What Is a Self-Directed Roth IRA?

Build Tax-Free Wealth with a Self-Directed Roth IRA

A self-directed Roth IRA provides the same benefits a conventional Roth does, with one powerful feature conventional plans don't have: **the freedom to invest in alternative assets.**

Instead of being limited to traditional assets like stocks and bonds, a self-directed Roth IRA allows you to build wealth on your terms and benefit from one of the most powerful tax advantages available: **tax-free growth + tax-free withdrawals in retirement.**

Benefits of Roth IRAs

- Contributions are made with after-tax dollars, allowing earnings to grow tax free
- Contributions can be withdrawn tax free at any time
- Qualified withdrawals in retirement are tax free
- No required minimum distributions (RMDs)
- Earnings can be withdrawn tax- and penalty-free after age 59½ (if the account is at least 5 years old)
- Up to $10,000 can be withdrawn penalty free for a first-time home purchase
- Funds can be used for qualified education expenses penalty free
- Unused 529 plan funds can be rolled into a Roth IRA (subject to IRS limits)
- Potential to build tax-free generational wealth

Why Investors Use Self-Directed Roth IRAs

- Greater control over your investment strategy
- Invest in things you know and understand
- Capture Roth tax-free growth and distribution advantages

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Understanding the Roth 5-Year Rule

To take tax-free distributions of earnings, your Roth IRA must meet two key requirements. If these conditions aren't met, earnings may be subject to taxes and/or penalties:

- The account must be open for at least 5 years, and
- You must be age 59½ or older

Note: While distributions of contributions are always tax free, you'll pay a penalty if withdrawn before the account meets the 5-year rule. The 5-year clock starts on January 1 of the year you make your first Roth IRA contribution.

Roth Conversions: Turn Taxable Assets into Tax-Free Growth

There are income limits for contributing to Roth IRAs. A Roth conversion allows you to move funds from a traditional IRA or other pre-tax retirement account into a Roth IRA—avoiding those income limits—to take full advantage of Roth benefits. This strategy works for self-directed accounts, as well.

- You pay taxes on the amount converted
- Future growth and qualified withdrawals are tax free
- No income limits apply to conversions

Note: Check with a tax professional for income requirements and to determine if a conversion is a good move for you.

The Advanta IRA Advantage

Dedicated account managers: Every client works one-on-one with their account manager for personalized support.

Ongoing investor education: We host regular webinars, podcasts, and networking events, and publish educational articles and other resources to help investors stay informed.

Nearly 25 years of experience: We provide trusted expertise in our industry and use a "people-first" model of client care.

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