

WHY A SELF-DIRECTED IRA MIGHT NOT BE FOR YOU



Self-Directed IRAs (SDIRAs) are a great way to invest in your retirement—that said, they're not for everyone. Read on to evaluate whether a Self-Directed IRA is the right choice for you.



SDIRAs may not be for you if:

You're brand new to investing

Self-Directed IRAs are not for entry level investors. Despite the numerous perks of self direction, the complexity innate to SDIRAs is likely to overwhelm anyone lacking investment experience. SDIRAs require investment not only in the way of capital, but of skills and time as well—investors who aren't prepared to provide them will likely walk away frustrated.

Your funds are minimal

If your funds are very limited it's unlikely that you'll be able to take full advantage of all that a SDIRA offers. Certain investments (like real estate) require more capital initially, and since one of the greatest advantages of SDIRAs is diversification, you will most likely want to invest in more than one asset.

You're looking for a set it and forget it investment

If your goal is to be a passive investor, a Self-Directed IRA is the opposite of what you want. Managing a Self-Directed IRA requires active engagement with the investment process, and continuous research (see [Due Diligence](#)) to boot. Unlike other retirement fund providers that select investments for you, SDIRA custodians do little if anything without an account-holder's direction. The SDIRA provider's functions are limited primarily to executing approved transactions, tax reporting, and recordkeeping—everything else is up to the account holder.

You're not in it for the long haul

Investors looking to invest in assets they can unload quickly may want to avoid alternative investments. While liquidity varies from asset class to asset class, very few alternative assets are ones you could unload over your lunch break.

You're fairly conservative

As a concept, “the higher the risk, the higher the reward” applies to Self-Directed IRAs. SDIRAs might provide you with greater returns, but if taking on some additional risk makes you uncomfortable, you'll be better served sticking with the stock market.



SDIRAs might be for you if:

You're an adventurous, experienced investor

Are you an active investor with years of experience who genuinely enjoys the investment process? Welcome to your new playground. What separates a Self-Directed IRA from other retirement accounts is access and control—and as a person with a SDIRA, yours are unlimited.

You're all about diversification

You can expand your portfolio beyond the traditional stocks, bonds and mutual funds and embrace true **diversification** by investing in a variety of alternative assets.

You have applicable expertise

Invest in what you know. If you have expertise in an area such as real estate, startups, or digital currency, you can capitalize on that knowledge by investing in those assets with your SDIRA.

You want higher returns

Savvy investors can potentially increase the value of their portfolios at a much higher rate of return than the stock market by investing in alternative assets if they're willing to take on some additive risk.

Curious to learn more about Self-Directed IRAs?

Check out our **[SDIRA Basics Guide](#)**.