



# 2022 SELF-DIRECTED IRA INVESTOR SURVEY REPORT

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diversify real private capital  
investment ira  
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control ability alternative directed

## INTRODUCTION

Market conditions can change on a dime – and they certainly have, repeatedly, in recent years and months. As we launched our second annual survey of self-directed IRA (SDIRA) investors, public stock and bond markets were both tumbling south, while commodities surged and alternative strategies tried to navigate the shifting conditions. It was a particularly interesting time to capture the thoughts of our SDIRA investors.

With over 1,400 responses, this survey data offers a unique snapshot of the viewpoints of SDIRA investors. They are using SDIRAs in customized ways to suit their own investment goals and taking advantage of the account’s flexibility to diversify their exposures as they see fit.

In this report, we delve into investor outlooks for the current economic environment, paint a portrait of the “typical” SDIRA investor, and discover meaningful trends on particular investment topics like alternative investments (alts) and ESG (environmental, sustainable, and governance investments). We also discuss the retirement readiness of SDIRA investors, which we found – unsurprisingly – to be far above the average American household. We hope you enjoy these insights.



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# THE ECONOMY AND INVESTMENT STRATEGIES

The economic outlook is top of mind for anyone these days. With higher inflation blazing through since mid-2021, the public markets have seen an uncommon scenario where both stocks and bonds have struggled in tandem. As the Federal Reserve Bank turned hawkish and the possibility of recession shot higher, market conditions have been ruled by volatility in 2022. It's not lost on the SDIRA investors we surveyed.

We asked investors how they would adjust their overall investment strategy if conditions become more volatile (Figure 1). More than half said they would make changes, but they



My SDIRA allows:

1. Flexibility of alternative investments;
2. Ability to diversify retirement assets;
3. Greatly reduced asset price volatility;
4. Significantly higher investment returns or equivalent risk compared to public securities;
5. Predictable, stable yields vs public dividends.

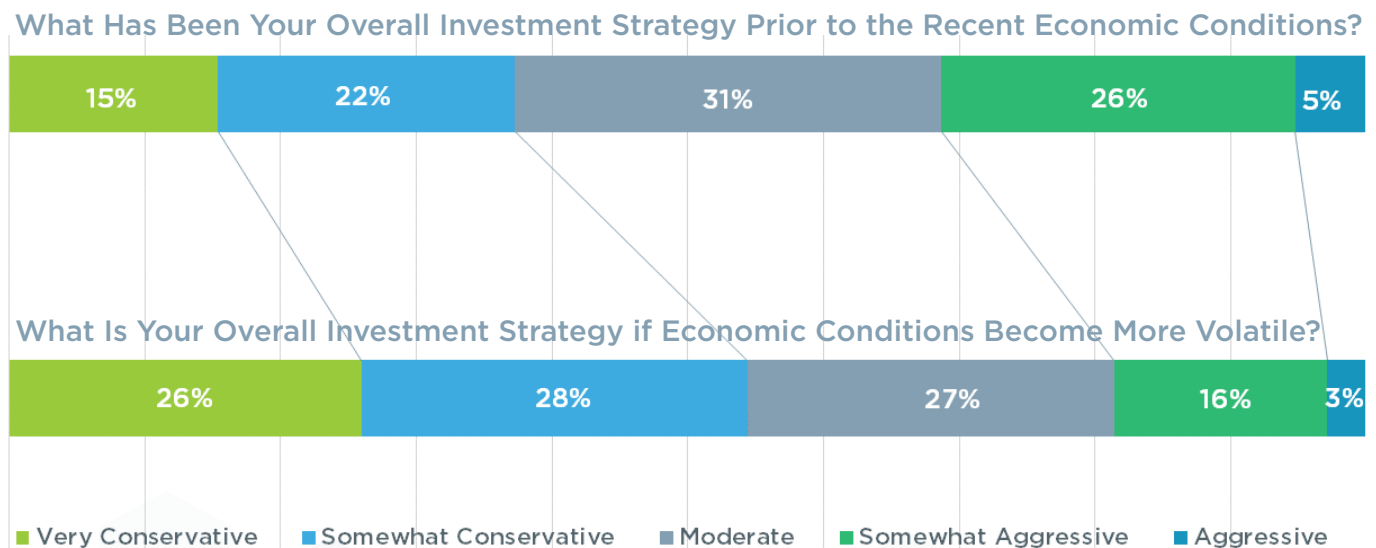
-STRATA survey respondent comments



wouldn't all make the same change. Four in 10 investors said they would tweak their investments to be more conservative, while one in 10 actually said they would reposition more aggressively.

## Investors Would Trend Conservative, If Volatility Escalates

Figure 1:



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Indeed, the economic backdrop is the single biggest factor for how investors make investment strategy decisions. 75% of SDIRA investors said that economic conditions very much or somewhat influence their portfolio decisions (Figure 2). With the specter of recession hanging over investors at the time of the survey, SDIRA investors were clearly focused on the rapidly changing outlook for the economy.

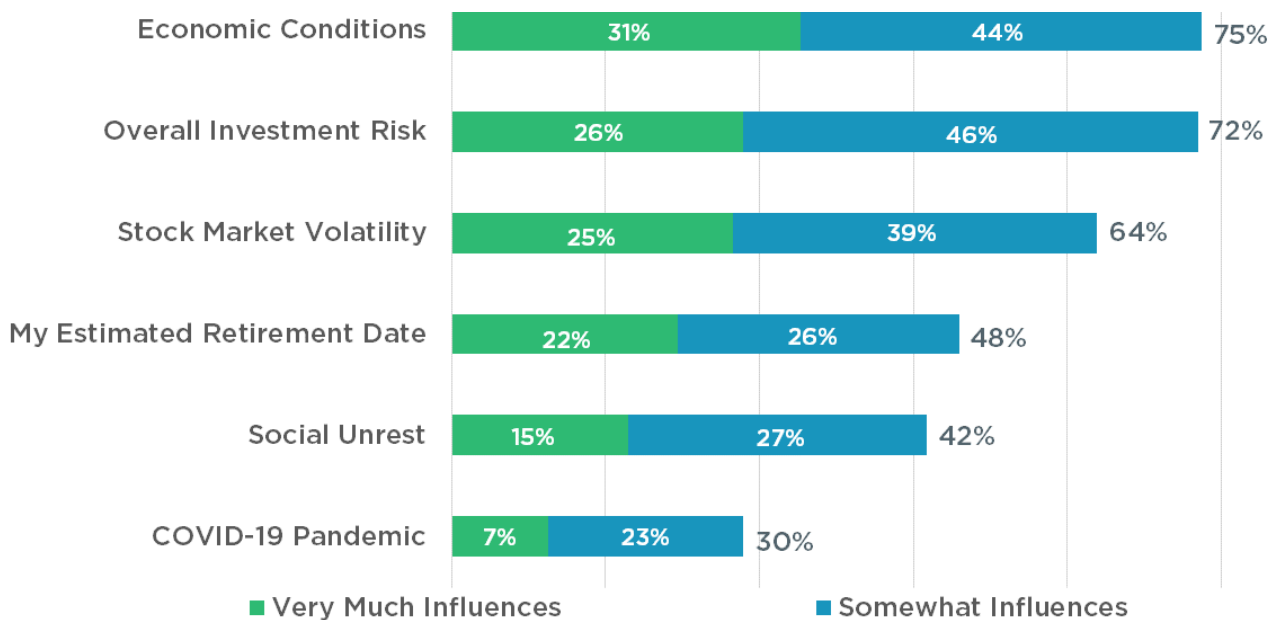
Almost as many SDIRA investors cited “overall investment risk” as an influential factor for their portfolios, with 72% saying investment risk was very or somewhat influential. One of the most

common themes we heard from investors is that their SDIRA allows them to implement more diversification in their overall investment strategy. Diversification is one of the most powerful tools for mitigating portfolio risks, as SDIRA investors clearly understand. SDIRAs offer investors the flexibility to select higher-risk holdings or to add more conservative holdings - whatever they feel will round out their larger investment exposure.

Stock market volatility is also a factor for many, ranking third on SDIRA investors’ list. 64% agreed that volatility was relevant to their decisions. Volatility, as measured by the

### # 1 Factor for Portfolios: Economic Conditions

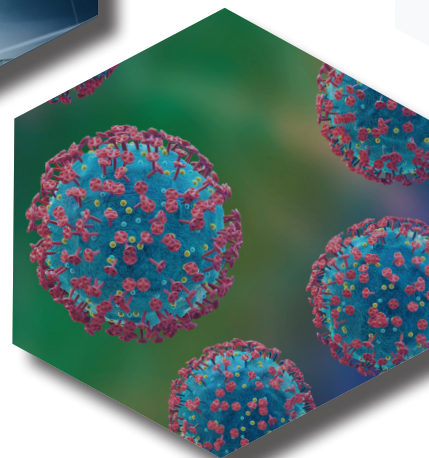
Figure 2: How Much Do These Factors Influence Your SDIRA Portfolio?



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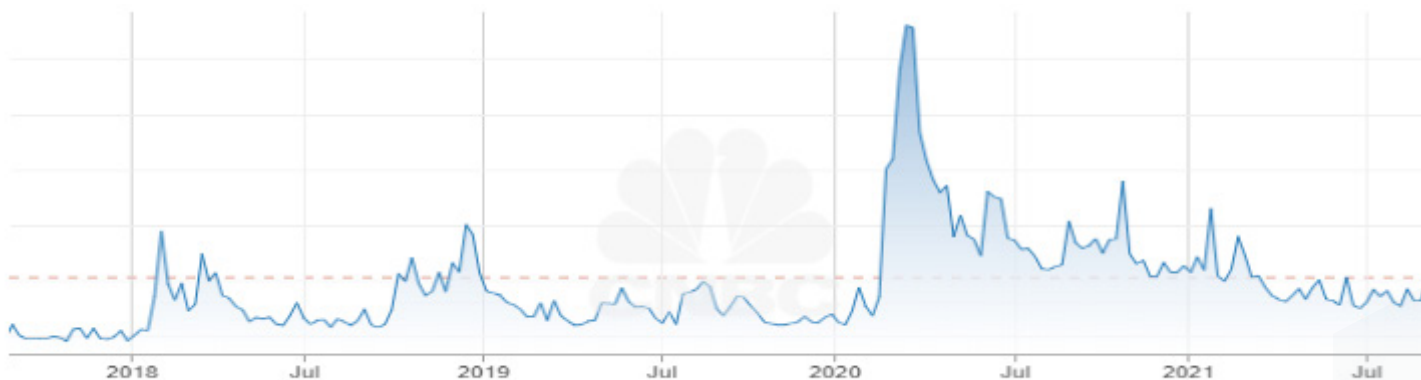
Chicago Board Options Exchange Volatility Index (the “VIX”), surged when the COVID-19 pandemic hit and has never really settled back to pre-pandemic levels since.<sup>1</sup> In fact, the VIX in Figure 3 outlines how it has been inching persistently higher since inflationary trends took hold.

In the quarters ahead, volatility could continue to loom over markets, as uncertainties related to the economy, monetary policy, geopolitical risks, and corporate performance dominate headlines.



### Stock Market Volatility Persists

Figure 3: VIX



In fourth place, 48% of investors surveyed said that their retirement date was a factor for SDIRA investment decisions. Along with investment risk, time horizon is a fundamental input to allocation choices, as SDIRA investors know.

Meanwhile, about four in 10 investors said that social unrest was a relevant factor for their

decisions, while only three in 10 cite the COVID-19 pandemic as a relevant factor today.



*My SDIRA has allowed me to diversify my IRA retirement savings (the majority of which was originally in a corporate based 401k) away from the volatility of the stock market.*

*-STRATA survey respondent comments*



<sup>1</sup>CNBC. (n.d.). *CBOE Volatility Index*. Retrieved August 19, 2022, from CBOE Volatility Index



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## HOW INVESTORS TYPICALLY USE SDIRAS

What does a typical SDIRA investor look like? We surveyed investors on how they use their SDIRA to construct a portrait of the typical investor.

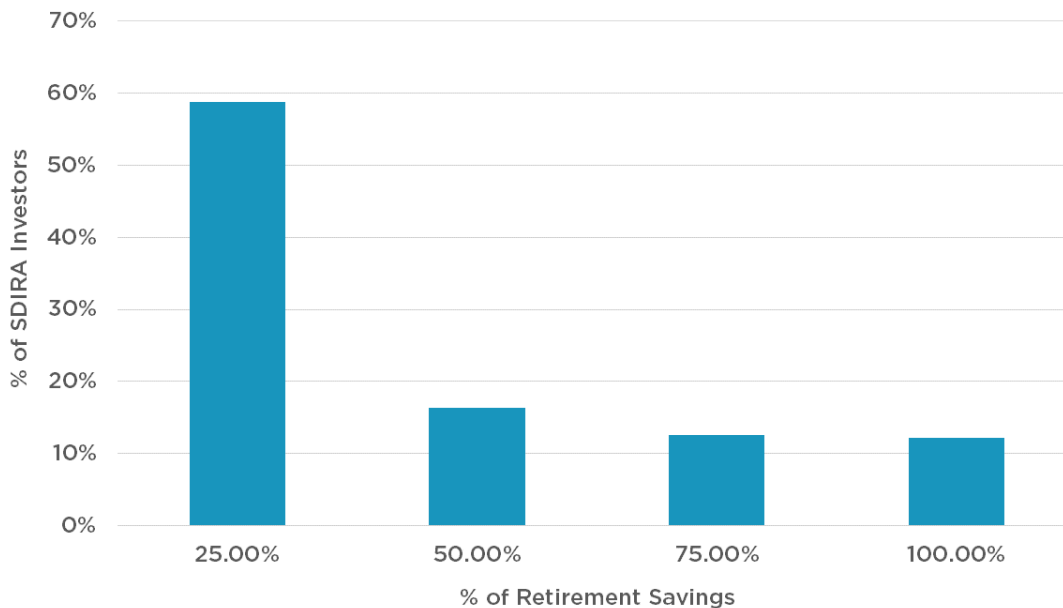
In terms of experience, many SDIRA investors have been managing their accounts for quite some time; 44% of survey respondents said they had been self-directing their IRA for five years or more, with quite a few reporting over a decade of experience. About 41% of investors

had between two and five years of experience, while 15% reported one year or less.

In terms of asset location (as opposed to asset allocation), self-directed IRAs are most frequently used for just a portion of investors' retirement. 10% said they keep all of their retirement assets in their SDIRA; the majority said they keep about a quarter of their retirement savings there (Figure 4). According to the Federal Reserve Board's 2021 annual survey of households, about 55% of non-retiree households say they have a workplace-defined contribution plan, such as a 401(k) or similar.<sup>2</sup> For many investors, an SDIRA is a supplement to their workplace savings plan.

### Most SDIRA Investors Hold 25% of Retirement Savings in an SDIRA

Figure 4: How Much of Your Retirement Savings Is in a SDIRA?



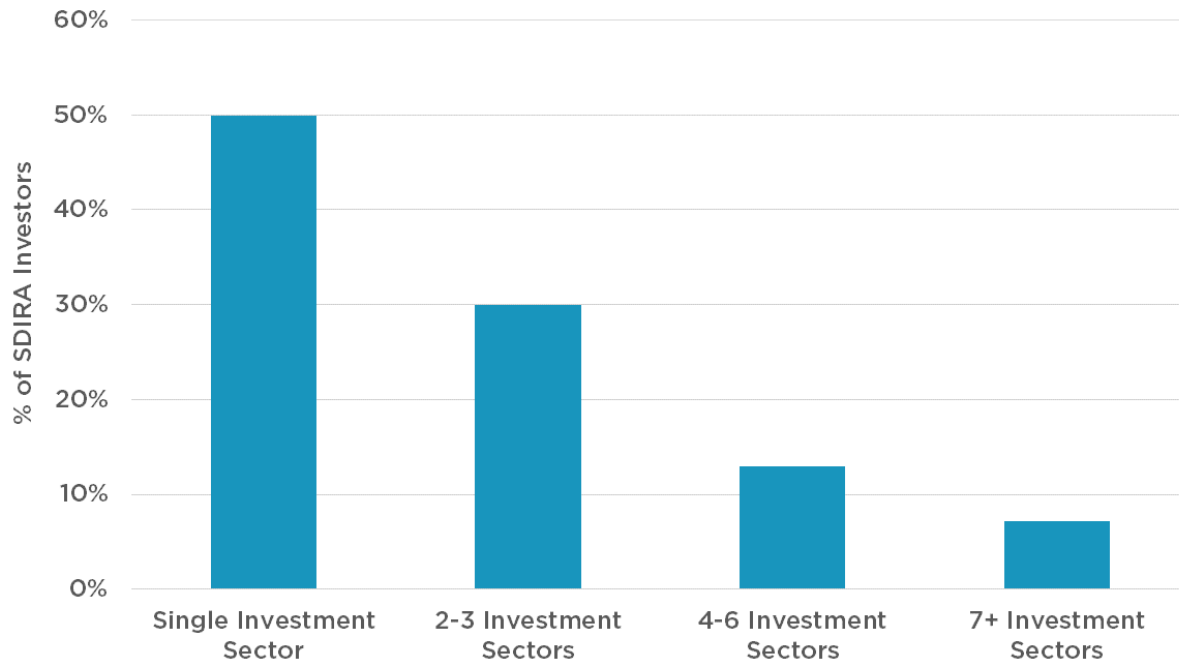
<sup>2</sup>Board of Governors of the Federal Reserve System (May 2022). *Economic Well-Being of U.S. Households in 2021*. Retrieved from <https://www.federalreserve.gov/publications/files/2021-report-economic-well-being-us-households-202205.pdf>.



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## Half of Investors Use SDIRA for Holdings in 1 Sector

Figure 5: How Diversified Is Your SDIRA?



Within their accounts, about half of SDIRA investors have exposure to just one sector (Figure 5). In this survey, we defined sector in terms of asset type - commodities, real estate, private equity or debt, etc. In their comments, many investors noted that they use their self-directed IRA for a specific investment - real estate or private equity, for instance - that they are not able to hold in other traditional investment accounts.

Still, quite a few investors keep multiple holdings in their accounts. 30% say they have holdings in two or three investment sectors, while about a fifth of SDIRA investors have four or more different holdings in their accounts.

Commodities, private equity, and real estate are the most commonly held investments for the SDIRA investors we surveyed. About four in 10 say commodities (including physical holdings like precious metals) are their top holding, with another three in 10 pointing to private equity as their primary holding, including venture capital and startup investing. Another 14% cited real estate as their primary holding, including both directly-held and REIT/LLC/LP structures. Public investments, including public stocks, are the primary holding for about 6% of investors, while private debt is the top holding for 4%. Another 5% say they primarily hold other investments that did not fall into any of the main categories.



We did also ask investors what sector they will primarily hold in the year ahead, and we compared the data to what they currently say they hold, to see trendlines in asset class interest (Figure 6).

### WHAT IS A COMMODITY?

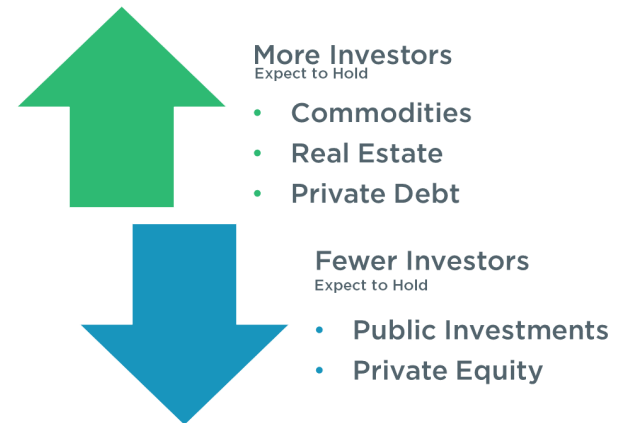
Commodities are resources that typically get consumed and usually refers to the “raw material” used to produce other goods and services. These investments can be physically-held and/or bought, sold, and traded through futures contracts. Some examples include:

- » Hard commodities such as energy (oil and natural gases) and metal products (gold, silver, and many other precious metals).
- » Soft commodities typically are agriculture related, like crops and livestock.
- » Financial products have recently been added to this list and currently involve foreign currencies and indexes.

More investors say they will hold commodities in the next year. Real estate is another area of higher interest, although investors were split within the category - they showed more interest in direct real estate holdings, but less interest in REITs, LPs, and other syndicate forms. More investors say they’ll hold private debt, especially commercial/consumer finance/ small business lending investments.

### What Investors Expect to Hold in the Next 12-24 Months, Compared to What They Hold Currently

Figure 6: Anticipated Changes In the Next 12-24 Months:



On the other hand, fewer investors say they’ll primarily hold public investments, including public stock. Interest in private equity is also down generally, including venture capital, startups, and other tech investments. However, investors do show more interest in data/ artificial intelligence and food and agriculture investments, within the private equity category.

“ *My SDIRA allows a “hands-on” aspect, so I can invest based on my personal economic outlook.* ”

*-STRATA survey respondent comments*



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## SPOTLIGHT TREND

### REAL ESTATE PREFERENCES AMONG INVESTORS

We asked investors about their expectations for real estate over the coming months to see how they might adjust allocations. Real estate has been especially dynamic in the COVID and post-COVID eras. U.S. home prices rose almost 20% in 2021, according to the S&P/Case-Shiller U.S. National Home Price Index, as demand for real estate swelled while interest rates remained low.<sup>3</sup> Public equity REITs rose even more, with the MSCI REIT Index returning 43% for the calendar year.<sup>4</sup> Dynamics shifted in 2022 amid the changing interest rate outlook. Home prices climbed another 9% through May as buyer demand softened but did not stall out; meanwhile, the MSCI REIT Index was down more than 13%, as of July 2022.

SDIRA investors indicated their outlooks by subsector in the survey. In directly-held real estate, about 48% of investors say they hold residential property, and the outlook was steady for the next next 12-24 months (Figure 7). A fifth currently hold commercial property, also with a steady outlook.



*My SDIRA allows me to diversify my investments into real estate where I will be able to have monthly income in retirement years while maintaining the original investment.*

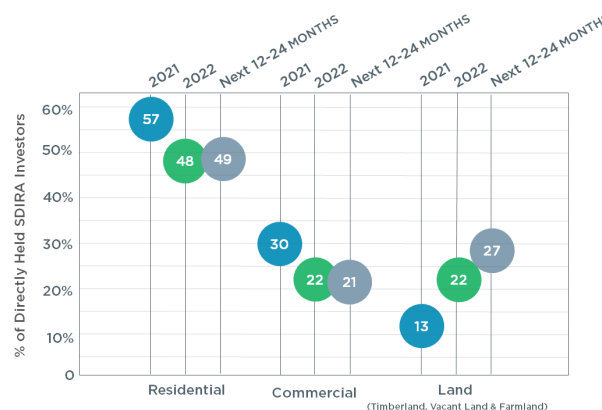
*-STRATA survey respondent comments*



Meanwhile, another fifth hold land, including timberland, vacant land, and farmland, and investors show increasing interest in land-based subsectors for the year ahead.

### Real Estate Outlook

Figure 7: Directly Held



<sup>3</sup>S&P Dow Jones Indices, A Division of S&P Global (May 31, 2022). *Real Estate: S&P Corelogic Case-Shiller U.S. National Home Price NSA Index*. Retrieved from <https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-us-national-home-price-nsa-index/#overview>  
<sup>4</sup> MSCI (August 2022). MSCI US REIT Index (USD). Retrieved from <https://www.msci.com/>



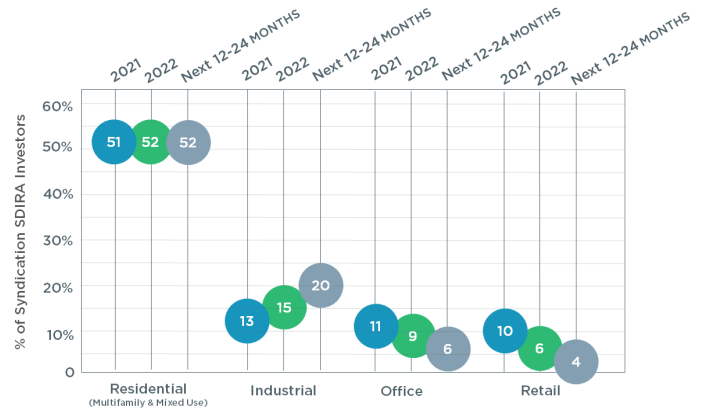
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***My SDIRA enables private investments with tax-deferred growth.***  
 -STRATA survey respondent comments  
 ”

Among real estate syndication investments, including REITs, LLCs, and LPs, other trends stood out as shown in Figure 8. The most popular holding was multi-family properties, followed by residential and mixed-use holdings. Based on their outlooks for the next 12-24 months, investors indicated increasing interest in residential and industrial assets. On the other hand, they showed falling interest in office and retail assets.

**Real Estate Outlook**

Figure 8: Syndications



**TURN YOUR INDUSTRY KNOWLEDGE INTO AN INVESTMENT.**

Real Estate can be an important piece of a well-rounded retirement portfolio and has a reputation for hedging against inflation. It presents investors with options to use their industry knowledge and expertise to build wealth on a tax-deferred or tax-free (if in a Roth IRA) basis and can generate income throughout your retirement years. Through a self-directed IRA, an investor can own physical property in the form of raw land, single-family homes, multi-family structures, or even commercial property.



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## SPOTLIGHT TREND

### HOW INVESTORS ARE USING ALTERNATIVE INVESTMENTS

With public stock and bond markets in a tumultuous phase, interest in alternative investments (alts) looks to be on the rise. Financial research firm Cerulli Associates found in a recent advisor survey that allocations to alts were up, amid market volatility. Polled advisors reported they were allocating an average of 14.5% of portfolios to alts, but that they expected to increase allocations to 17.5% in two years.<sup>5</sup>

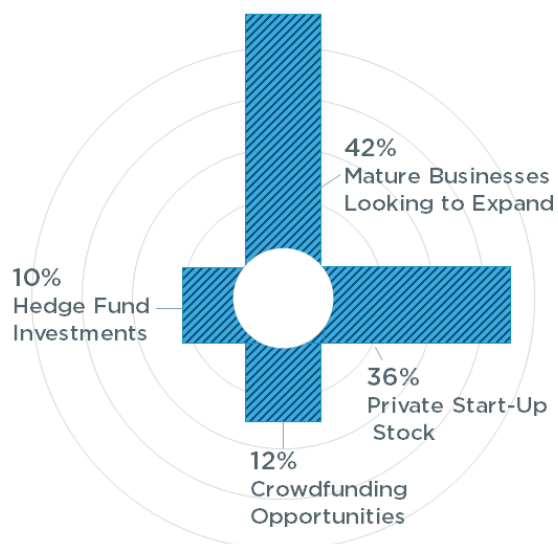
Figure 9 depicts how investors use their SDIRA account primarily in the alternative marketplace. Of those reporting, 42% said they favor mature businesses looking to expand, while 36% said they prefer private start-up stock.

Private Equity (PE) has ballooned in recent decades, though the outlook may be changing if the tax treatment of PE is set to change. Pending legislation could narrow the conditions for taxation of carried interest, which is currently taxed at a favorable capital-gains rate rather than the higher earned income tax rates.<sup>6</sup> The potential change would affect general partners, not limited partners, but it could impact incentive structures for PE more broadly.

Additionally, 12% of SDIRA investors said they typically like to focus on crowdfunding opportunities, while 10% said they prefer hedge fund investments.

### Majority of SDIRA Investors Focus on Mature Businesses

Figure 9: What Type of Alternative Investment Opportunities Do You Typically Like to Focus On?



*I am in control. I am able to get out of the stock market and focus on tangible investments.*

-STRATA survey respondent comments

<sup>5</sup>Cerulli Associates (July 19, 2022). *Alternative Investments in 2022: Capitalizing on Markets in Turmoil*. Retrieved from <https://www.cerulli.com/knowledge/white-paper-alternative-investments-in-2022>

<sup>6</sup>Davidson, Laura and Pendleton, Devon. Bloomberg US Edition (July 28, 2022). *Rich Wall Streeters Face Shock Tax Hike While Rest of Wealthy Escape*. Retrieved from <https://www.bloomberg.com/news/articles/2022-07-28/private-equity-faces-shock-tax-hike-while-rest-of-wealthy-escape?smd=premium#xj4y7vzkg>



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## SPOTLIGHT TREND

### THE VIEW OF ESG

The issue of sustainability has gained popularity across the investing world. ESG (environmental, social, and governance) investments across all asset classes have garnered substantial inflows in recent years. According to Bloomberg, assets managed in sustainable mutual funds and ETFs (exchange-traded funds) have ballooned to nearly \$3 trillion globally as of 2021.<sup>7</sup>

Polling firm Gallup reports that about 10% of U.S. investors currently hold ESG investments, while a quarter say they have heard a lot about ESG offerings.<sup>8</sup> About half of Americans indicate they would be interested in ESG, after reading the description of sustainable investments.

Among the SDIRA investors we surveyed, we found similar trends. About three in 10 investors said they prefer sustainable investments, but it's not their primary goal. Only 4% said ESG was their primary goal in investing, while 66% said they are purely focused on ROI (return on investment) or risk as shown in Figure 10.

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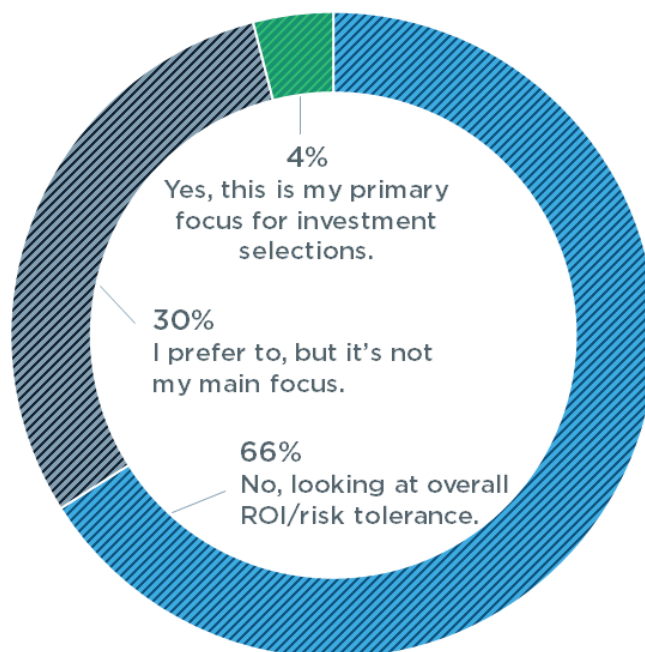
*“I wanted to support a new woman-owned business so this was a way to do that.”*

-STRATA survey respondent comments

”

### SDIRA Investors and ESG

Figure 10: Are You Looking to Make a Social/ Environmental Impact with Your Investments?



<sup>7</sup>Kishan, Saijel. Bloomberg US Edition (February 3, 2022). *ESG by the Numbers: Sustainable Investing Set Records in 2021*. Retrieved from <https://www.bloomberg.com/news/articles/2022-02-03/esg-by-the-numbers-sustainable-investing-set-records-in-2021#xj4y7vz-kg>

<sup>8</sup>SAAD, Lisa. Gallup (February 23, 2022). *Where U.S. Investors Stand on ESG Investing*. Retrieved from <https://news.gallup.com/poll/389780/investors-stand-esg-investing.aspx>



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## RETIREMENT READINESS, THE NAME OF THE GAME

As a retirement tool, a self-directed IRA can help investors invest and diversify their retirement savings in a broader range of investments, while benefiting from the tax treatment of an IRA.

Many of the investors we surveyed emphasized the advantages of diversification. By being able to access commodities, private holdings of equity, debt, or real estate, hedge funds, and many other investment types, they are able to expand their holdings beyond the public stocks and bonds typically offered in workplace retirement plans.

This approach clearly supports the confidence that SDIRA investors have about their retirement. 39% of survey respondents said they were very confident about their

retirement, while another 44% said they were somewhat confident. Only 17% said they were not confident because they may not have saved enough – especially notable in light of the fact that the survey was conducted in a period when stock and bond markets were falling.

### Majority of SDIRA Investors Are Confident About Retirement

**39%**  
Very Confident



**44%**  
Somewhat Confident

**17%**  
Not Confident

“

*My SDIRA helps to secure my overall investments by protecting from a slumping economy and high inflation, while at the same time grow in areas of new technology as uses of precious metals expand.*

*-STRATA survey respondent comments*

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## NAVIGATING A TUMULTUOUS TIME

Retirement today is more complex than ever before. The COVID-19 pandemic pushed many workers to retire early for a variety of reasons, and the recent market downturn has only added more pressure on the retirement savings for households. According to the Federal Reserve Board's annual survey of economic well-being, only 45% of workers aged 45-59 say that their retirement savings are on track.<sup>9</sup> For those aged 60+, only 52% agree.

The typical self-directed IRA investor seems to be ahead of the pack, in that respect. In survey responses, SDIRA investors told us they watch economic conditions and market volatility closely and factor them into their investment strategies. They have a plan for worsening conditions, and they have a clear sense of priorities.

Could a self-directed IRA be the right move for your portfolio?

***Discover more about Self-Directed IRA possibilities at [StrataTrust.com](https://www.strata.com).***



### FINANCIAL PROFESSIONALS

Streamlined and scalable self-directed IRA solutions that deliver value to your investors.



### INDIVIDUAL INVESTORS

Simple custody solutions for self-directed IRA investments, allowing greater control and flexibility over retirement portfolios.

<sup>9</sup> Board of Governors of the Federal Reserve System (2022). *Economic Well-Being of U.S. Households (SHED)*. Retrieved August 2022, from <https://www.federalreserve.gov/publications/2022-economic-well-being-of-us-households-in-2021-retirement.htm>



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# CHOOSING AN IRA SERVICE PROVIDER

For more than four decades, investors have been leveraging self-directed IRAs to invest in a wide range of alternative assets outside of publicly traded markets. Federal law requires these assets to be held by a custodian, like STRATA. Some IRA service providers are administrators (*middlemen*) who still need to operate through a regulated custodian. It's important for investors to understand the differences between IRA service providers. Here are four talking points you can formulate questions around to better understand if your chosen IRA service provider is a regulated custodian and is the right fit for you - the difference is often in the details.



## ASSET EXPERTISE

IRA custodians often specialize in certain investment types. The investor should understand what type of asset classes the custodian specializes custody in, and what level of expertise they have around those asset classes.



## INDUSTRY EXPERIENCE

Finding a custodian that has adequate experience in the self-directed IRA marketplace is important. Although custodians typically do not offer investment, tax, or legal advice, they can still help you understand IRS rules and regulations and inform you of potential pitfalls.



## REGULATORY OVERSIGHT

All custodians have state and federal oversight; investors should understand the practices of those overseeing entities. Not all states require regular examinations of operational procedures and IRA compliance - familiarize yourself with the custodian's regulatory requirements including data security, risk management, and auditing procedures.



## FEE TRANSPARENCY

Understanding the fee schedule and how it will impact the assets you would like to invest in is important. In addition to fees, investors should ask about the level of service and response times they should anticipate.



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## ABOUT US



# STRATA

TRUST COMPANY

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STRATA Trust Company is a premier national custodian for alternative assets and non-exchange traded investments in self-directed IRAs. STRATA has been helping investors use their retirement account funds to invest since 2008.

With offices in Waco and Austin, Texas, our team's vast experience in handling the details and complexities that alternative investment transactions require is unrivaled. Our seasoned team's experience in the custody of alternative assets spans over 350 years. With a well-established reputation for honesty and integrity, STRATA is committed to delivering responsive, flexible, and innovative solutions.

At STRATA, we work to ensure that the highest standards for safety and soundness are met. As a subsidiary of Horizon Bank, SSB, STRATA is a Texas-chartered trust company regulated by the Texas Department of Banking, which has long set the benchmark among state banking regulators. Strict controls are in place to ensure the safety of uninvested cash, and independent auditors are retained to conduct regular audits of our operations.

STRATA Trust Company ("STRATA") performs the duties of a directed (passive) custodian, and as such does not provide due diligence to third parties regarding prospective investments, platforms, sponsors, dealers or service providers. As a custodian, STRATA does not sponsor, endorse or sell any investment and is not affiliated with any investment sponsor, issuer or dealer. STRATA does not provide investment, legal or tax advice. Individuals should consult with their investment, legal or tax professionals for such services.

**Investments Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value**

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