

Help Your Clients Diversify Their Portfolio with Alternative Assets

by John Paul Ruiz, Director of Professional Development at The Entrust Group

There are 78 million Baby Boomers who are approaching retirement age, and an estimated 6,000–10,000 are turning 60 every year. These individuals, who were born between 1946 and 1964, accumulated wealth in their employer retirement plans and Individual Retirement Accounts (IRAs) during the course of their lifetime, primarily by investing in the stock markets. Consumer appetite for the traditional way of investing, however, is changing as alternatives to the securities market become more readily available. While it is not advisable to exit the securities market completely, advisers would be well served to have access to these alternatives, so they can better serve clients who have shown an interest diversifying their investment portfolios beyond securities and fixed-income options.

Real estate is one of the alternatives that has become so accessible that it can almost be called mainstream. For most, investing in real estate has primarily been realized by an investment in their own home. It is a familiar investment, and something that many can wrap their arms around and understand. Now, these homeowners are looking to broaden their investment to more commercial types of real estate. Real estate has the advantages of being a hedge against inflation, while also providing income (i.e., rents) and the possibility of appreciation. In addition, real estate, by its very nature, practically guarantees that the investment will never completely disappear the way a stock or bond might.

Although securities have historically been the bedrock of retirement plan portfolios, these plans are not limited to investments in the stock market. Investing in real estate, especially for those investors who are knowledgeable in this space, is an excellent way to diversify retirement plan assets.

Looking at holding real estate in their retirement accounts may be prudent for those looking for additional investment options. Investing in single-family homes, multifamily homes, commercial property, notes, mortgages, REITs and other real estate-related investments are common options.

Investors who want to add real estate, however, often run into a logistics problem. Most financial advisers have not looked at this path of investing for their clients because it is unfamiliar ground. Others do not have the relationship with

providers who offer such a platform. However, there is an open architecture model of investing retirement plan assets that solves these problems, and that is through self-direction.

The rules for a self-directed account are similar to any other retirement account. For example, assets must be held under custody to keep the tax-deferred status. A self-directed IRA administrator, such as The Entrust Group, provides the documentation service required to establish the retirement account and custody service for the investments, as well as the infrastructure of knowledgeable staff to facilitate transactions. The rest is up to the investor and their adviser. The self-directed IRA provider does not provide investments but instead provides investors the opportunity to invest and hold a broader ocean of investments typically not available with traditional retirement providers.

As a self-directed IRA provider, Entrust has invested in technology to create robust online capabilities to make investing easier. The most recent initiative was the launch of a B2B Portal, an online platform for advisers to manage their client's account(s). This service is free for the adviser and requires a simple registration. Via this portal, advisers can invite their clients to open a self-directed IRA, fund their account to invest in specific investment opportunities, e-sign investment agreements and more. All of this is in one place and fully automated. Entrust has also integrated its portal with wealth management platforms, providing a holistic view of a client's portfolio. Retirement plan education for investors and their advisers is also another focus Entrust takes pride in. Entrust creates white papers, reports, webinars, blog articles and more to make sure investors have all the educational tools they need to successfully self-direct their retirement account and maintain its tax-deferred status.

While self-directed IRA providers do not provide tax or legal advice, a financial adviser can be the quarterback that can assemble the team and help the investor properly navigate through the new world of investing.



The Entrust Group

For over 36 years, The Entrust Group has provided account administration services for self-directed retirement and tax-advantaged plans. Entrust can assist you in purchasing alternative investments with your retirement funds, and administer the buying and selling of assets that are typically unavailable through banks and brokerage firms. These assets include residential and commercial real estate, secured and unsecured notes, limited liability corporations, precious metals, mortgages and more.

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