Self-Directed IRA and 401(k) Plan Fees:
How Fee Structures Affect Long-Term IRA Returns

By
William L. Exeter
Chief Executive Officer
Exeter Trust Company

The fee structures of a self-directed IRA or a self-directed 401(k) plan can have a direct and long-lasting effect on investment performance. By the end of this article, you will understand how layered IRA and 401(k) plan custodian fees (i.e., the nickel and dime approach) can reduce long-term growth, why percentage-of-value charges often become more costly as your account grows, and how a flat annual fee can help preserve more of your retirement account value over time.

Self-directed IRA investors often focus solely on asset selection, tax strategy, and investment diversification. While those are certainly extremely important decisions, SDIRA fees and costs also matter. In many cases, the difference between a custodial fee schedule built on multiple fees and service charges and one based on a flat annual fee can materially impact the net investment returns over the long-term life of the self-directed account.

If your SDIRA custodian charges set-up fees, percentage of account value fees, account market value fees, annual account fees, asset holding fees, transaction fees, wire fees, document fees, termination fees, and asset-based fees, the total cost may be far greater than it first appears. A flat-fee structure offers a different approach: predictable pricing, fewer surprises, and significantly better total investment returns over time. Exeter Trust Company (ExeterTrust™) offers flat fee pricing for its premium level service for self-directed IRAs.

What Self-Directed IRA Fees Really Cost

A self-directed IRA gives investors the ability to buy and hold alternative assets such as real estate, deeds of trust, mortgages, private placements, private equity and debt funds, non-traded real estate investment trusts (REITs) and other non-traditional investments. That investment flexibility can be extremely valuable. However, the retirement account's investment performance is shaped not only by the underlying investments, but also by the way the SDIRA custodian assesses their fees and services charges.

Some self-directed IRA and 401(k) plan custodians use a layered fee schedule that may include:

- Set-up fees
- Annual maintenance fees
- Percentage-of-value fees
- Asset holding fees

- Transaction fees
- Wire fees
- Check processing fees
- Statement or reporting fees
- Special handling or document review fees
- Termination or account closing fees

Individually, each fee or service charge may seem manageable. Collectively, they can create ongoing friction that steadily reduces the overall account's investment returns and long-term value.

The Difference Between Layered Fees and a Flat Annual Fee

The most important distinction is not simply how much you pay today. It is how the fee structure behaves as you build your account and as your investment activity changes over time.

Layered Fee Structures

A layered fee structure applies separate charges across different parts of the account relationship. In practice, this means you may pay each time you open the account, hold an asset, buy or sell an investment, move money, process documents, or close the account. This "nickel and dime" approach can be difficult to track because costs are spread across many line items. It also makes it harder to estimate the true cost of account ownership over several years.

Flat Annual Fee Structures

A flat or fixed annual self-directed IRA fee is designed to simplify pricing. Instead of charging for every action or increasing fees as account value rises, a flat-fee custodian charges one predictable annual amount that covers account administration and custody services on an all-inclusive basis. This model offers two clear advantages:

- Costs are easier to understand and budget for; and
- Fees do not automatically increase just because your IRA has grown in value

The difference can be significant over long holding periods.

Exeter Trust Company Flat Fee for Premium Service

Exeter Trust Company offers its full premium level service for one flat fee. ExeterTrust™ charges $275.00 per self-directed IRA, per year, and $475.00 per self-directed 401(k) plan, per year. There are no set-up fees, no account value fees, no transaction or wire fees, no asset holding fees, and no termination fees. Investors know exactly what they are looking at before they get started. Fixed, simple and transparent pricing. Call ExeterTrust™ now.

How Fees Erode Self-Directed IRA Performance Over Time

Fees reduce investment returns in two ways. First, they directly remove money from the account. Second, they reduce the amount of capital left to generate income in future years. Even modest recurring charges can create a significant long-term effect because every dollar paid in fees is a dollar that no longer remains invested.

Percentage-of-Value Fees Create Growing Cost Pressure

Percentage-of-value fees or account market value fees are especially important to evaluate. These fees rise as the value of your IRA increases. In other words, the better your account performs, the more you pay. This structure works against long-term investors because:

- Fees increase automatically as assets appreciate
- Larger account balances create larger annual custody fees
- Compounding is reduced at the exact point when growth should be accelerating

For example, an individual retirement account valued at $100,000 and charged a 1% account value fee would pay $1,000 per year. If the same account grows to $300,000 in fair market value, the 1% annual FMV fee rises to $3,000, even if the level of IRA custodial work has not changed in a meaningful way.

That added cost does not just affect one year. It affects every future year because those dollars are no longer generating income inside the IRA.

Transaction and Miscellaneous Fees Add Hidden Drag

Self-directed IRAs and 401(k) plans generally involve events that trigger various transaction fees and service charges. These fees and costs can include:

- Purchasing an asset
- Selling an asset
- Sending a wire
- Processing income distributions
- Holding multiple assets
- Reviewing alternative asset documents
- Filing special forms
- Receiving physical paper statements
- Transferring or terminating the account

These charges are often treated as routine administrative costs. But over time, they can add up quickly, especially for SDIRA investors with more than one asset or those who expect periodic transaction activity. A fee schedule with many separate charges may look competitive at first glance. The true cost often becomes visible only after several years of account activity.

Why Hidden Charges Matter More Than Many Investors Expect

Hidden charges are not always hidden. In many cases, they are simply buried in a long fee schedule, scattered across categories, or triggered by events the investor does not anticipate at the start. That matters because hidden or overlooked fees can:

- Distort your expected rate of return
- Make account costs hard to forecast
- Penalize routine account activity
- Reduce confidence in long-term planning

Self-directed IRAs or 401(k) plans are often used for long-term retirement investing. Predictability matters in that setting. When fees are uncertain, planning becomes less precise and net performance becomes harder to measure.

A Simple Example of Long-Term Fee Drag

Assume two investors hold similar self-directed IRA investments over a long period.

Investor A: Layered Fee Schedule

Investor A pays:

- An initial set-up fee
- An annual maintenance fee
- A percentage-of-value fee
- Asset holding fees
- Transaction and wire fees as activity occurs
- A termination fee at the end

As the account grows, the percentage-of-value fee grows too. If the investor holds several assets, asset-based and holding charges may increase further.

Investor B: Flat Annual Fee

Investor B pays:

- One predictable annual all-inclusive fee

In this scenario, investor B benefits from cost stability. More of the IRA remains invested and available to generate additional income. Over time, the difference in account value can be substantial, not because of a different investment, but because of a different fee model.

What to Watch for When Comparing IRA Custodian Fees

Not all self-directed IRA fee schedules are easy to compare. A low advertised base fee may not reflect the full cost of administration. When reviewing a custodian's pricing, look closely for:

- Percentage-of-value or asset-based fees
- Per-asset holding charges
- Fees per purchase, sale exchange, or transfer
- Wire and check processing fees
- Document review or special service fees
- Annual renewal or maintenance charges
- Account termination or transfer-out fees

Also ask a practical question: if your IRA doubles in value, will your custodial fees remain the same, or will they rise sharply? That question often reveals whether the fee model supports long-term compounding or steadily works against it.

Why a Flat-Fee Model Can Improve Long-Term Rate of Return

A flat SDIRA fee structure can improve net long-term investment performance because it reduces fee drag and keeps more money invested in the self-directed IRAs and individual 401(k) plans.

More Predictable Costs

Predictable IRA fees make it easier to project future expenses and evaluate expected returns. You know what the account administration is likely to cost each year, without trying to estimate multiple line-item charges.

Less Penalty for Growth

When retirement account fees are not tied to account value, your success is not automatically met with higher custodial costs. As the IRA grows, more of that growth remains in the account.

Reduced Friction on Activity

An all-inclusive annual fee can also reduce concern over routine administrative charges. Investors will not feel penalized by each transaction, each document, or each account event.

Better Compounding Over Time

The long-term value of lower fee drag is straightforward: more money stays invested, and more invested money has the opportunity to compound. Over a period of years or decades, this can materially improve the account value.

Who Benefits Most From a Flat Annual Fee

A flat-fee self-directed IRA model may be especially beneficial for investors who:

- Expect their IRA to grow over time
- Hold higher-value alternative assets
- Own multiple assets in one account
- Want greater cost transparency
- Prefer simpler long-term planning
- Want to avoid being charged more simply because their investments perform well

For these investors, a fixed annual account fee may offer a cleaner, more transparent, and more cost-efficient structure than a layered fee schedule.

Common Mistakes Investors Make When Evaluating IRA Fees

Focusing Only on the Opening Cost

A low set-up fee to establish a self-directed IRA or individual 401(k) plan can draw attention away from much larger recurring costs that appear later.

Ignoring Percentage-of-Value Charges

Account value-based fees may seem small as a percentage, but they can become expensive as the account grows in value. Account market value fees are a thing of the past.

Underestimating Miscellaneous Charges

Wire fees, transaction fees, document fees, and termination fees all add up and can meaningfully affect total cost over time, and therefore affect the total return of the retirement account.

Comparing Fee Schedules Without a Long-Term View

The right comparison is not just year one. It is the cumulative cost over the expected life of the account.

Frequently Asked Questions (FAQ)

Q: What is the biggest problem with percentage of account value IRA fees?
A: They rise as your account grows. This means the IRA custodian's fee increases with your success, which can reduce long-term compounding and lower net returns.

Q: Are transaction fees and service charges really that important?
A: Yes, absolutely. Even when each charge looks modest, repeated transaction fees, wire fees, and other administrative costs can add up over time and reduce overall IRA performance.

Q: Why is a flat annual fee often easier to manage?
A: A fixed annual fee provides predictable pricing. It helps investors understand account costs in advance and avoids many of the separate charges common in layered fee schedules.

Q: Do hidden fees in a self-directed IRA affect long-term returns?
A: Yes. Any fee paid from the IRA reduces account yield and value and removes funds that could otherwise remain invested and compound in future years.

Q: How can I compare my current custodian's fees to a flat-fee or fixed-fee model?
A: The most effective way is to calculate the total cost of your current fee schedule, including asset-based fees, transaction charges, and miscellaneous expenses, then compare that total to a flat annual fee structure.

Q: How Much Are Your Current Custodian's Fees Costing You?
A: Fee structure matters. A self-directed IRA with layered charges can steadily lose value to recurring and hidden costs, especially when percentage-of-account-value fees increase as the account grows. A fixed annual fee offers a more transparent and efficient model that can help preserve more of your retirement capital for long-term compounding.