



EQUITY
PRIVATE CLIENT GROUP™

7 Alternative Investments Outperforming the Stock Market



Learn how savvy investors are reaping bigger returns and keeping more of their profits.

You've heard of diversifying your portfolio. **But what does that really mean?**

FACT:

Ultra-high-net-worth investors placed 50 percent of their assets in alternative investments in 2020.

There's a range of alternative investment options that have nothing to do with the stock market. Many times, these assets are more accessible and easier to understand, and can affect local, social, or environmental causes.

These assets also have the attention of ultra-wealthy investors:

- Ultra-high-net-worth investors dedicated 50% of their assets to alternative investments in 2020
- At \$7.4 trillion, investors had more money in alternative asset funds in 2020 than ever before
- Only 7% of investors plan to decrease their alternative investing in 2021

As you'll see in this report, alternative investments have fetched average annual returns anywhere from 10 to 40 percent — and that's not factoring in emerging assets such as Bitcoin.

Read on to discover the exciting world of alternative investments, as well as how investors are keeping more of the profits they make.

ONE MORE THING BEFORE YOU CONTINUE:

We're not financial advisors, so we're not here to recommend any investments or strategies. We're simply sharing that you have options besides public markets when it comes to building your wealth, and they shouldn't be ignored.

Investments That are Beating Stocks With Their Average Rates of Return

- | | |
|--|-----------|
| 1. Real Estate Fix-And-Flips | 40%+ |
| 2. Real Estate Rentals | 10% |
| 3. Promissory Notes/Private Lending | 12–20% |
| 4. Crowd Funding/Private Equity | 10.48% |
| 5. Gold | 10.2% |
| 6. Silver | 9.2% |
| 7. Cryptocurrency (Returns vary by coin) | 170–500%+ |

For Comparison: Traditional Investment Returns

Annualized return (last 20 years)

7.29%

Russell 2000
Index

5.37%

S&P 500

5.35%

DJIA

Take a deeper dive and see why some investors
are choosing these 7 alternative assets.



1 Real Estate Fix-and-Flips

WHAT IT IS:

An investor buys a property — usually in distressed condition for a discounted price, rehabs the property in a fairly short period, and resells it at a profit.

WHY INVESTORS LIKE IT:

It's possible to complete more investments quicker, potentially increasing the annual return on investments significantly. It can also be rewarding to witness the transformation of a home and with it, the revitalization of a neighborhood.

Average Rate of Return:

40%+

Additional Resources:

[9 Potential Sources of Funding for Your Next Real Estate Investment](#)

[Beginner Earns 41% Returns in 16 Months with Two Real Estate Investments](#)

A man and a woman are shown from behind, moving boxes in a room. The woman is on the left, wearing a white t-shirt and blue jeans, and the man is on the right, wearing a white t-shirt and dark pants. They are both holding boxes. The room has large windows and a wooden floor. A potted plant is visible on the left side of the frame.

2 Real Estate Rentals

WHAT IT IS:

The investor buys a property, makes any necessary repairs, and rents the property for monthly passive income.

WHY INVESTORS LIKE IT:

Real estate investors help provide safe, affordable housing to those who can't afford to own their own home. And unlike fix-and-flips, real estate rentals provide the investor with a long-term buy-and-hold strategy, allowing time for the home's value to grow.

Average Rate of Return:

10%

Additional Resources:

[\[Video\] Tax-Free Cash Flow from a Duplex Rental](#)

[Real Estate Rental Investing Boosts Retirement Wealth](#)



3 Promissory Notes/ Private Lending

WHAT IT IS:

A promissory note is a loan, with a signed “promise” to repay the loan amount by a certain date, typically with interest added. Think of it like a loan from a bank — except now, you’re the bank.

WHY INVESTORS LIKE IT:

Interested in real estate investing, but don’t want to be a landlord? Know of a local business in need of a boost? Promissory note investing gives you the opportunity to loan funds to real estate investors, business owners, or others, providing you with a stream of passive, predictable income.

Annual Yields as of 2019:

12–20%

Additional Resources:

[\[Video\] Promissory Note Investing with a Retirement Account](#)

[Georgia Investor Nets Tax-Free Returns with Hands-Off Notes](#)



4 Crowdfunding/ Private Equity

WHAT IT IS:

Providing capital to companies that are not publicly traded in exchange for a percentage of ownership or interest. Once only accessible to high-net-worth individuals or “accredited investors,” private equity opportunities are now available to the average investor. These options may be found through equity crowdfunding platforms or angel investing opportunities, for example.

WHY INVESTORS LIKE IT:

Investing in private equity in your retirement account offers the opportunity to buy into private companies that align with your values or interests while earning potentially significant profits.

**Average Annual Returns as of
June 2019:**

10.48%

Additional Resources:

[Investing in Private Entities in an IRA: FAQs](#)

[Investor Earns \\$18,000 for HSA with Private Equity Offering](#)



5 Gold

WHAT IT IS:

Gold is a rare metal that is bought and sold in various forms (including bullion bars and coins) as investments. Its value is due to various factors, including scarcity and its function as a store of value.

WHY INVESTORS LIKE IT:

The asset is not tied to the public market's performance and is considered a "safe haven" in times of inflation and economic uncertainty.

Average Rate of Return (Spot Price Last 20 Years):

10.2%

Additional Resources:

[\[Video\] Precious Metals Investing in a Retirement Account](#)

[Browse Potential Precious Metals Investments](#)

6 Silver

WHAT IT IS:

Silver is unique because it is both a currency and an industrial metal. Like gold, it can be bought and sold in various forms as investments.

WHY INVESTORS LIKE IT:

While less expensive than gold, it is still considered a “safe haven” investment and is used as a hedge against the stock market and economic turbulence like its precious metals counterpart.

**Average Rate of Return
(Spot Price Last 20 Years):**
9.2%

Additional Resources:

[Precious Metals in an IRA: FAQs](#)

[\[Video\] 3 Myths About Investing in Precious Metals in a Retirement Account](#)

7 Cryptocurrency

WHAT IT IS:

This form of digital asset works as a medium of exchange; created as an alternative to traditional currencies. Cryptocurrency uses cryptography to secure and verify transactions as well as control the creation of new units of a particular currency. Cryptocurrency is still an emerging — and growing — asset type. There are more than 1,000 currencies, and the list continues to grow.

WHY INVESTORS LIKE IT:

Proponents cite the potential benefits of decentralization, anonymity, security, and automation. Some investors use cryptocurrency as a diversification strategy because they believe the currency will increase in value; others see lasting value in the blockchain technology behind the currency.

Returns for 2020:

308% 168% 566%

Bitcoin

Bitcoin Cash

Ethereum

Additional Resources:

[Do You Have to Pay Taxes on Bitcoin?](#)

[Investing in Cryptocurrency with an IRA](#)



Before You Invest: Be Aware of a Profit-Eater

While these alternative investments have performed well, it's important to be aware of a factor that could erode the profits: taxes.

Short-and long-term capital gains tax rates climb as high as 20 percent, and lawmakers are floating proposals to increase the tax to as much as 40 percent for some investors.

If you're receiving income from alternative investments such as real estate rent payments or interest from a note investment, you're increasing your taxable income: those tax rates could be as high as 37 percent.

It doesn't have to be this way:

Learn how to reduce or eliminate taxes on your investments.

How Savvy Investors Keep More of Their Returns

There is a way to invest in alternative assets without the threat of capital gains taxes depleting the profits.



Investments held in qualified retirement accounts are exempt from capital gains taxes.

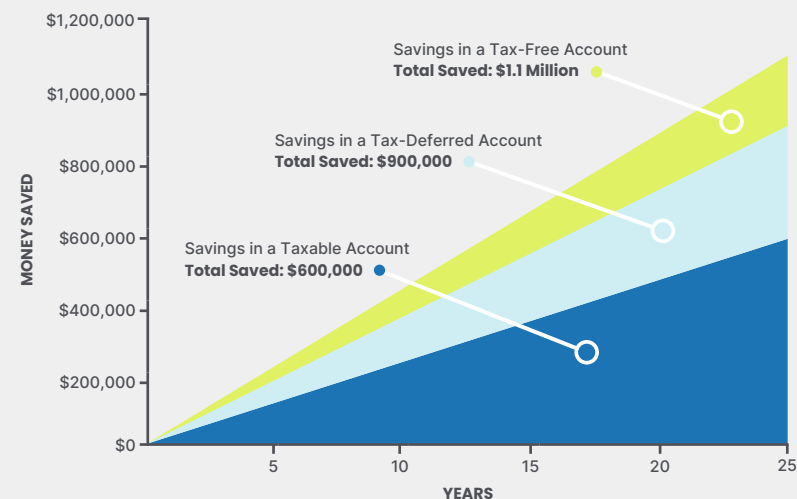
There are other tax advantages to retirement accounts as well.

- With a Traditional IRA, your contributions are tax-deductible, meaning you can reduce your income tax bill for the tax year you contributed.
- With a Roth IRA, your contributions are made after-tax, but qualified withdrawals from the account are tax-free.

Just how much of a difference can taxes make on your retirement savings over time? See for yourself. →

HOW MUCH CAN A RETIREMENT ACCOUNT REDUCE YOUR TAX BURDEN? (Hypothetical Example)

Savings over time in a savings (taxable) account, Traditional IRA (tax-deferred account), and Roth IRA (tax-free account)



Contribution Amount: \$6,000 per year for 25 years

Hypothetical Return: 12%

Assuming a 30% income tax rate during the years you make contributions and a 20% tax rate during distribution years.

...That's \$300,000 in taxes saved over 25 years by investing in a Traditional IRA... \$500,000 saved by investing in a Roth IRA!

One More Thing to Know About Alternative Investments in a Retirement Account:

You can't go to your traditional brokerage and ask to add alternative assets to your existing retirement account.

Only a certain type of account — known as a self-directed account — can hold alternative assets, and only self-directed account custodians will do this. The concept is not new — since the IRA was first created, the IRS has only listed a handful of items that cannot be held in a retirement account.

Discover how to get started with a self-directed IRA.

The Powerful Combination of Alternatives and Retirement Accounts: How to Get Started

If you think alternative investments may be a fit for your portfolio, don't wait any longer to explore your options.

Here are steps you can take today: →

1 Talk to a Knowledgeable Counselor

Learn more about how alternative investing in an IRA works and determine if you might be a fit. Schedule a one-on-one, no-obligation call with one of our knowledgeable IRA Counselors.

[Start a Conversation](#)

2 Open an Account

Ready to get started with a retirement account that hold alternative investments? Open an IRA, Roth IRA, or other account online now.

[Open an Account in Minutes](#)

3 Browse Investment Opportunities

Discover potential investments across a variety of alternative asset classes with Investment District online marketplace.

[Visit Investment District](#)



Equity Trust Company: Redefining Retirement Saving for Over 45 Years

Recognized as the industry leader and pioneer of alternative investments in IRAs, Equity Trust has unparalleled alternative asset expertise and an unmatched record of excellence. Named among the Top 7 IRA Accounts by US News & World Report, we offer customized one-on-one sessions to discuss your interests and goals to help guide your success as you navigate your opportunities.

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