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## ARKANSAS SECURITIES DEPARTMENT

### ARKANSAS SECURITIES DEPARTMENT ISSUES ADVISORY ON THIRD-PARTY CUSTODIANS OF SELF-DIRECTED IRAS AND OTHER QUALIFIED PLANS

Little Rock – The Arkansas Securities Department today issued an advisory to help investors separate fact from fiction regarding the responsibilities of third-party custodians of self-directed individual retirement accounts (IRAs) and other qualified plans. The advisory is on the Securities Department website at [www.securities.arkansas.gov](http://www.securities.arkansas.gov).

“While self-directed IRAs can be a safe way to invest retirement funds, investors should understand that third-party custodians have limited duties to investors,” Arkansas Securities Department Commissioner, A. Heath Abshure said.

Since the mid-1970s, investors have taken advantage of a provision in the tax code allowing them to contribute money on a tax-deferred basis to an individual retirement account, popularly referred to as an IRA.

To open an IRA account, the investor must find an Internal Revenue Service (IRS)-approved company to act as the account’s custodian. Investors open and deposit funds into the account and may invest in opportunities available through the company. A self-directed IRA allows investors to have complete decision-making power regarding the investments in their IRA.

Occasionally, an investor is approached by a promoter offering an investment opportunity not available through the company that holds the investor’s IRA. The promoter may direct the investor to transfer funds from the original IRA to a new third-party custodian to facilitate the transaction. A third-party custodian is a company that keeps track of the IRA and completes the required reporting to the IRS in order to keep the money in a tax-deferred status.

“Fraud promoters can misrepresent the responsibilities of self-directed IRA custodians to deceive investors into believing that their investments are legitimate or protected against losses,” Abshure said. “The third-party custodian’s sole responsibility is to report information to the IRS and from the issuer to the investor.”

Investors with questions about third-party custodians of self-directed IRAs or other qualified plans should contact the Arkansas Securities Department before investing at 1-800-981-4429.