the investor or owner of the IRA account. They must hold and secure the assets in your account, whatever the assets are, and operate the account in your best interest and under your direction.

Custodians of self-directed IRAs have 5 responsibilities to the SDIRA investor. They are listed below.

Fiduciary Responsibility

The IRA custodian maintains a fiduciary responsibility to the investor or owner of the IRA account. It must hold and secure the assets in your account, whatever they are, and operate the account in your best interest. It must also not buy or sell investments without your permission, and must hold your account assets separately from its own assets.

This is a task you and your trusted advisor should do some homework on. You are putting your retirement money in the hands of the custodian. That maybe scary to you, and a fact that you can't get over. Let me please, if I may ask one question. What are you doing with your 401k or Your financial planner?

Finding a custodian for a self-directed IRA is a process of researching and interviewing; to find a custodian that you would like to work with.

Central Ohio Real Estate Investment LLC has worked with the following companies in the past, but will work with any custodian that meets the IRS guidelines. [Click Here](#) for the list of companies.

[Schedule a 15min question and answer talk with a licensed Investment Realtor CLICK HERE](#)

Record Keeping and Reporting

The IRA custodian must maintain records of the correct balances and all deposits and withdrawals, as well as all of the dividends and gains on the account. All losses to the IRA account must be carefully documented as well. In addition, it must report this information regularly to the owner of the IRA account.

Accept Allowed Contributions

The custodian must only accept the allowed amount of yearly contributions for the IRA account. At the time of publication, the maximum that you can contribute to an IRA account is \$5,000 per year, or \$6,000 per year if you are over age 50. Receiving more than what is allowed as a contribution could cause the IRS to disqualify the IRA, and it could lose its tax-advantaged status. This does not apply if you are rolling over a traditional IRA to a self-directed IRA account and it is a direct transfer. In most cases you do not want to receive benefit or the control of the asset yourself; due to tax reasons. I have written an article titled "Can I move my IRA to a self-directed IRA?" [It was sent by email 2 days ago]. To get a better understanding please feel free to read it.

Investment Gain

The custodian of an IRA account is not responsible for investment gains. Investing money into any investment. The self-directed IRA custodian is required to hold a government-insured account that places money at risk for loss of value. The custodian needs to act reasonably and prudently on all investment requests. Custodians do not guarantee that the investments will increase in value. The custodian is not responsible for evaluating the quality or legitimacy of any investment, or that of the people promoting a particular investment. A good professional custodian of a self-directed IRA account is there to act on your behalf; and to insure your investments are within the IRS guidelines of IRA accounts.

Self-Directed IRA

The custodian in a self-directed IRA has a responsibility to invest in non-traditional investments that the account owner may choose. Examples of these investments include real estate or precious metals, as well as investments in small, private start-up firms, stocks, bonds, mutual funds. It also has a responsibility not to conduct prohibited transactions, such as investing in collectibles.

Self-directed IRA custodians do charge fees and the fees are different depending on what type of services a custodian offers and what you need. This is where research comes in and the phone interviews with the self-directed IRA custodians.

Central Ohio Investment Real Estate Investment LLC is happy to help with the custodian hiring process. Arrange a time with your trusted advisor and yourself; to talk with custodians that our clients have worked with in the past.

[Click Here](#) we have worked with the following self-directed IRA custodians.