



2023 SELF-DIRECTED IRA INVESTOR SURVEY REPORT

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INTRODUCTION

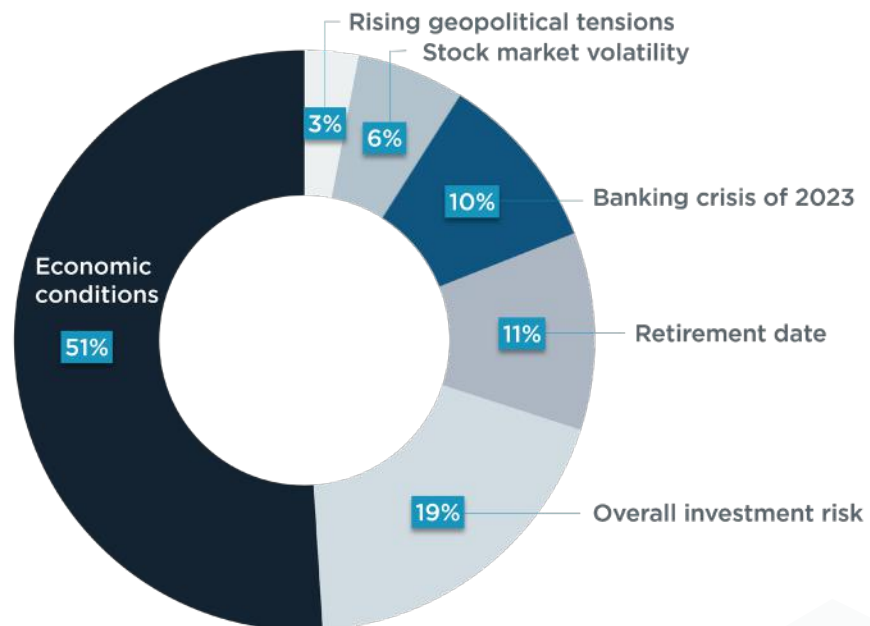
As public market conditions have turned more favorable this year, our investors also seem to be maintaining their positioning while nudging their investments toward a more optimistic stance. As we launched our third annual survey of self-directed IRA (SDIRA) investors, stock and bond markets were both showing reassuring signs of moving past the headwinds of 2022. Commodities and real estate markets continued to face mixed dynamics from the inflationary surge that followed the pandemic. Amid these forces, we see investors remaining keenly aware of the economic environment and

how those factors color the opportunity set for investments.

In this report, we hear from nearly 1,300 SDIRA investors and highlight some of the key trends that emerged in our 2023 survey. We share the outlooks that SDIRA investors have for various investment categories — from alternatives, to real estate, to precious metals. We also show that SDIRA investors continue to have high confidence around their retirement readiness. Read on to see their evolving views on environmental, social, and governance (ESG) investments, their preferences in specific investment sectors, and many comments from SDIRA investors about their priorities.

Economic Conditions Are Top of Mind

Figure 1: Looking ahead, select the factor that will most influence your overall investment strategy in 2023/2024.



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MAINTAINING THE COURSE

From 2021 to 2022, investors reported a drastic change in their overall investment approach. So far in 2023, the rapidly changing dynamics of the investment markets are showing signs of some stabilization. Public stocks and bonds have delivered positive returns year-to-date¹, as of 7/31/23. Inflation has moderated in the face of the Federal Reserve (Fed) campaign to hike interest rates, yet employment and economic growth trends have remained resilient. As the landscape of investing has become slightly more positive in 2023, 53% of SDIRA investors report that they will take a “somewhat conservative” to “very conservative” approach to their overall investment strategy.

“I try to stay the course with all my investments, but I do make adjustments based on economic conditions.”

– Survey respondent

“Inflation and interest rates drive a lot of my investment activities, since a large portion of my SDIRA portfolio is tied to real estate.”

– Survey respondent

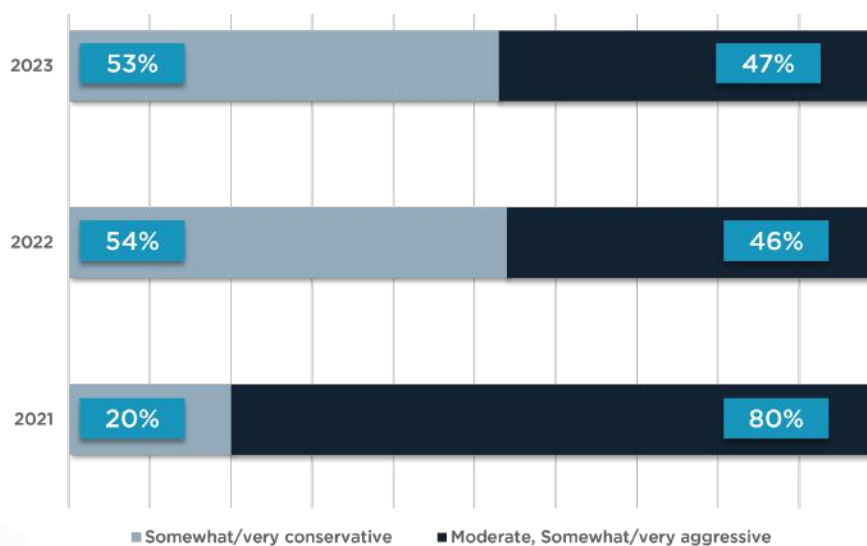
“Until the political picture stabilizes, we will proceed in a conservative manner.”

– Survey respondent

“Economic conditions help to inform and dictate where to be investing and not investing.” – Survey respondent

SDIRA Investors Are Staying in Defensive Mode in 2023

Figure 2: What has been your typical overall investment strategy?



¹Benchmark returns. Vanguard. (n.d.). <https://personal.vanguard.com/us/funds/tools/benchmarkreturns>



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Indeed, the economic backdrop is quite important to SDIRA investors. 84% say that “economic conditions,” which encompass elements like inflation, interest rates, recession, and debt crisis, are a top influence on their investment strategy—even more than “overall investment risk,” which is cited by 81% of investors.

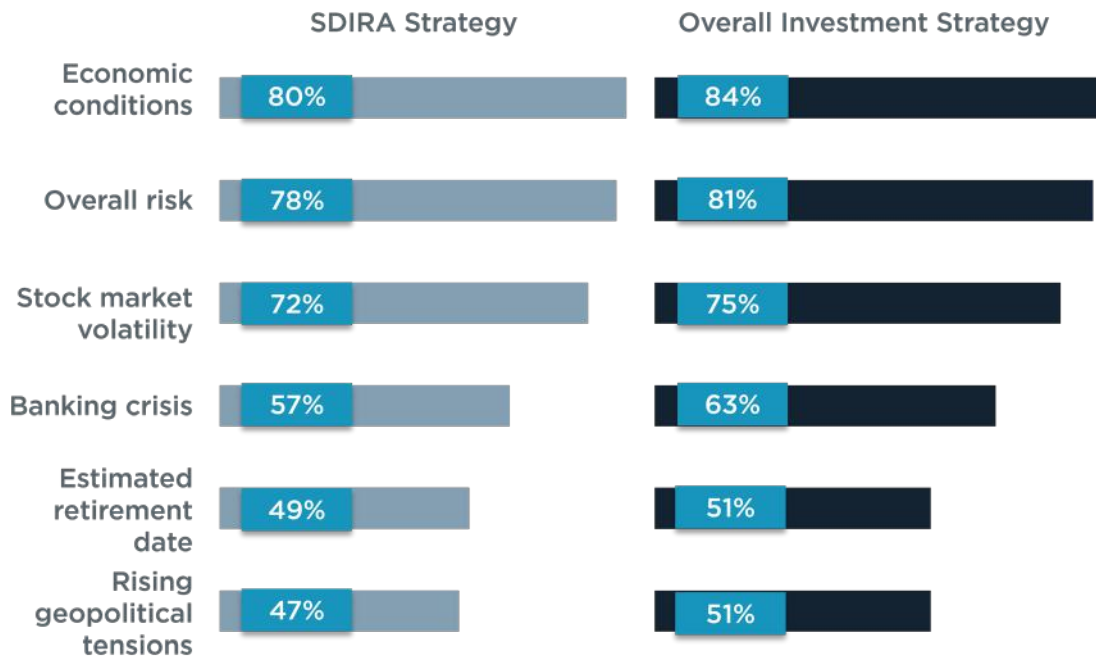
“Stock market volatility” is third on the list, while the “banking crisis of 2023” is a close

fourth. Meanwhile, only about half of SDIRA investors point to “my estimated retirement date” as an influence, similar to the share who cite “rising geopolitical tensions.”

These factors rank about the same for investors, whether they are looking at their overall investment strategy or at their SDIRA specifically. Most SDIRA investors hold just a portion of their total assets in their SDIRA, as we discuss in the next section.

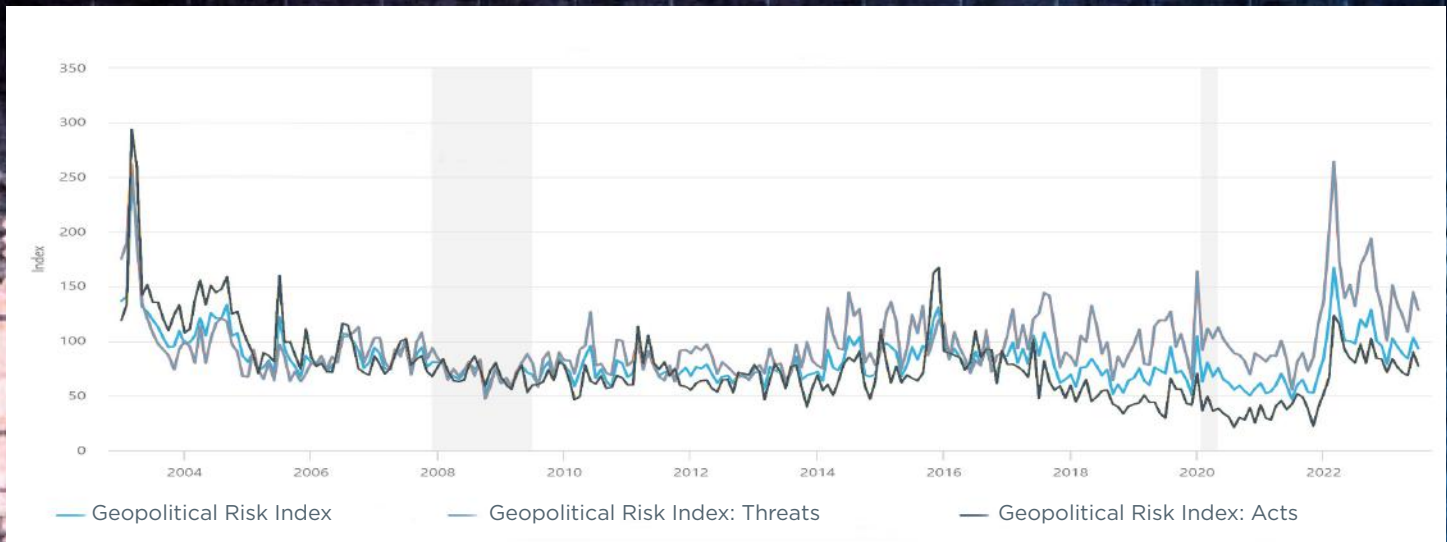
Influences Are Similar for SDIRAs Compared to Overall Investment Strategy

Figure 3: How much do these factors influence your SDIRA/overall strategies? (“very” or “somewhat” responses):



Geopolitical Threats Elevated Since 2022

Figure 4: Global Geopolitical Risk Index²



“Inflation is my greatest concern. Many of the other factors listed are a direct result of inflation.” – Survey respondent

“Access to precious metals is key, especially with the instability of banking and markets.” – Survey respondent

“Everything affects everything. One has to manage total risk.” – Survey respondent

“Federal spending and inflation are the biggest concerns.” – Survey respondent

“Volatility is my friend, because I believe that I will be compensated for taking on so much systematic risk over the long term.”
– Survey respondent

“If banks are crashing, then the stock market is right behind them.”
– Survey respondent

²Toolbox | MacroMicro. (n.d.). MacroMicro. <https://en.macromicro.me/toolbox/chart-builder/line?chart=5558>



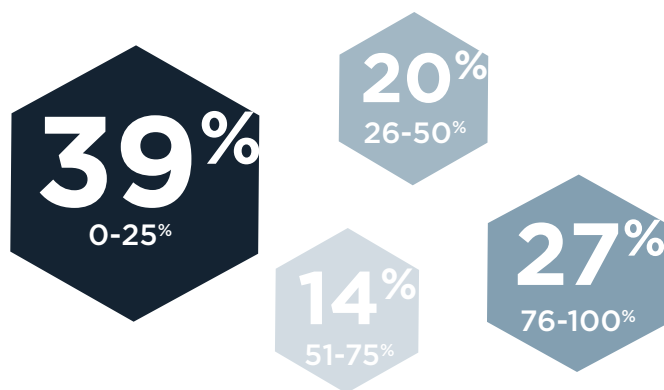
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HOW INVESTORS ARE USING SDIRAS TODAY

Our annual survey also gives us a snapshot of how investors are using SDIRAs, which can be flexible tools in any personal investment program. As noted, most are holding just a portion of their total retirement savings in their SDIRA account; four out of ten investors reported holding 25% or less of their retirement savings in their SDIRA. It's likely that many investors have workplace retirement savings such as 401k programs, as well as holdings in regular IRA accounts or in other forms like traditionally-owned real estate or businesses. However, it's also common to see investors holding 100% of their retirement savings in an SDIRA. Ultimately, there's a wide range in how people fit this tool into their total retirement savings picture.

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

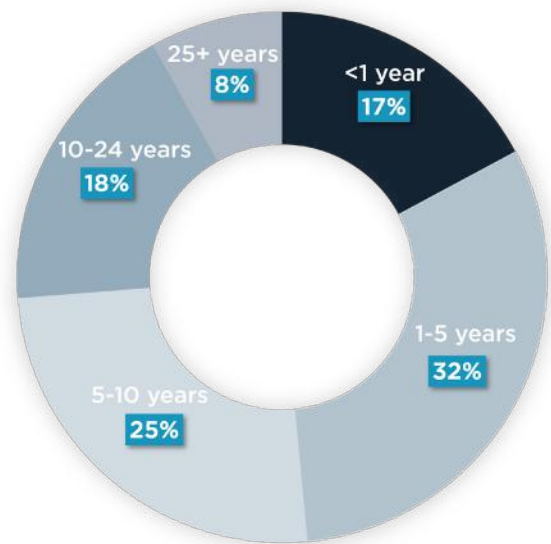
Figure 5: What percentage of your retirement savings are in an SDIRA?



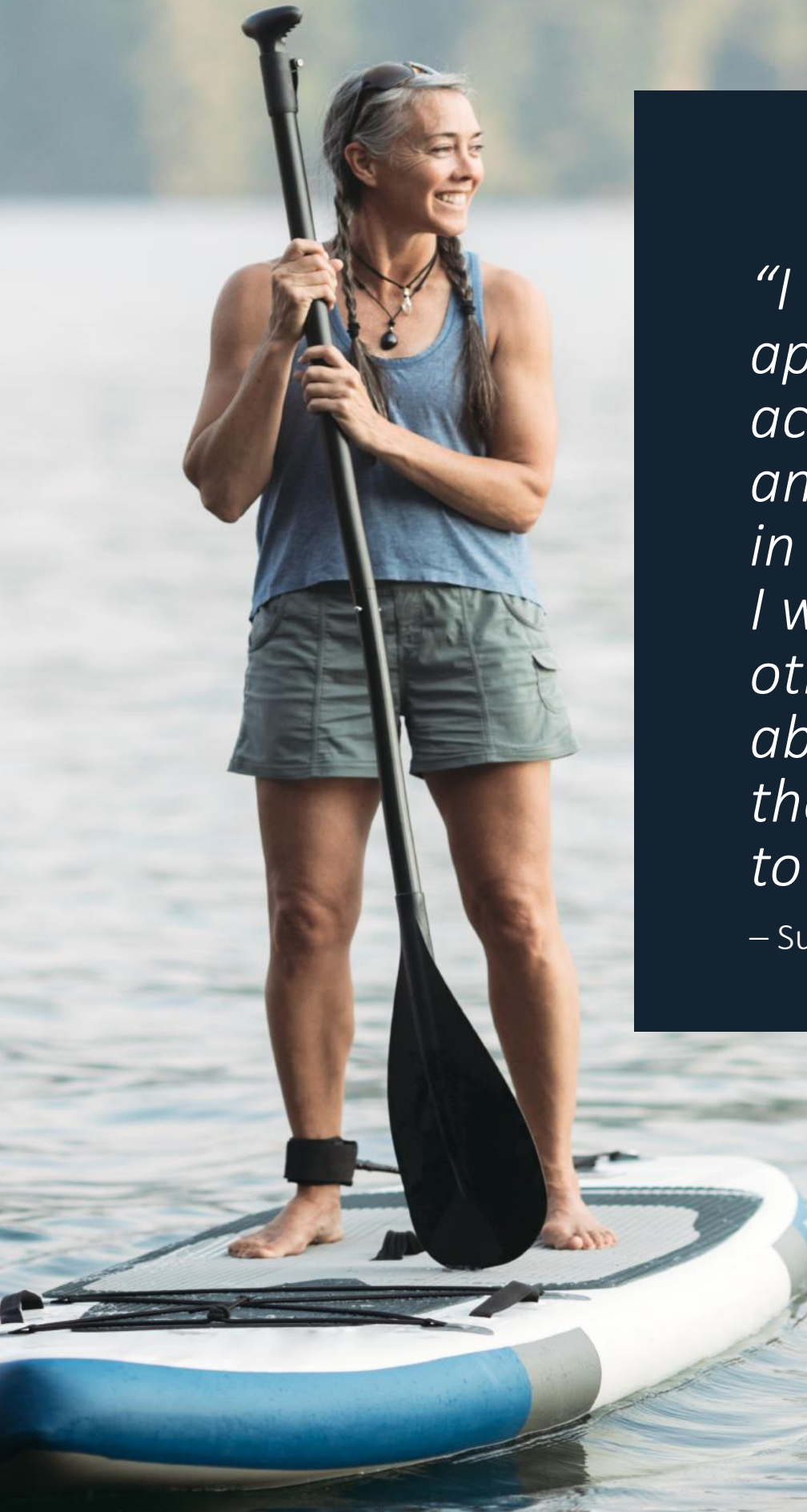
Most of the investors in our survey say they have substantial experience with their SDIRA. About half say they have been self-directing their SDIRA for five years or more. We also saw a large share of newcomers, with 17% of respondents saying they have less than a year of experience.

Typical SDIRA Investor Has 2 to 5 Years of Experience

Figure 6: How long have you been self-directing your IRA?



Access is a key theme among SDIRA investors. Many share that they use their account specifically to hold certain types of investments that they cannot hold in other places. As such, it makes sense that more than half in 2023 say they are using their SDIRA for holdings in just one sector. Four out of ten say the primary sector in their SDIRA is gold or precious metals.



“I really appreciate having access to being an early investor in companies I wouldn’t otherwise know about or have the opportunity to invest in.”

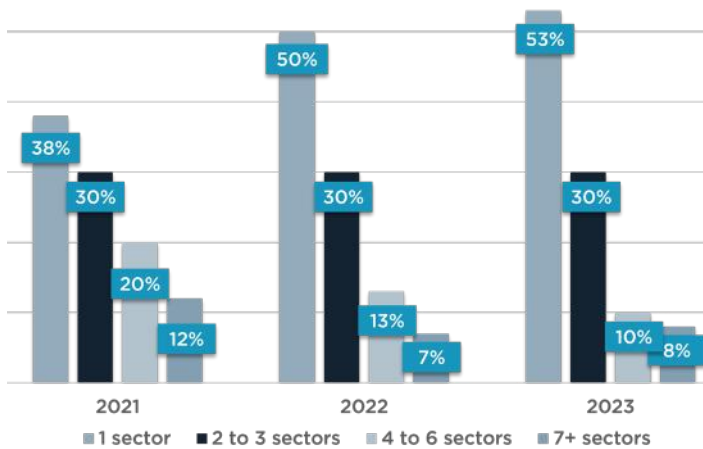
– Survey respondent

23% point to private equity, while another 14% say that real estate is their primary holding, including both directly held real estate and syndicated holdings like REITs, LLCs, and LLPs.

Looking at the data over a three-year time period, single-sector holdings in SDIRAs grew, while those holding two to three investments remained unchanged. Investors who held four or more investments decreased slightly. As most investors in the alternative marketplace report, many start out with a single asset and then look to add as they gain more experience in private placement investments.

The Majority of SDIRA Investors Has 1-3 Private Placement Investments

Figure 7: How diversified is your self-directed IRA?



We also asked survey respondents what their primary sector would be in the coming 12-24

months, from which we can infer investor outlook for the year ahead. For instance, 45% of investors said that precious metals would be their primary sector for the coming year, compared to 43% in the past year, suggesting that SDIRA investors have a relatively bullish outlook for that sector. Private equity and private debt were also sectors that looked appealing to respondents. Meanwhile, they have a steady outlook for real estate investments, but a diminished outlook for public investments and commodities (not including precious metals).

Precious Metals, Private Equity, and Real Estate are Primary Investment Sectors

Figure 8: Primary Investment Sector: Last 12-24 Months vs. Next 12-24 Months

Investment Sector	Last	Next
Gold & precious metals	43%	45%
Private equity	23%	24%
Real estate	14%	14%
Public investments	6%	4%
Private debt	5%	5%
Commodities/futures	4%	2%
Other	6%	6%



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SPOTLIGHT TREND

REAL ESTATE

As one of the most popular primary sectors for SDIRA investors, real estate is an area where survey respondents had distinctive ideas about the year ahead. Among directly held real estate categories, they are most bullish on residential real estate. Vacant land and mortgage notes/deeds are the categories where they show more bearish outlooks.

SDIRA Investors Are Bullish on Residential Real Estate

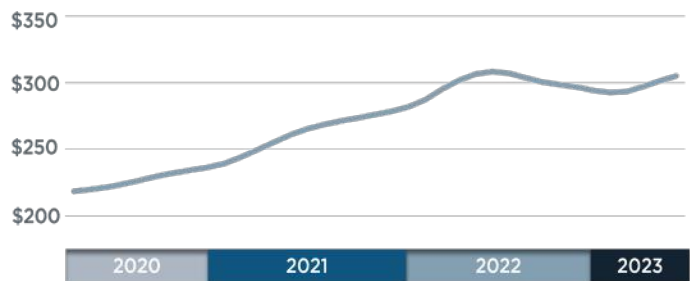
Figure 9: Directly Held Real Estate: Last 12-24 Months vs. Next 12-24 Months

Investment Sector	Last	Next
Residential	56%	63%
Commercial	29%	29%
Farmland	15%	16%
Vacant land	15%	13%
Mortgage notes or trust deeds	9%	7%
Timberland	5%	7%

A mix of forces is driving real estate dynamics today, many of them indirectly tied to the pandemic and its long-term effects. The Fed’s rate hike campaign, arguably an aftershock related to pandemic-driven inflation, has driven mortgage rates sharply higher. While the average rate on a 30-year fixed mortgage was around 3.5% before the pandemic, it has hovered between 6% and 7% from mid-2022 to mid-2023.³ Yet, the higher price of borrowing has not done much to stymie demand for residential properties, if home prices are any indicator. Residential properties enjoyed a surge in demand as remote work prompted homeowners to seek more space, supporting higher prices. Though the national home price index softened in late 2022 and early 2023, it has recently resumed an upward march.

Home Prices Remain Elevated

Figure 10: S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index⁴



³30-year fixed-rate mortgage average in the United States. (2023, August 10). <https://fred.stlouisfed.org/series/MORTGAGE30US>

⁴ S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index. (n.d.). S&P Dow Jones Indices. <https://www.spglobal.com/spdji/en/indices/indicators/sp-corelogic-case-shiller-us-national-home-price-nsa-index/#overview>



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Syndicated real estate, which includes REITs, LLCs, and LLPs, is another top interest among SDIRA investors. Repeatedly, investors show distinctive outlooks across the various categories in syndicated real estate. They are especially bullish on storage units and mixed-use residential exposure. They show less interest in holding exposure to office space in the year ahead, as well as residential and multi-family units.

Again, the post-pandemic trends are still playing out across real estate, though the

dynamics are a little different in the commercial properties that make up syndicated real estate holdings like REITs. Office space continues to reel from the shift toward remote work, to the extent that existing debt for commercial office space is a concern for some U.S. banks. Higher borrowing costs are also a factor for the commercial real estate world, yet these kinds of properties may not see the level of demand to offset higher mortgage rates in the same way that directly held residential properties have.

In Real Estate Syndications, Storage Units & Mixed Use Garner Interest

Figure 11: Syndicated Real Estate (REITs, LLCs, & LPs): Last 12-24 Months vs. Next 12-24 Months

Investment Sector	Last	Next
Multi-family	70%	67%
Residential	34%	30%
Mixed-use	26%	28%
Industrial	24%	23%
Land	18%	15%
Office	16%	10%
Special-purpose	12%	11%
Storage units	12%	19%
Warehouses	11%	11%
Retail	10%	7%
Hotels/Motels	7%	7%



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SPOTLIGHT TREND

MATURE ALTERNATIVES ON THE RISE

The world of alternative investments has evolved substantially in the last decade, earning plenty of interest from SDIRA investors. It’s also another zone where they express strong viewpoints of the opportunity set. For instance, 48% of SDIRA investors plan to focus on mature businesses looking to expand in the year ahead, compared to 42% in 2022 and 27% in 2021 who focused on them in the past years.

Mature Businesses Appeal More to SDIRA Investors This Year

Figure 12: What type of alternative investments do you typically like to focus on?

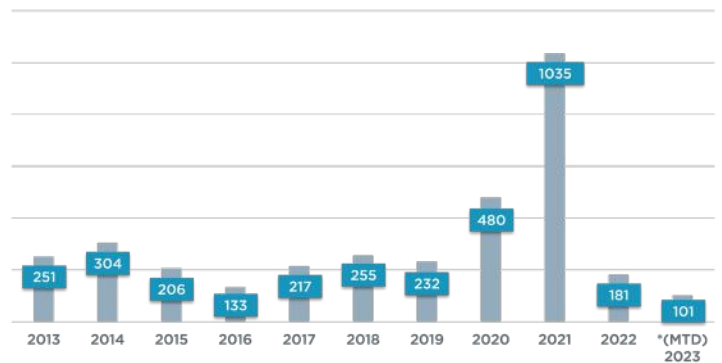
Investment Type	2021	2022	2023
Mature business	27%	42%	48%
Private start-up	53%	36%	30%
Crowdfunding	10%	12%	12%
Hedge fund	11%	10%	10%

Private start-up stocks show the opposite trend, where investors say they have less interest for the year ahead. Crowdfunding opportunities and hedge-fund investments remain stable.

After experiencing record-breaking surges in 2020 and 2021, the outlook for initial public offerings (IPOs) of stocks has been on the downturn since 2022.⁵ This could be reflective of the broader capital market environment and the turmoil facing tech companies. IPOs, in general, have had a lackluster year, with the number of IPOs down by 5% in the first half of 2023 compared to the first half of 2022.

IPOs in Decline After Record-Breaking Years

Figure 13: Annual IPOs, 2013-2023



*2023 data January 1 - August 10

⁵ Go, P. (2023). How do you prepare now for the moment your IPO is ready to take flight? www.ey.com, https://www.ey.com/en_gl/ipo/trends



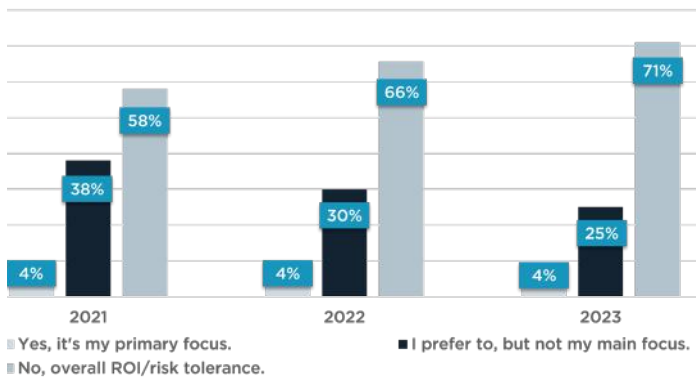
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ESG-FOCUSED INVESTING

Markets have debated the value in choosing investments that support ESG merits in some way. When we began surveying investors in 2021, nearly four out of ten said they prefer ESG investing; this year, that share is down to 25%. Instead, a clear majority say they are just looking at overall return on investment (ROI) and risk-tolerance characteristics for investments.

SDIRA Investors Show Declining Interest in ESG

Figure 14: Are you looking to make a social/environmental impact with your investments?



Views differ regionally on the matter. According to a 2022 report from the Capital Group, Europe has the highest adoption of ESG investing, with

31% of investors saying that ESG investing is central to their approach.⁶ In the U.S., that figure was 18%.



RETIREMENT READINESS

One of the major trends we have seen among SDIRA investors is a high level of confidence in their readiness for retirement. 42% say they are very confident they will have enough money to live comfortably in retirement, while another 44% say they are somewhat confident.

Among those who say they are not confident, most say the issue is that they may not have saved enough. Just 4% of SDIRA investors say they are not confident because investment performance has been problematic.

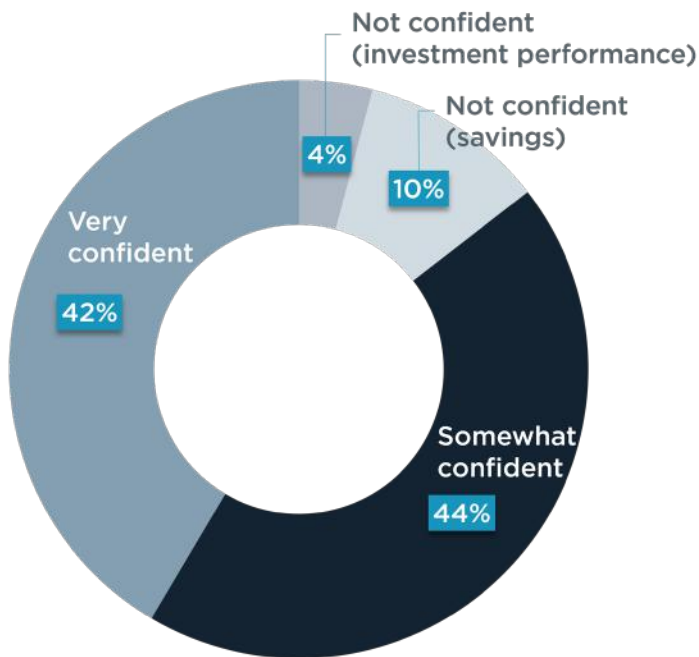
⁶ Capital Group ESG Global Study 2022. (2022, May 17). Capital Group. <https://www.capitalgroup.com/institutional/investments/esg/perspectives/esg-global-study.html>



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SDIRA Investors Have High Confidence About Retirement

Figure 15: How retirement-confident are you?



Falling inflation levels could also be supporting investor confidence. An earlier survey by investment company BlackRock found a drop in retirement confidence among investors, connected in part to the high levels of inflation—but inflation has since fallen closer to the Fed’s 2% annual target.⁷

ACCESS, FLEXIBILITY, & RETIREMENT CONFIDENCE

Many investors in our survey commented that they use their SDIRA to access investments that they otherwise could not hold—especially gold and precious metals, private equity and debt, and real estate assets. Access to these investments allows SDIRA investors to bring more diversification to their overall investment strategy, they say.

Like 2022, investors reported the economy, inflation, and overall risk had a huge impact on their SDIRA strategies and overall retirement strategies alike. The majority of investors expressed sentiment around how leveraging SDIRAs in the alternative marketplace allowed them the flexibility they needed to offset market uncertainty and invest in assets they believed most in or had expertise in.

Overall, STRATA’s 2023 group of investor respondents remain quite confident about their readiness for retirement.

⁷ Rearick, B. (2023, July 27). Why Americans' confidence in a comfortable retirement is dropping. Money. <https://money.com/retirement-confidence-drop/>



“The self-directed IRA allows me to invest in opportunities that are not available to typical retirement plans, such as 401(k)s which are restricted to the stock market.” – Survey respondent

“I appreciate being able to invest in alternative investments in order to diversify and add some creative and interesting choices to my overall portfolio.” – Survey respondent

“It helps me diversify my IRA-type holdings outside of equity or bond investments. This has reduced volatility and thus risk in my total portfolio.” – Survey respondent

“My self-directed IRA is a diversification strategy with a bit of fun. High risk, high reward in sectors I cannot reach any other way.” – Survey respondent

“The self-directed IRA allows me to invest in start-up and early development ventures that have a high degree of risk but if successful will have extremely large gains, and manage taxes on those gains.” – Survey respondent

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“I would not be able to make the investments I do and earn the returns I have been fortunate enough to earn without a self-directed IRA.

Additionally, STRATA has been an outstanding help with amazing and responsive staff.

Thank you!”

– Survey respondent



ABOUT US



STRATA

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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 serving financial professionals and empowering investors 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.

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