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## **NDBF Alerts Nebraskans about Investments in Precious Metals and Self-Directed Individual Retirement Accounts**

August 28, 2020 (LINCOLN, NEB.) – The Nebraska Department of Banking and Finance (NDBF) has recently received an increased volume of complaints related to investments in precious metals in self-directed individual retirement accounts. Precious metals such as gold and silver have been the subject of widespread advertising campaigns on television, online, and in print media. Such advertisements may emphasize the potential for large returns while downplaying any risks. Precious metal promotions may target seniors who may have concerns about protecting their long-term investments, including retirement accounts.

Companies may point to financial crisis or market volatility as evidence of greater stability and security available through precious metals as opposed to other investments. Historically speaking, the value of gold-related investments fluctuates even more than the stock market. Gold often moves in reverse of stocks and bonds, so when stocks are down, gold seems like a very tempting investment.

Precious metals can be part of a well-diversified portfolio, but like all investment opportunities, an investment in precious metals involves risk. Individuals should not rely on claims in advertisements, word-of-mouth referrals, or “cold calling” tactics utilized by firms promoting these investments. Consumers should be particularly wary of aggressive sales tactics encouraging the liquidation of their existing portfolio in favor of investment in precious metals. NDBF strongly encourages any prospective investor to conduct thorough independent research on any opportunity prior to investing.

The Financial Industry Regulatory Authority (FINRA) issued an [Investor Alert](#) that provides tips for individuals considering an investment in precious metals:

1. Say “NO” to pushy salespeople.
2. Check out the salesperson’s background before you invest.
3. Be on high alert when you hear “low risk”.
4. Look out for leverage risk.
5. Get a full accounting of fees.

Using these strategies can help you understand the benefits and risks of a prospective investment, avoid surprise costs or fees, and protect yourselves from fraud.

## Self-Directed Individual Retirement Accounts (IRAs)

Precious metals companies may also encourage individuals to open a self-directed IRA. As with other IRAs, the owner of a self-directed IRA invests funds in various assets and a custodian holds the IRA on the owner's behalf. Yet while most IRA investments are limited to common securities like stocks or bonds, self-directed IRAs allow for investment in alternative assets. These alternative assets, including cryptocurrencies and precious metals, are riskier investments than those permitted by most IRA custodians. Self-directed IRA custodians have only limited duties to make sure that the alternative assets – and the promoter selling them – are legitimate. Unscrupulous investment promoters may exploit self-directed IRAs because they permit investors to hold riskier assets, including those not registered as securities.

Anyone considering a self-directed IRA should obtain as much information as possible prior to investing, including:

- Duties and responsibilities of the IRA custodian.
- Fees associated with the account.
- Tax consequences of opening, investing in, or withdrawing from a self-directed IRA.
- Specific details regarding the alternative assets in which funds will be invested.

NDBF also recommends working with individuals and firms that are registered to sell securities and to verify their background and registration status. Background information on registered individuals and firms is available through NDBF. In addition, you may obtain information regarding a broker or investment adviser through FINRA's Broker Check database at [BrokerCheck.FINRA.org](https://www.brokercheck.finra.org) or through the SEC's Investment Adviser Public Disclosure website at [AdviserInfo.SEC.gov](https://www.adviserinfo.sec.gov).

More information about the laws governing the securities industry in Nebraska can be found on NDBF's website at [www.ndbf.nebraska.gov](http://www.ndbf.nebraska.gov). If you have questions about any investment matter, call Nebraska Department of Banking and Finance at 402-471-3445.

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