

It Is Merger Season For Self Directed IRA Custodians. Is Your Custodian Next?

<https://thediwire.com/it-is-merger-season-for-self-directed-ira-custodians-is-your-custodian-next/>

February 15, 2016



In the past four months there have been two announcements of mergers or acquisitions in the financial services industry. The emerging niche of [self-directed IRA custodians](#) has apparently drawn some interest from firms outside the industry. Is this the sign of a top or a sign of greater interest in alternative investments held in retirement accounts?

The global financial crisis in 2008 caused a lot of concern with investors about publicly traded investments. The S&P 500 lost more than 50% during a 10 month period before rebounding to where it is today. Despite the historic rise of the S&P 500 from 2009 until mid-2015, many investors are still concerned about the stock market. Many of these investors are looking to diversify their retirement accounts outside the stock market into [alternative investments](#). This interest in alternative investments may be driving the growth and recent acquisitions of self-directed IRA custodians Pensco Trust Company and Millennium Trust Company.



In December of 2015 [Millennium Trust Company](#) was acquired by Parthenon Capital Partners, a growth-oriented private equity firm. Andrew Dodson of Parthenon stated that, “technology-enabled financial services is a core area of focus for Parthenon, and we have spent significant time over the years exploring the trust, custody, and benefits administration niches... Our ongoing work in the space over the intervening period have confirmed that Millennium Trust is the best-in-class provider in its niches.”

The “technology-enabled asset custody solutions” and being a “best-in-class provider” were presumably not the only reasons Parthenon were attracted to Millennium Trust Company. Millennium also appears to be the largest self-directed IRA custodian based on assets under custody. As of the December 2015 press release, Millennium Trust Company states to have more than \$16.8 Billion in assets and more than 408,000 accounts under administration. While Millennium Trust Company appears to be the largest self-directed IRA custodian, [Pensco Trust Company](#) is not far behind with an estimated \$11 Billion in assets under custody from over 45,000 clients. On January 25, 2016 Pensco Trust Company announced that they have a definitive agreement to be acquired by Opus Bank. Opus Bank was interested in Pensco since they were “a premium fintech provider with highly scalable technology.” Kelly Rodrigues stated, “Our shared institutional expertise and sharp focus on fintech innovation that will shape

the future of Opus and Pensco are at the forefront of interacting with multiple touch points in this space. Both companies share the vision of servicing clients’ alternative investing needs.”

Opus also saw a benefit of the adding \$1 billion of near-zero cost deposits on to their balance sheet. Opus Bank currently has \$5.3 Billion in total deposits, so this acquisition would increase their total deposits by almost 19%. This increase in deposits plus Opus’ belief that “several other revenue opportunities will be realized between Pensco and Opus in the future” was attractive enough to acquire the self-directed IRA custodian.

More mergers ahead?

So the question still remains. Are there more mergers in store for the self-directed IRA industry? There are a few other self-directed IRA custodians of similar size, but only time will tell.

One thing is clear, banks and financial services firms are interested in acquiring self-directed IRA custodians who have a focus on technology. Technology is changing the way we do business. I expect that technology solutions will only continue to enhance the ability of the financial services industry to provide superior service and solutions to their clients.

The Pensco Trust Company acquisition by Opus Bank is still subject to regulatory and board approvals, but if these two recent announcements are a sign of things to come, the self-directed IRA industry could be in for more shake up news in the years ahead.