

The PERIODIC PONDERANCE

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The Chinese symbol for “crisis” is actually two symbols, the first meaning “danger” and the second “opportunity.” We bring this to your attention in the midst of the global financial “crisis.” The Wealth Conservancy invites our clients to join us in choosing to focus on the opportunity and to call to discuss your worries and blessings.

Some Notes from Myra

Our clients are to be commended as is Steve. For the last seven years, Steve has been sticking his unconventional neck out and honoring The Wealth Conservancy’s commitment to, well, conserve wealth; and our clients have demonstrated remarkable restraint by hanging in there. True, we beat our benchmark over that period (which made it a little easier to endure) but now clients can pat themselves on the back for entrusting Steve to manage things wisely. That said, let’s not ignore the vast majority of citizens who may be hurting financially and help them as we can.

On October 9th, the day the DJIA fell 689 points, a few friends of TWC engaged in a conference call to focus on the positive components of the current ubiquitous malaise that has permeated our psyche. Here are some of their insights, condensed and summarized:



"I used some of our grocery money to buy something called 'Lehman Brothers' on eBay."

This is a time to step back and consider how we've been living our lives with little thought to what we're spending and where, and how it's affecting the whole and our children, children's children and more. By reducing our extravagances (decadence?), we simplify our lives and welcome opportunities for introspection and reflection. We acknowledge and empathize with the painful realities, not necessarily in our own circumstances but in those of others and begin to appreciate how this may bring about opportunity for great peace. We must also learn other lessons from this: that this must not happen in a vacuum, and we must insist on accountability from corporate America and competent oversight in government.

A big thank you for those who participated and for our clients who trust Steve and are hanging in there. It is my sincere wish that TWC always give you a feeling that your future is secure and bright.

Please be sure to read my interview with Charlotte Beyer on page 3.

The Art of Giving Wisely

I love this time of year – as I look out the window, I see all of the gorgeous colors of fall. And, like every other year, I think to myself, “I can’t believe it’s October already”! But the reality is that another year is coming to a close and, in addition to holiday festivities, this is the time of year when many people like to make charitable contributions.

There are different aspects of giving: there is a tax benefit to making donations, and the personal fulfillment of making a difference in the world via contributions. Oftentimes it is easier to calculate the tax benefit, than to decide how your money can have a positive impact on the world, so this is where the art of giving blossoms.

As rewarding as it is to make a contribution, deciding on a giving strategy can be daunting. How much can I afford to give? There are so many needs – what is really important to *me*? Is my charity of choice financially sound? Are my goals in line with the non-profit that I would like to give to? Is the charity actually doing what they say they do – where is the proof? These are great questions for a donor to ask before giving, but where to start?

For those readers who are clients of The Wealth Conservancy, we can help guide you through this process. For those of you who prefer to do it on your own, here are a few tips to get started:

1. Go to www.guidestar.org to look up a charity’s tax return (Form 990). You will want to make sure it is a qualified 501(c)3 to get the tax deduction.
2. Start the year off with a budget, and set aside a certain amount for charitable giving.
3. Just start by giving to a specific cause or purpose that interests you – you can always change your mind the next year and pick another area of interest. You can’t really make a mistake.

Call, or better yet visit (if possible) the charities you are considering and ask your questions – how are they going about achieving their goals? What progress have they made? Do they have a newsletter to keep you posted during the year?

Depending on your circumstances and goals, direct giving may be appropriate; if not, alternatives are available. Donors may create a donor advised fund, charitable remainder or lead trust or a private foundation, to name a few. Consult with your advisors to see how each one would or would not work for your goals and financial situation.

If giving is where your passion is leading you, use your advisors to help you sort through your options so you can make wise decisions. In the end, it is a fun and rewarding process!

By Melissa Hoyer



To Further Complicate Matters . . .

The new housing bill passed last summer contains language that tightens the use of the tax-free exclusion for sellers of a principal residence. Under current law, sellers can claim an exclusion of up to \$500,000 for joint filers and \$250,000 for single filers if they lived in the home as their primary residence for two of the past five years.

In the past, people have been able to convert gains on an investment property by selling their primary residence, using their exclusion, and then moving into their investment property. Once they had lived in the investment property for two years, they could sell the home and use the exclusion again, thereby converting capital gains into a tax-free gain.

Beginning January 1, 2009, purchasers of investment properties that are then converted into a principal residence will be required to use a new allocation formula to determine the amount of the exclusion that can

be applied against the capital gain upon the sale of a former investment property. The formula contains a fraction; the numerator is the number of years a home was used as something other than a principal residence, the denominator is the total period of ownership. The fraction is then applied against the total gain from the sale to determine the amount of gain that is subject to capital gains taxation.

For example, let’s assume a couple purchases a property for \$500,000 in 2009 and uses it as an investment property for two years, writing off \$30,000 in depreciation deductions. In 2011, they move into the home. Three years later, they sell the home for \$1,000,000. To calculate the taxable gain, divide the number of years the home was used as a rental property (2) by the total number of years the home was owned (5) and multiply the fraction by the amount of capital gain (\$500,000). The resulting amount, \$200,000, is the

(See Taxes, continued on page 4)

Charlotte B. Beyer

Charlotte Beyer is the founder and CEO of the Institute for Private Investors (IPI), an educational organization based in New York with an additional office in San Francisco. She attended the University of Pennsylvania and graduated from Hunter College with a degree in English. Charlotte graciously accepted Myra's invitation for this interview, which we thought would be of special interest to our readers.



Myra: How did you get into this industry?

Charlotte: I had always wanted to be a teacher, so my first job out of college and also while I was going to night school at Hunter, was as a teacher—first as an assistant in a kindergarten in a private school and then as a third grade teacher.

After a year of teaching third grade I realized I really yearned to teach adults, so using family and networks, I ended up being interviewed by a bank to join their training department. That was 1971. I loved the job. I stayed with that bank for ten years, was in many, many different departments, went through several computer conversions, learned a great deal, and had my two children during that ten years, taking some time off both times.

Myra: Our clients have inherited wealth, and many people have an attitude about money. And you are now wildly successful financially. How has that affected relationships with friends you grew up with, family members, etc.?

Charlotte: My childhood and perhaps my inspiration for creating the business I have is because I was born into two very different families—my father's side and my mother's side. My mother's family was old, old money—they had a lot of it and they'd had it forever. And it was a company founded by my great-great grandfather, which was still very successful. The children had become somewhat (to be very gentle, here) dysfunctional. There was a lot of alcoholism in the family. So that family; that was part of who I was.

And then my father's family—he was an only child and his father had been an only child. His father had lost everything in the depression. He had been at the top; he had been hugely successful—very, very wealthy, and then had lost everything. And in my childhood, I watched my father support my grandfather—give him money, get him an apartment . . . because he was indigent.

That contrast—my father's attitude about money and my mother's attitude about money were diametrically different. My mother just always assumed you had enough; my father never felt he had enough. And so I grew up thinking we were not well off, but in fact, we were—by anyone's standards. They were able to send me off to school. Who knows who paid for it, but I went.

In a way it was a blessing because I worked every summer: worked to buy my first car, worked during college to have living expenses. I thought it was because I had to, and I guess in a way I did, but I think it was a gift because I never really realized how much money had been in the family until much, much later. And then it was also a gift.

Myra: With that dichotomy as far as your mother's and father's relationship with their wealth, and your gratitude about having had an opportunity to do for yourself and not have this sense of entitlement that you never had to, how does that affect how you plan to provide or give or share with your children?

Charlotte: In a very direct way. I've felt very strongly that I don't want to leave them too much, but I want to give them as much, psychologically, as I felt I was given by my parents.

My father, later (and I mean way later, two years before he died, as a matter of fact) shared with me an incredible hurt that he experienced at the hands of his father-in-law. His venture, an entrepreneurial venture, needed one last infusion of cash, he felt, in order to really make it go, and my grandfather, his father-in-law, said to him, "I'm not going to give you this loan; just go get a job." And that's what prompted my father to take us to Texas.

My father shared this story with me two years before he died because, at the time, I was really struggling in my own business. I was a single parent, now, at this point, and I wasn't sure that I could really do it. I was sharing with my father a little bit of this over dinner. And he said, "Look, I don't know why I happen at this point to have this much money in my checking account, but I'm goddamned glad to tide you over with this." And then he told me, you know, "Because there was a time when your mother's father, your grandfather, refused to lend me more money in my own start-up, and I had to give up. The company went on to succeed without me. And I've never forgotten that, and I'm so

(See Beyer, continued on page 4)

(Beyer, continued from page 3)

happy I have this money to loan to you.”

Myra: It’s possible that people who are reading this don’t really know what IPI (Institute for Private Investors) is, so maybe you could give an overview of what is IPI first, and then share where it’s going.

Charlotte: Let me share what IPI is, as follows: We are an education and networking private membership organization for families who have substantial assets and their advisors. And there is a significant online community for these 1200 investors as well as a number of global and US-based events. All of it, however, is in a safe harbor—we’re not selling advice, we’re not selling product, we’re not selling a particular point of view—so it’s neutral investor education.

Myra: Where is IPI going in the future?

Charlotte: There’s never been a greater need for people with wealth to become smarter about how to hire advisors, manage their assets, think about family governance. There have never been more people that need this, and my hope and dream is that we provide it worldwide, to far, far more people than we do today. And that it is delivered in an online or in-person way that continues to maintain that sense of community, and most importantly, maintains the safe harbor so that people don’t feel solicited to, sold to, or otherwise invaded by professional advisors. This whole vision—I’m hoping to have it worldwide so that in Shanghai or Dubai or Mumbai or Sao Paulo you might be able to find IPI-like education: formats, meetings or so on.

Myra: One last question—Can you give us one little tidbit, one little surprise, one little something about you that no one knows?

Charlotte: I think what people might not know about me is that having been raised in money— during the summers with my mother’s family, and then in Dallas in the winter, and because of the aspirations of my parents, I was running with the circle that had money—I was always, from a very early age, struck by how sad I felt about the impact money had on so many people. The feeling of sadness was from very early on, because I watched my grandfather, who was three generations removed, how sad he was, in my view.

Myra: How old were you when, in your earliest memory, you connected sadness with wealth?

Charlotte: Probably when I was about ten. I remember my father talking to me. We lived in a tract house in Dallas (it’s now very fashionable but at the time, University Park had very modest houses, by any standards). I remember my father admitting to me he was embarrassed to be living there. I don’t remember how he communicated it, but it was clear that all his clients and friends lived in much bigger houses. I was going to private school, so I could see their houses and everything, and I knew that our house was smaller, but I didn’t care *one bit*, but he did. It really deeply bothered him. And I remember thinking: how sad— why does he care?

He cared because he knew how we lived in the summer with my grandmother in her big, giant house, and I think it embarrassed him because he knew what he used to live like when he was back in college, before his family lost all their money. He felt “less than,” even though it had nothing to do with him and only to do with money.

“The unique challenge of boomers in retirement, then, is how to have it all now and later too. Most boomers don’t understand what it’s like to not be able to afford the essentials. They have little notion of scarcity, which is unique in history.”
—Bob Haley of Advanced Wealth Management in Portland, OR

(Taxes, continued from page 2)

amount subject to capital gains taxation, with the remaining \$300,000 available to be applied against the exclusion amount. (The \$30,000 in depreciation deductions is treated as ordinary income.)

The new law applies only to homes purchased after January 1, 2009, and only for homes used as investment property for some period of time that are later converted to a primary residence. While this may seem to be a small change in the tax code, it is expected to raise as much as \$1.4 billion over the next decade. If you have been planning to purchase an investment property that you may someday want to use as your main residence, consider consulting with your professional tax advisor first.



By Raquel Hinman

Protecting Your Savings and Investments*

In the wake of turbulence in the financial markets, many people are reviewing the legal protections available for assets held by banks, credit unions, and securities dealers. Here are some of the protections available.

Bank deposit accounts

Generally, deposit accounts at banks insured by the Federal Deposit Insurance Corporation (FDIC) are insured up to \$100,000 per depositor per bank. FDIC insurance covers checking, NOW, and savings accounts; money market deposit accounts; and time deposits, such as certificates of deposit (CDs). It does not cover money market mutual funds, stocks, bonds, mutual funds, life insurance policies, annuities, or other securities, even if they were bought through an FDIC-insured bank.

You cannot increase your protection simply by opening more than one account in your name at the same bank (for example, splitting the money between a checking and a savings account, or opening accounts at different branches of the same bank). However, deposits that represent different categories of ownership may be independently insured. For example, a joint account qualifies for up to \$100,000 of coverage for each person named as a joint owner of the account. That coverage is in addition to the \$100,000 maximum coverage for individual accounts for each person. For example, a married couple with three accounts at one bank--they each have \$100,000 in an individual account, and they also have \$200,000 in a joint account--would qualify for FDIC coverage of the entire \$400,000.

The limit on the amount protected in one or more retirement accounts is \$250,000; this is separate from the \$100,000 coverage of individual accounts. (Remember, however, that FDIC insurance applies only to deposit accounts, not to any securities held in an IRA or other retirement account.)

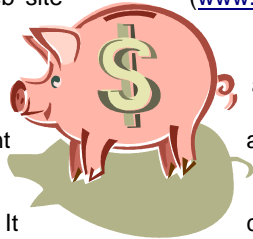
Your bank may have additional protection. For example, in some states, a state-chartered savings bank must carry additional insurance to cover potential losses beyond the FDIC limits. Some banks also may participate in the Certificate of Deposit Account Registry Service (CDARS), which enables a bank to spread large CD deposits among multiple banks while keeping the amount at each individual bank, including itself, within FDIC insurance limits.

An online calculator available at the FDIC's web site (www.fdic.gov/edie/) can help you estimate the total FDIC coverage on your deposit accounts.

Credit unions

Member share accounts at most credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF). It is administered by the an independent agency of the federal government Treasury. (Some credit unions are not federally typically have private credit insurance.)

NCUSIF insurance is similar to FDIC insurance. It covers single-owner accounts up to \$100,000 per customer per institution. Retirement accounts such as IRAs and Keoghs have separate coverage up to \$250,000. As with bank deposit accounts, independent coverage may be available for different categories of ownership. You can estimate your existing coverage by using the calculator at the NCUA's web site at <http://webapps.ncua.gov/ins/>.



are insured by the National Credit Union Share Insurance Fund (NCUSIF), which is backed by the full faith and credit of the U.S. Treasury. (Some credit unions are not federally insured but are overseen by state regulators; they

Brokerage accounts and SIPC

Most brokerage accounts are protected by the Securities Investor Protection Corp (SIPC). Unlike the FDIC, the SIPC is not a governmental agency but a nonprofit corporation funded by its membership, which is comprised of broker-dealers registered with the Securities and Exchange Commission. (Any broker-dealer that is not an SIPC member must disclose that fact to customers.)

SIPC was created by Congress in 1970 to help return customer property, including both securities and cash in brokerage accounts, if a broker-dealer or clearing firm experiences insolvency, unauthorized trading or securities that are lost or missing from a customer's securities account. Many brokerages also carry additional private insurance to extend coverage beyond the SIPC limits. Should a SIPC member firm become insolvent, SIPC would request a court to appoint a trustee to supervise transfer of customer securities and cash.

For individual accounts, SIPC covers a maximum of \$500,000 per customer (including up to \$100,000 in cash) at a given brokerage house or clearing firm. As with banks, total coverage can be higher for multiple accounts at one institution, depending on how they're held. For example, a married couple could have two individual accounts with \$500,000 of coverage each, plus a joint account that would bring their aggregated coverage for that firm to \$1.5 million. Each of your retirement accounts at a given firm also is generally eligible for an additional \$500,000 of SIPC coverage (including up to \$100,000 in cash) in the event securities in your account are lost or stolen.

It's important to remember that SIPC does not protect against market risk or price fluctuations. The value of securities at a failed institution is determined as of the date upon which a trustee is appointed. If shares drop in value before a trustee is appointed, that loss of value is not covered by SIPC. In general, SIPC covers notes, stocks, bonds, mutual funds and other shares in investment companies. It does not cover investments that are not registered with the SEC, such as certain investment contracts, limited partnerships, fixed annuity contracts, currency, gold, silver, commodity futures contracts or commodities options.

You can check the status of any liquidation proceeding and if necessary, get a claim form, at <http://www.sipc.org>.

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Creative Cheating

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Integrity

Imagine my surprise this morning when I opened my email to find a message from the FBI. The subject line read, "Notification Letter From the Federal Bureau of Investigation FBI.Washington DC." Now, I must say, our wonderful security system did flag this email for quarantine, but curiosity got the better of me so I released it. I didn't *think* this was real, but I had to look.

The letter, at first, was very official looking and touched on a subject I certainly knew about – various Nigerian scams. After carefully reading the email, I noticed several things that sent up warning flags.

First of all, though they tried very hard to use "correct" English, the nuances of the letter seemed very foreign; starting sentences with, "In addendum, also be informed..." and "we recently had a meeting with an executive at the Central Bank of Nigeria, in the person of...." These lines did NOT seem like an official notification from the FBI!

Now that I had my suspicions, I looked at the entire email much more carefully. Here are some things I found, and things everyone should look at/for:

Return email address was: onlinemailing118@earthlink.net – This doesn't sound like an email from the government!

The top address (that was trying SO hard to look official) gave an email address for the executive director as mailoffice@fed-bureau-investigations.org – Something everyone should keep in mind – a government address ALWAYS ends in .gov.

What is truly interesting and clever is that the email never asked me to send money. They did want me to reply to help their "investigation," but did not ask for money yet. I'm sure that if I had replied, I would be in trouble now.

I put this email in my Junk Folder and marked it to never be allowed in my Inbox, and I will be very cautious with regard to my curiosity in future. I don't want to suffer the same fate as the cat.

By Amy Brooke



TWC Happenings

Holiday closings:



Thanksgiving—November 27th and 28th

Christmas—December 25th and 26th

New Year's Day—January 1, 2009



Baby update: Melissa is still on target for a Thanksgiving due date, and she found out that she is having a girl. She plans on working up to her delivery date, and will return to work around April 1st. Stay tuned for the next update, after the big day!

Congratulations to Barbara and Steve who celebrated their 10th and 8th anniversaries, respectively, with The Wealth Conservancy in September.



Mark your calendars: Steve's Periodic Perspicacities (conference call) is Tuesday, October 28th at 11:00 EDT, 10:00 CDT, 9:00 MDT and 8:00 PDT. If you are not getting email announcements about it, please let us know. You don't want to miss it!

Myra appears on *Worth's* list of Top Wealth Advisors this October. (out of 15 possible). Way to go, Myra!



This is the 14th time she has been on the list

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