

NOTE: I AM NOT A PROFESSIONAL ADVISOR, THESE ARE PERSONAL OPINIONS SHARED AND NOT TO BE RELIED ON AS PROFESSIONAL ADVICE....ALWAYS SEEK QUALIFIED PROFESSIONALS FOR ALL LEGAL AND INVESTMENT ADVISORY
Any reference to rates is strictly for examples. 8/1/14 1:30 PDT: added more info on contract rate history for China in maroon

LESSON 1 Part 1: DINAR RATES AND CONTRACTS

Background:

Each country has a currency it uses for its citizens and government to transact business. The USA has the US Dollar (USD). Canada has the Canadian Dollar (CAN). Iraq has the Iraqi Dinar (IQD), Serbia has the Serbian Dinar, Vietnam has the Dong (VND), China has the Yuan, Mexico has the Peso, the new EU has the Euro (EUR), Norway has the Kroner.

You will find areas of the globe that use a similar nomenclature for the countries there. For example many South American countries use a peso but each country has its own. North America uses the dollar but Canada and the USA each have their own dollar. Most Middle Eastern countries use the dinar, but each one has its own. So there is an Iraqi dinar, a Kuwaiti dinar, a Serbian dinar, a Jordanian dinar, a Qatar dinar, etc.

Asset backed vs Fiat Currency

The Iraqi dinar is different from other world currencies in that it is required to be asset backed. This is an attempt by the International Monetary Fund (IMF), the Bank of International Settlements (BIS), the UN, the US Treasury and everyone else you can think of (except the Federal Reserve in the USA!) to push world currencies to asset backed instead of merely a printing press (known as FIAT money). The USA used to be gold-backed until Nixon took us off the Gold Standard in 1971 because we did not have sufficient gold to back all the outstanding money. The USA is now a fiat-based system.

Exchange Rates and Spreads:

Each country currency can be traded for a different currency from another country. There are published exchange rates, typically found on Foreign Exchange sites, such as FOREX, Oanda, US Treasury, etc. Banks will have their exchange rates as well. There are differences in the rates for which the FOREX (like you find at an airport) or bank will BUY your currency which are less than the Sell rate. The difference between the BUY rate and the SELL rate is called the SPREAD. This parallels the BUY/SELL philosophy of buying and selling stocks or mutual funds. Of course, in our case with the dinar we want the smallest spread because we are the SELLERS and the bank is the BUYER.

I doubt if the spread among banks will vary much as it is not in their interest to do so at this point.

IF you SELL Canadian dollars today, the Bank of America will BUY them for .8743 US Dollars. Thus you would sell one Canadian dollar and receive back 87 cents in US coins for the transaction. IF you offered to sell US\$ because you wanted Canadian you would get \$1.08 Canadian dollars back.

Here are the BUY / SELL rates for the Iraqi dinar today on Oanda: <http://www.oanda.com/currency/converter/>
Selling 1.00000 USD you get 1,160.56 IQD (so your dinars are worth something today even)
Buying 1.00000 USD you pay 1,171.10 IQD (this is what we will be doing but after the RV this rate will CHANGE!.)

DINAR RATES:

For about 3 months the rates have been kept ever so quiet. All I can do is remember the rates from months ago to report here. They are not likely to match the rates when the RV happens!! Those are the numbers you might find on FOREX when the RV occurs, or posted on Oanda, BofA, etc. This is for examples only. **ALL RATES ARE FOR EXAMPLE ONLY AND PURELY SPECULATION, WITHOUT FOUNDATION, AND SUBJECT TO VARIATION AND CHANGE. ANY RATE EITHER PUBLIC OR PRIVATE IS SUBJECT TO EXTREME VOLATILITY AT ANY TIME**

Iraqi Dinar international rate: \$3.71 (this means when you present one dinar they will pay you \$3.71 USD for each one)
Vietnamese dong: \$2.10 (Again, you will get \$2.10 for each dong presented)

History of Dinar:

IN 2003 the world agreed to devalue the Iraqi dinar (which then was at about \$3.40 or \$3.70 US) to almost zero to prevent Saddam Hussein from squirreling away money that the international community had been giving Iraq. No bank worldwide would take the dinar any longer and still won't. The US and other allied countries accepted the worthless dinar as payment for freeing Iraq and paying for the war, knowing that one day the dinar would be valuable again and their countries would be repaid. The intent was to ReValue the dinar at some point when Iraq reached stability and had emerged from bankruptcy. Well all that has now happened. We just await the RV itself now.

Iraq via this ReValuation (RV) process will have asset-backed currency. Iraq has oil, gold, diamonds aplenty to support a substantial value for the dinar. The world is very interested in its oil reserves.

Dinar Contract Rates:

Thus, the US and China have negotiated with Iraq that for each dinar they present back to Iraq during the RV (meant to help Iraq collect all the large notes that are outstanding worldwide that have been needed for the awful rate Iraq has endured for 10 years), that Iraq will provide one oil credit to that country at \$32. This means that both the USA and China can obtain a barrel of oil for \$32 while it is currently

selling on the open market for over \$100 a barrel. This is a pretty good deal!

BACKGROUND ON CONTRACT RATES

In the beginning China was bound and determined to garner as many oil credits as it could get. China decided if it could buy in bulk that would be prudent. So it asked some banks to help China set up some groups to get their bulk purchase. After that was done, others got wind of it and then other groups wanted to be included, etc. There are now over 300 groups with rates varying from 50 cents per dinar all the way to the high double digits (I think that means high \$30s). Some groups are legitimate and many are not quite so legitimate. Those set up to deal with China are legitimate as best we know. Some of the others? not so much.

There were more dinars available for contracts than there were people in groups. It has evolved that individuals also wanted to be able to take advantage of the contract rates. That created an opportunity for the rest of us. So now there are at least 3 rates: one China contract rate, the USA contract rate, and the international rate, each having positive and negative sides. Some rates are higher rates will be more highly taxed. There may be some other pitfalls too but we do not yet know exactly all those nuances yet.

Enter the Citizens who own dinars. Bush's Ex Order 13303 in 2003 allowed not only the US GOvt to own dinar but the US citizens as well. However, that is not widely known. Only a select few know. Thus, they own dinar and will benefit richly from the playing out of the ReValuing of the dinar.

Dinar Contract Rates will have a high level and low level within each of the US Contract rates and Chinese contract rates because both countries want those oil credits. Remember the FOREX international rate will be about \$3.71. Months ago the rates I was hearing were: **ALL RATES ARE FOR EXAMPLE ONLY AND PURELY SPECULATION, WITHOUT FOUNDATION, AND SUBJECT TO VARIATION AND CHANGE. ANY RATE EITHER PUBLIC OR PRIVATE IS SUBJECT TO EXTREME VOLATILITY AT ANY TIME**

CHINA High rate: \$36 Low rate: \$32
USA High rate: \$27 Low rate: \$20

Why are these rates different? China is willing to pay more for those oil credits priced at \$32 than the USA because buying a barrel of oil at \$32 instead of \$100 is a good deal and China needs the oil. So CHINA pays us \$36 for one dinar, buys a barrel of oil for \$32, saving \$68 on the market price of \$100 for a barrel, then subtracts the \$4 they had to pay us extra, netting \$64 for China for each barrel of oil. It is not rocket science to imagine that China would be willing to pay more than \$36 if it had to because it is still a good deal for China.

In the case of the USA, we have our own oil so we are not as desperate for oil. The USA would pay us \$27 for a dinar, making \$5 on each one since they turn our oil credit around and sell it to Iraq for \$32; thus they buy a barrel of oil at \$32 and make/save another \$68 if oil remains at \$100; so the USA makes \$73 (\$68 plus the \$5 discounted purchase of the dinar) for each dinar the UST can gather to present to Iraq.

The object of the game is the same, each country is merely playing it differently: obtain oil for \$32 a barrel from Iraq.

WHY THE TWO CONTRACT RATES? Because the USA is trying to make more money. If you take the higher rate the tax rate will SUPPOSEDLY be the capital gains tax rate, and remember the USA is offering to pay you \$27 (or whatever the rate comes out at). If you take the lower rate, the US Govt has SAID (CAUTION: no law is in place, it is merely words!!) that they will give you a tax break, plus it cost them less to buy the dinar from you and they make money both coming and going, so they can reduce your taxes.

There will be a separate lesson on taxation.

International Rate vs Market Rate vs Contract Rates: **ALL RATES ARE FOR EXAMPLE ONLY AND PURELY SPECULATION, WITHOUT FOUNDATION, AND SUBJECT TO VARIATION AND CHANGE. ANY RATE EITHER PUBLIC OR PRIVATE IS SUBJECT TO EXTREME VOLATILITY AT ANY TIME**

The **International rate** above is about \$3.71. That is a guesstimate. This will be the rate at which Iraq deals with the world, such as in paying for goods, etc. This will be the rate on FOREX and OANDA and the CBI (Iraq Central Bank), etc. Currencies are not normally taxed when converted. If you buy a currency as a stock then it is, but not if you present raw currency for trade. (THERE is some disagreement on this point).

Let us consider for a moment that the rule is currency presented is not taxed. Then you can present your dinar at FOREX and get \$3.71 (less FOREX's spread). FOREX will present the dinar to the UST. Then the UST still gets an oil credit but this time having paid only \$3.71 for it, saving over \$23 apiece on this end (\$27-\$3.71). THEN the UST buys a barrel of oil for \$32 making the oil pretty dang cheap! Remember it sells on the open markets for \$100! So the USA makes \$68 on that end. In total the USA makes \$91 on this deal. So the rumor is there will be no tax if you exchange at the international rate.

The USA is not stupid. They know they could give a small bonus to entice you to sell your dinar at a cheap rate and not the lowest rate to eliminate FOREX. So the USA is offering (last we knew) a **Market Rate**, which will be about \$5 or \$6. That still saves the USA about \$20 apiece on this end. The tax situation has not been stipulated. SO in the end the USA still makes about \$88 per barrel of oil at this rate.

The **Contract rates** were discussed above.

The next lesson will be on choosing a bank for your Currency Exchange.

(This is what I sent to my circle. If it helps you great, if not, no problem skip it and the others. If the mods want to delete it, fine; then I shall not post other Lessons. It is my effort to complete my training for my circle and am sharing it FWIIW here.)

LESSON 1 Part 2: DONG CURRENCY RATES AND CONTRACTS

Background:

Vietnam has a complicated past since the early 1950s when it was under strong French influence and related currency. Vietnam was split apart in the 1960s and 1970s with separate currencies North and South. It is also significant that the North had a lot of heavy industry while the South was primarily agricultural. Vietnam has an industrious people who "were in it for the long haul" and were willing to take short term pain for long term gain.

Vietnam endured severe economic sanctions due to its communist ties and subsidies. After the fall of the Soviet Union in the early 1990s the subsidies dwindled, other countries saw opportunity, sanctions were lifted, and Vietnam started to flourish. In the past 20 yrs Vietnam has produced the fastest growing economy and resurgence of a middle class. Its GDP to debt ratio remains at about 30-35% while ours is nearing 100%. Vietnam focused on exporting natural resources and cheap labor (here is the short term pain part).

There is a long standing close relationship with China, which exploits the cheap labor and owns vast amounts of the dong. This relationship strengthened as the relationship with the USA waned.

The upcoming RV/GCR is an outstanding opportunity for Vietnam to return to a vibrant economy that can effectively compete in the international marketplace with a stronger currency. China sees Vietnam's potential to help China's economy and bolster its currency as well. So the Vietnamese dong has become a bargaining chip for China in the GCR (global Currency Reset). Think of it as the dong is to China as the dinar is the USA.

History of Vietnamese Dong:

Vietnam's dong has dropped precipitously over the years, with constant devaluations:

1971: 2.71 dongs to one USD (or 1 dong = \$.37)

1981: 9.045 dongs to one USD

1989: reunification with the North: 4500 dong to one USD

1991: Auctions of VND mandated to be done in USD only

2014: 21,000 dongs to one USD.

DONG CONTRACTS & RATES:

For about 3 months the rates have been kept ever so quiet. All I can do is remember the rates from months ago to report here. They are not likely to match the rates when the RV happens!! Buyer beware. **ALL RATES ARE FOR EXAMPLE ONLY AND PURELY SPECULATION, WITHOUT FOUNDATION, AND SUBJECT TO VARIATION AND CHANGE. ANY RATE EITHER PUBLIC OR PRIVATE IS SUBJECT TO EXTREME VOLATILITY AT ANY TIME**

VND international rate: \$2.10 (this means when you present one dong they will pay you \$2.10 USD for each one)

The Dong is not of much interest to the USA so there is no market rate of which I am aware. The USA is a bystander on the dong, so no incentive rates are offered as best I know. The USA has said the dong will be treated as Ordinary Income for taxation purposes, but that is inconsistent with how the dinar will be treated (capital gains, remember?) My CPA tells me that it does not seem proper to treat two currencies in such different ways, but that is not my area of expertise. So who knows? We shall need to wait to determine this one!

China, on the other hand, as a serious vested interest in the VND. So it is offering contract rates, much as it is doing for the dinar. The motivation, however, is quite different. There are no oil credits from Iraq associated with the Vietnamese dong. So it is about the multitude of dongs that China holds and China's desire to see that stockpile worth a boatload of money. So "deals" have been made to allow the dong to flourish.

China will offer two contract rates, as I recall. These rates are very old and not likely to have remained the same, but here goes: **(ALL RATES ARE FOR EXAMPLE ONLY AND PURELY SPECULATION, WITHOUT FOUNDATION, AND SUBJECT TO VARIATION AND CHANGE. ANY RATE EITHER PUBLIC OR PRIVATE IS SUBJECT TO EXTREME VOLATILITY AT ANY TIME)**

China high contract rate: \$6 US per dong

China low contract rate: \$4 US per dong.

WHY THE TWO CONTRACT RATES? I honestly do not know. I do not think the USA has any interest in offering one and I seriously doubt if there is any USA Tax incentive. Sorry to be ignorant.

BTW: Someone asked me if I would buy Vietnamese dong at this late date. Of course! I bought some at Chase bank and it arrived in only 2 days with no FedEx costs on top. It cost me \$58 for a million. That is less than a nice dinner out but with far reaching rewards possible.

LESSON 2: CHOOSING A BANK and ACCOUNTS

BANK TIERS:

Banks are classified very generally by two different criteria: 1) amount of money managed (or deposited), and 2) services offered. There are "tiers" for each of these, which creates a good deal of confusion to call both "tiers." But there you have it.

It so happens that these two criteria often track one another. For example, banks that provide "services" like foreign exchange and wealth management typically are large enough to support such activities so they have larger depositories as well. So it is a sort of 2-fer deal sometimes.

It is the Tier 1 SERVICE banks that are our target. Of course we do not ignore the advantage 1) above gives us, but it is the Foreign Exchange (FE) service in particular that appeals to us at the moment. We wish to seek out a bank that itself offers FE services. That means it operates its own FE division or department where currencies are verified and funded, even if not every branch has this function. This means personnel trained in FE work for this bank as employees. That means the bank has a vested interest in making sure FE works right. I like that.

Some of such banks are the Big 4: Bank of America, Citigroup, Chase, Wells Fargo. USBank may also offer these services in larger cities. HSBC offers them in San Francisco as best I know and I think BNP Paribas offers them in New York.

Banks that do not themselves offer FE services normally contract with the banks that do. However, that means that your dinar/dong will be in transit "inter-bank" via some transportation means, which may open the door for some funny business. It also could mean delays in crediting your account, from a few days to upwards of a week or so. In our case, Seller beware.

Tier 2,3 and Community Banks

There are multiple banks that are not Tier 1 and are excellent banks. The safety of your deposit should be utmost in your mind. Pick a local bank that has 4 or 5 star ratings. Check the internet in your area by Googling "regional bank safety ratings [zipcode]." This returns pretty amazing results that I was not expecting. A word of caution: One bank by a certain name in one area (zip) may be highly rated, but the same named bank in another zip may have a much lesser rating. This is because of past performance and likely the local management. So do your homework. And BTW this includes the Tier 1 Big-4 banks as well! This also surprised me.

FDIC INSURED BANKS

As far as I am concerned this is all bogus hoopla. It is not worth a dime. The FDIC has 99 years to pay you your money back, even the \$250,000 insured amounts per signature on an account. Next, only 6% of all FDIC deposits are actually insured. If there is a run on banks, do you really think you will be in the 6%? Then you get to wait up to 99 years for it. So I recommend private insurance if you are worried, or don't be using banks at all.

BANK SERVICES:

As we've discussed FE is one important service. Another we might be interested in shortly is wealth management services. This essentially allows you to invest in various instruments (Pay attention:) **offered by this bank**, such as stocks, mutual funds, annuities, etc. So each bank has a specific tailored set of instruments it offers, compensates its employees for selling, commissions are normally paid to them, etc. So one must query whether such instruments:

- are the best available on the open market
- are selected based on the incentive to earn the commission or to put you in the right instrument
- are serviced by the most knowledgeable individuals in such instruments
- provide you with the most experienced possible persons, (or someone in training?)
- what monthly charges will using said services impose? Are they fixed or dependent on the balance managed?

My own personal objective is to find the very best wealth manager I can who has a proven track record, is acting in my best interests and not their own, etc. I do not plan to use a bank for such services. I'd rather pay someone for performance rather than selling to me. Each of you will need to decide these matters for yourself.

CHOICE:

So your dilemma becomes what you want in your bank. Is it full service, one stop shopping? Is it timeliness during the exchange process? Is it personalized service? Is it a full range of comprehensive wealth products? Is it being recognized and acknowledged when you set foot in the door?

If you know your objectives it'll make it more obvious which bank fulfills those objectives. Now is the time to ferret out those decisions.

ACCOUNTS:

Once you have chosen your bank it is wise to have your accounts already opened before you try to do your Currency Exchange (CE). Here are the accounts I recommend:

1. One account for dinars, due to different tax treatments
2. One account for dong and all other non dinar currencies, due to different tax treatments
3. One account per currency type to sequester taxes for that dreadful day when your first Estimated Tax payment is due (Sept 15, 2014 we hope!!) (This may become more clear when we receive our packets for the RV from Tony et al. At one point the UST was going to track your asset-backed funds ad infinitum but I understood on 7/25's call that Tony indicated otherwise. Let's see if there is additional info on this. If you find it pls PM me and let me know and I shall update this.)

I shall refer to 1&2 s the "mother lode" accounts. These accounts will hold all your disposable proceeds from the CE, which is likely more money than any of us have ever seen. So here is my plan:

- A. Neither Mother Lode account will have any checks printed for it, not have online banking of ANY kind, no credit or debit cards, no wiring allowed in or out, etc.
- B. When I wish to access funds to move to "working accounts" where I do have checks printed, etc. I will present myself in person to the bank and do a withdrawal and deposit into a separate account.
- C. I shall request that no low-level teller has access to the Mother Lode accounts. Only my personal banker is allowed to access it at the bank.
- D. I shall severely limit the signature authority on the Mother Lode accounts.
- E. I shall evermore refuse any "special high roller credit cards" of any and all kinds forevermore. These merely advertise to anyone who gets it that you have money and you have now blown your cover of privacy. Ask yourself, "What would a waiter in a fancy restaurant do with a credit card against an account KNOWN to have hundreds of thousands of dollars in it?" duh.
- F. The jury is still out for me on whether these Mother Lode accounts will be interest bearing (IB). My dilemma is:
 - I'd like the minuscule income interest produces
 - I don't know if making them IB causes me to enter some kind of default contractual agreement with the bank wherein I am the lender for the bank and permits the bank to leverage MY money for their benefit and my detriment.
 - If non-IB accounts prohibit such usage.

These answers have not been easy to obtain, but it concerns me greatly.

Choosing a bank is a personal decision on many levels. Identify your objectives to help wade through the morass of choices.

BANK CONTRACTS and FEES:

At one time we were told the banks would have contracts for us to sign that would specify a percentage of the money that had to remain at the bank for some duration, such as 12 -24 months. I now think that has gone by the wayside and is replaced with a flat fee to be charged by all banks. That fee is 2%, which is a whopping fee, and represents the profit the bank will get, less the small fees due to the UST. So the 2% should be the total fees you will be charged, payable to the bank out of the proceeds of the CE.

I do not feel shy about trying to negotiate this. I probably don't have enough dinar or dong to sway a reduction in this policy but some of you might. It is worth the try.

LESSON 3: Your Appointment

Making the Appointment

Once we get the 800 numbers from Tony it will mean the RV has finally happened. If you want anything but the international rates for either dinar or dong you must call the 800 number to make your appointment.

Info to have on hand for the call:

The call center agent will ask you for your name, your zip code, an email address, the number of dinars AND dongs, etc you want to exchange, and the bank you want to use. **Dial *67** before calling the 800 number to prevent the call center from knowing your telephone number.

- Each and every adult exchanging dinars will need their **own private appointment**, although married couples may possibly go together. You are permitted to bring an advisor with you. You may not bring someone along who intends to exchange their dinar at your appointment and pretend they are your advisor. If you have an LLC into which you are exchanging, that is a new and separate name and requires its own appointment as I understand it.
- The zip code you provide is the **zip where you wish to exchange**. If you are on vacation you likely will not use the zip code of your residence, but where you happen to be on vacation, or the zip code in a neighboring town where you'd rather have your personal business known instead of at home. Whatever your reason, provide the zip of where you want to exchange.
- Your **email address should be one that you will delete** immediately after the exchange. The bank will want to keep in touch with you and be paid to sell your information to whomever is willing to pay. So protect yourself now.
- You need to give the **number of dinars AND dongs, etc** you have to exchange. We may get other instruction with the package that you need separate appointments for different currencies, but have the info tidy and available to "go with the flow" on the call if needed. If you and a spouse or child are splitting the dinars give the number you want to exchange at THIS appointment. There was some concern about only one appointment ever, but I think the UST has relented on that, but the full package will explain that definitively I am hoping. TO be safe you should probably report the maximum you might exchange so you are given to the proper level bank. (Not every branch has the same limits). We know nothing about CE Centers or if they even exist!
- BE prepared to provide a phone number if asked, but I advise you to give a throw-away phone number to protect your privacy.
- Write down the appointment time, place, address, date. Verify it back to the agent. Then put it in your cell phone calendar, post on your fridge, put up signs and do not miss it!

Documents to Prepare for the Appointment

- **2 picture IDS**, one being a passport or other proof of citizenship should you be asked. A birth certificate could also work.
- **Your bundles of dinar and dong, etc.** I suggest you bundle them by type of currency, where obtained (bring your Certificates of Authenticity if you acquired them from a dealer such as Sterling, a receipt if from a bank or FOREX, etc.) You do not need your gift letter; that is for the IRS to substantiate the date upon which you acquired the currency. I advise you to label each bundle, the amount of currency within, and ID each bundle. I used an Excel spreadsheet showing the "packet ID" (my made up ID to reference my spreadsheet line), proper number of currency type (e.g., 1 25000 dinar note or "50,000d #5-10,000 dinar notes"), when acquired, from where, what bank it is going to and the account number into which it goes, and what that account is for in the future (i.e., taxes, paying off bills, conservative investment, Mother Lode, charitable trust, etc.).
- I advise against getting cashiers checks at this time. Just CE and go home and be calm. Go back as a regular customer to get a cashier's check or two when your adrenalin is quieter. IF you decide to get them now, **make a complete list** with recipient, account number, amount. Hand this to the teller at the beginning of your appointment. Your brain will be muddled so have it all written down!
- Blue pen so your signature on paperwork is identifiable as original
- a calculator
- Paper
- Reading glasses if you use them
- The amount of cash you want to leave the bank with. I advise against \$9,999 because it is not likely the bank will be able to have so much hard cash on hand, even if they are anticipating a huge demand. Be more realistic. Maybe \$1000 will do?
- IF you plan to CE into a business entity, gather the documents showing the legal name, tax ID, letters of incorporation. (I suggest opening the accounts prior to the appointment.)

Put all this into some kind of envelope or carrier. I used a Fed Ex because I had one handy. Some of you may need a briefcase! God bless you.

TO DO before Your Appointment but after making it

- Drive to the appointment site to check routes, timing, parking, etc.
- Get online and find out what the rates are internationally on FOREX, Oanda.com, CBI, etc. so you are prepared.
- Call your chosen bank and ask their Foreign Exchange department what the contract rates are for US and China for dinar and China for dong, etc, both high and low. Then ask these questions:
- Ask the bank if there will be a bank contract to sign and if you can see it ahead of time to study it.
- Ask what the fee will be.
- Ask what the rates you will be offered will be. Know what to expect and press the bank for the highest one you have heard about in the package info. Get their name and note the date and time you obtained the info.
- Make some decisions:
- Will you take an advisor with you? (You shouldn't really need one.)
- Do you need any "Proof of Funds" letters? If so in what denominations (\$250,000, \$5,000,000, \$60,000) and how many? IT will depend on whether you are paying off your house, buying one, or buying a car for example. Remember you can move money to an account with checks and just pay things off via check. There may be a delay or hold on the check, but we are good at waiting by now aren't we?
- DO you want to add "all rights reserved without prejudice" above your signature? Research that now and decide.
- Know if you will allow your currency to leave your sight and under what circumstances.
- Try to think about all the things that might come up.
- I am worried about all the forms they want me to sign and they normally do it all electronically now. They shove the screen in front of you and say, "Sign here. It just says you are who you say you are." I do not believe a word of it. I ask for a printout of what I am to sign, I read every word, THEN I sign their screen after I have them initial that my printout is indeed what I am signing electronically.
- Rehearse what you will say during your CE. Do it in front of a mirror to practice looking professional and "worthy."

- Plan what you will wear to the appointment and make sure it is at the ready (cleaned, pressed, etc.) down to the color of socks and jewelry.
- Make an appointment with your CPA, tax attorney, and wealth manager.
- KNOW what to do/ask if they suddenly present you with a rate half of what you thought you'd get.
- Practice your words and calmness. Behave with dignity but be firm.
- This is not the time for humor or jokes, but it IS the time to be premeditated in action.
- Make up a story for how you came to have money to tell "the world.". It can be anything but the truth! "I had a long term investment that finally came through" is simple enough and even true!
- Put that bottle of champagne into the fridge!

The APPOINTMENT ITSELF

- Give yourself plenty of time to get ready.
- Show up well ahead of the appointed hour so accommodate traffic, parking, moments to gather yourself, say a little prayer, etc.
- Know what you will and won't say (no idle chit chat, no jokes, no rubbing in your good fortune). i.e., be gracious and look like you know how to have money.
- **BE specific:**
- "I am here to do a currency exchange for my IQN (or VNN)."
- Ask and verify the rate you will be transacting at. Ask to see the screen to see if there are higher rates available and ask for one if you see it!
- "Please give me all of the account balance in cash and a receipt showing a \$0 balance for these accounts." (present the list of accounts) Use multiple accounts so you do not mix asset-backed funds with non-asset-backed funds in case this becomes important, i.e. Dinars go into a different account from dongs, etc. There is info only the dinar currency needs to be isolated.
- "Then we will do the CE. Then I want a receipt for the CE showing the new balance in my account."
- "I have a list of accounts here where I will be depositing these funds. How do you wish to proceed?"
- **KNOW what you will do if they tell you they are sending your currency away for a week and what your response will be.**
- **KNOW what you will do if they say their rate is \$X and you expected twice that.**
- Be clear and concise.
- Take your time. DO not let them rush you through one of the most important business meetings you will ever have. Be patient, calm, controlled, and firm.
- Read absolutely everything before signing it.
- You will likely be given an NDA. Ask for a copy and stand there and read it carefully. Ask questions if necessary. Get them to sign & date the copy you will keep. Then and only then should you sign the NDA. God willing we will see a copy ahead of time after the package is released.
- Ask for a copy of everything else you have signed at the exchange.
- Don't forget your copy of every receipt of each transaction that has occurred.

Then go home and open that champagne and welcome to your life of silence! Say a prayer of thanksgiving, for guidance, and for Tony and DC.

LESSON 4: Taxation Considerations

TAX BASICS EVERYONE SHOULD KNOW

Many of you have done your own taxes until now. Many have never done taxes. Many only do a short form 1040A. That is about to change for most in this forum. WE all need a CPA and possibly a tax attorney and an estate attorney (sometimes you can get lucky and find one attorney with both sets of knowledge, but that should not be your objective.) I can only address US taxes because it is all I know, sorry internationals.

There are some things about taxes we all must know to be responsible citizens. Even if you hire an accountant it is ultimately you who are on the line signing those tax forms. It behooves us all to understand the basics so we know when things could be amiss. The IRS is not very forgiving. even though it is an asymmetric system.

Federal Income Types

The IRS broadly categorizes taxes based on Earned Income and Other Income.

- **Earned income** is usually from a job, self employment, an LLC you actively manage, etc. In other words it is income you obtain in exchange for your time and expertise. You will pay not only income tax on this income but social security tax as well. This is sometimes also called Ordinary Income.
- **Other income** encompasses sources like interest income, dividend income, capital gains income, gambling winnings, etc. It is all those things you get 1099 income statements for. You will pay income tax at a different rate from the earned income rate.
- **Capital gains** are further divided into categories based on the length of time you have held the asset in your possession or gained full ownership (as in stocks held through a broker for example.) **Short term capital gains** are those held for less than 365 days. **Long term capital gains** are held more than 365 days. If you received your dinar or dong as a gift here is where the delivery of the gift becomes important.

In addition to differing rates on various types of income, there is a surcharge called the Obamacare tax that begins after your annual income exceeds \$250,000 and it is a 3.8% tax. The tax rates can change frequently so they are a moving target sometimes. Many new tax rates were introduced starting in 2014. Some of these are the dividends rate, the long term capital gains rate, etc. Go to IRS.GOV and search for 2014 rates for the latest. Keep in mind that the rates can change as late as April of 2015 for 2014 taxes.

State Income Types

Most states do not want to bother with the complexities of devising their own complete systems, so they allow a taxpayer to extract bottom line numbers from the federal 1040 and associated forms and put them directly onto the state forms. Not ALL states do this, however, so beware of pitfalls. This is one reason why you need a local CPA.

TAX Due Dates

Generally your **tax liability as an individual is due on April 15** following the tax year ending Dec 31. (YES, you can have a different tax year, but then you already know the basics, so skip forward.) Note that I said TAX LIABILITY. Your taxes are due April 15 normally, but you can extend the filing of the forms until Oct 15 of the same year. However, you may **NOT** extend your tax liability. That means your tax payment is due on April 15. (Again, there are some weird exceptions, but let's just stay with the norm and basics.) Again, your taxes are due in full on April 15. Make a mental note as that is when the tax penalties begin and they are compounded monthly. It can turn into a real disaster in short order, so it is wise not to miss April 15.

ESTIMATED Taxes

The Federal government has discovered that many times people who owe a lot of tax do not have the money to pay it when April 15 rolls around. This is targeted at self-employed people, corporates and people with large "other incomes" where withholding is not done automatically throughout the year as it is for wages. It is not an easy call as the rules are.... guess what!? ... complicated! *If you choose not to pay partial payments through Estimated Taxes approximately quarterly, you will be penalized and penalized heavily.*

But you can go here and read all about it from the horse's own mouth. <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Estimated-Taxes> Here is an excerpt from that site regarding how much you have to pay in estimated taxes:

Generally, most taxpayers will avoid this penalty if they owe less than \$1,000 in tax after subtracting their withholdings and credits, or if they paid at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is smaller.

Again, the tax liability will be so large for most of us that consulting a CPA is strongly advised. OR... **you can just send in 50% of the proceeds.** You probably will have overpaid, but there won't be a surprise penalty **and you'll get the overpayment back after you file your final taxes April 15.** These rules are onerous but a professional can help you. The IRS is not the one to choose to tangle with. Hire a CPA please.

The dates Estimated taxes are due are generally April 15, June 15, Sept 15, and Jan 15. There are penalties if enough is not paid per quarter. Note the dates are not evenly spaced. Of course there are other dates if these dates fall on a Saturday or Sunday.

And do not forget the States normally have estimated tax payments due as well. This is another reason you need a CPA if all this is news to you. If you follow nothing else, please get a CPA. BUT the silver lining, especially for Californians, is that the state tax you pay is deductible on the federal tax forms. **SO be sure to pay the state tax, then deduct it from your total proceeds, then deduct your charitable contributions, then compute your federal tax, actual or estimated (pls pay 50%).** CPAs know this kind of stuff, which is another reason you need one! LOL

TAX RATES ON RV

There have been lingering rumors on tax rates, but nothing is in stone and or even in writing at this point. The safest thing is to hope for the capital gains rates **BUT put aside 50%-55% to pay that estimated tax in SEPT** depending on the state of residence at the time of exchange. A separate account may add more certainty you can pay the tax man and not be caught short.

Rumors once said that if you take the lower contract rate the tax rate would be half of what it normally is for capital gains (whichever applies to you). If you take the higher contract rate the tax rate is as in the tax code. This could be very attractive to you. BUT this is all hearsay and it could change at any moment. **If you take the worst case 50% scenario you won't be caught without funds** to pay the tax

as that would be an unmitigated disaster for you. Once you file your taxes in April 2015 you will get a refund if you have overpaid. That should be incentive to file on time!

TAXES, NDA, and RECEIPTS

On 7/30's call we learned that the IRS will require a receipt showing when your dinar in particular was purchased. IF you cannot produce one they will assume it was purchased within the last 12 months, making it a Short Term Capital gain. So to preserve your most advantageous type of capital gain tax rate (long term) make sure you have some record to substantiate the purchase date. Regarding your gifts, according to the IRS, a gift is considered given when the recipient takes possession of it. So a transmittal document that is notarized would be a good record of when constructive ownership has occurred. Hopefully you have all done this. Now is the time to gather all the receipts, organize them, scan them into your computer, or go make copies of them and annotate them.

If you bought your dinar in early Aug 2013 you might want to wait to do your CE so you qualify for the Long Term Capital Gains rate of only 23.8% instead of the 43.8% short term rate. Check your receipt.

We also learned that every professional you will hire to assist you with your newfound windfall will need to sign an NDA. Supposedly, the package will have such an NDA in it which you can copy and use to have your CPA, your tax attorney, and your tax advisors all sign. Otherwise your hands are tied and you cannot speak with them. We will need to await the package to find out what's in it (like Pelosi instructed us on Obamacare).

Charitable DEDUCTIONS

In general you add up all your income, subtract your deductions, come up with an Adjusted Gross Income (AGI) then you start calculating taxes based on other info in your tax portfolio.

It is my sincerest hope that each of you will be paying it forward somehow. IMO the best choice is a **donor-directed fund, which can manifest as a Community Trust where the donation becomes "donor advised."** <http://www.irs.gov/pub/irs-tege/eotopicm96.pdf> The IRS condones these. It means you get to decide where the money goes each year, but you get the tax benefit this year when you have the income.

To summarize you get the write-off for the entire charitable donation in the year you make it. That is perfect for us because we will have a big spike in income this year and a much smaller one next year most likely. TO deduct anything off your taxes you must have INCOME to deduct it from. This year you will, next year? maybe not.

So a wise taxpayer will get a big spike in income in 2014, then send a 10-15% chunk off to a Donor-Directed Fund, deduct that amount off your taxable income, and THEN start to calculate taxes owed.

For example, let us assume simple numbers. Let's assume somebody is going to get \$10,000,000 from a dinar exchange and they bought the dinar 6 months ago and they are married. That means short term capital gains applies. As of 2013 the short term capital gains tax rate equals ordinary income tax rates.

Here are the seven tax brackets for tax year 2013: (2014 is still being tinkered with)

Tax Rate	Single	Married Filing Jointly, or Qualifying Widow	Married filing separately	Head of Household
10%	< \$8,925	< \$17,850	< \$8,925	< \$12,750
15%	\$8,926 to \$36,250	\$17,851 to \$72,500	\$8,926 to \$36,250	\$12,751 to \$48,600
25%	\$36,251 to \$87,850	\$72,501 to \$146,400	\$36,251 to \$73,200	\$48,601 to \$125,450
28%	\$87,851 to \$183,250	\$146,401 to \$223,050	\$73,201 to \$111,525	\$125,451 to \$203,150
33%	\$183,251 to \$398,350	\$223,051 to \$398,350	\$111,526 to \$199,175	\$203,151 to \$398,350
35%	\$398,351 to \$400,000	\$398,351 to \$450,000	\$199,176 to \$225,000	\$398,351 to \$425,000
39.6%	> \$400,001	> \$450,001	> \$225,001	> \$425,001

So clearly the income is found on the last line, the 39.6% rate. So on \$10,000,000 the tax owed is about 35% of \$450,000 or \$157,500 PLUS 39.6% on \$9,550,000 = \$3,781,800. This totals \$3,939,300 tax. (note the tax is slightly less than this because of all the lower brackets, but this is just an example.) That leaves you \$6,060,700 after Federal tax. Remember there is also state tax that comes out of this.

Now consider that you first pay 10% to a donor-directed charity so you can choose each year where to contribute and to how many places. Now you only have \$9,000,000 to pay tax on because the \$1M gift is deductible in its entirety. SO. 35% of 450,000 is the same \$157,500. Now the tax is on \$8,550,000 at 39.6% is \$3,385,800 for a total of \$3,542,800 tax. You net \$5,457,600. Your \$1M charity contribution only cost you \$503,500.

What if you gave 15% instead? The \$157,500 stands. Now you pay 39.6% on \$8,050,000= \$3,187,800. Your total tax is \$3,345,300 and your after tax money is now \$5,154,700. So by giving away \$1,500,000 to start your contribution cost you \$900,000.

This does not consider the Obama tax of 3.8% additional, nor any state taxes. Bottom line? You can give away a substantial amount of money in perpetuity upfront and it saves you taxes while it benefits others. Please NOTE that if you were to try to donate this money in 2015 instead, you will not likely get the deduction because there may not be income to balance it against, so you would lose it by default. So 2014 is the right time to do this.

Donor-Advised FUND

I know of a Community Trust (Pikes Peak Community Fund) where they pay to whomever you wish, even international charities, and the destinations can be multiples and change annually. You are required to give 5% a year. The Trust invests the rest and the yield is used to cover your 5% a year so you may have set up an charitable investment to last in perpetuity. They charge a 1% fee out of the money you donated per year and they do all the tax forms for you regarding this. After a fair amount of research this is the best deal all around in my opinion.

Where your treasure is there your heart will be.

Charitable tax Considerations

Because the tax rate on the donee is always at ordinary income rates as best we know now, the best place to make a charitable contribution is out of the donee's proceeds. The donee is to be taxed (supposedly) at capital gains rates or fractions thereof, so there is less tax advantage for the charity to come from these proceeds, particularly if you fall into the long term capital gains rates.

Remember, that the state taxes come off as a deduction before you compute your Federal tax, just as charitable contributions do. See last paragraph just above TAX RATES FOR RV for edits. At least Californians get some little break!

LESSON 5: Protections

Caveat:

We self divide into groups that have different objectives. Mine are privacy, freedom, safety, and future both here and afterlife. This is necessarily colored by my life experiences, my expertise, and my personality. So I want to be upfront about that. I am not a professional financial advisor or attorney. I am just a nerd.

OVERVIEW:

There are multiples levels of protections you will need.

- Personal/Physical: Your family, home, privacy
- Electronic: online hackers, internet trollers, identity thieves, etc
- From obvious predators: Thieves, moochers, sales people, politicians, telemarketers, bankers, even various charities, etc. In short these are people who see you as an easy mark to hit up for money.
- From Lurking Predators: The would-be victims, people looking to punish you because you are rich and they are owed, victims who sue for a living, party people looking for a sugar daddy, the gold digger deceivers who marry for money, in short the ambulance chaser mentality.

Your personality will dictate further protections that may be needed.

PERSONAL/PHYSICAL:

Anonymity is one of the best forms of protection.

Protect your Home & Family

- **Get a security system.** Expensive does not mean the best, but it could. As a nerd I know how "stuff works" behind the scenes and this colors my view considerably, that's a caveat. It all comes down to either electrical currents or ones and zeros. Study various systems available and choose one that is the safest for assorted reasons. Simply Safe, as an example, builds a system based on a wireless LAN of sorts. There are no wires a thief can cut, no wires to install, no limitations on positions or placement, no outside workers invited into your home, etc. It maintains connectivity to a central location via a dedicated cell phone system rather than a landline, which could be disabled by the experienced thief. This makes it suitable for owned homes, rented homes, apartments, etc. It goes with you when you move totally easily. It is thus good for college students in a dorm situation, kids in their first apartments, the elderly, etc. The monitoring is even optional. On the other end of the spectrum you can get crazy and run wires everywhere and spend big bucks. It is all a matter of your life experiences, expertise, and objectives.
- **Get a Distant Mailbox.** Pay for a new version of Post Office boxes, one with a street address and a suite number (i.e. the box number). They cost about \$12-15 a month and sign for packages, etc. Use this for any communication except personal. Choose one easy for you to get to so you will actually pick up your mail occasionally.
- **Get a burner phone.** Why? There are no contracts, no records by cell companies, it prohibits even NSA monitoring that can be traced to you! You get to be anonymous. Trac Phone is an example sold at Target and Wal-Mart. You buy minutes as you need them. Use this phone number anytime you must provide one.
- **Have Self Defense.** Why? The police will not get to you in time in most cases. Maybe it is a bat, a gun, pepper spray, a bug bomb, etc. But have something by your bed and near your kitchen, the two places you spend a lot of time. But have something!
- **BUY Kidnap and Ransom insurance** if you have more than \$1M in assets (just a threshold I made up.) A bit more is in GOLD DIGGER section at the end.
- **Get a safe INSTALLED.** WHY? It is the perfect place to stash cash, gold, jewelry, guns, important life-papers, computer backups, etc. Have it bolted to floors and walls. Make it big and heavy.
- **Set up an LLC.** WHY? You can use the anonymity of that LLC to do charitable and political contributions for one thing. For another it sets up a shield of economic protection against lawsuits; the plaintiff can only go after assets in the LLC not you personally. **That is huge.** People own cars in LLC for that reason. People own houses in an LLC name for that reason. YOU get the picture.
- Go to your state's website and search for LLC. They normally let you do it online. Once it is set up you go to the IRS site and get a tax id (specify you want the LLC to be a "disregarded entity" and you only need to file a Schedule C on your taxes. Now that money is not the object this may not be so important. Check with your professionals.) NOW the LLC has its very own ID, like a social security number, but it is not tagged to Y-O-U.
- Be sure to use the Distant Mailbox and burner phone number! Y-O-U are not easy to connect to this LLC then.

Protect yourself electronically

- **Online.** Do not post pictures of yourself or family on public sites. You would be AMAZED and awe-stricken by the facial & voice recognition software available today. There are also web-crawlers that can use an image to go seek other images throughout the internet, then start putting addresses and phone numbers with them. There truly are evil people out there and you must protect yourself. It comes from vigilance and a little common sense.
- Don't use online banking except from a home LAN that is protected. Even then it is unwise. NEVER access your online banking systems in a public WI-FI environment, even a password protected one, in a hotel, or library, etc. NEVER.
- **Banks:** Manage your bank accounts by moving money at the bank not online.
- **Debit Cards:** Maintain VERY limited funds in a debit card-accessed account. Isolate this account if you must have it. Make it self standing and not part of any other portfolio accounts you may have. When you set it up use your Distant Mailbox, above, and your burner phone. Some people refuse to have one.

ATMs. Yes there are times you must use one. Be more responsible and don't go for \$20 everyday. Instead, get a weekly amount in cash and use that for everyday small purchases. Choose a secure one, not one in a mall. There are remarkable devices that can be inserted into ATMs that read your card, capture your PIN, then BINGO, your money is a goner. Cash is not traceable. We have entered a very monitored system as citizens. You can opt out by using cash. You can even go to the bank (!) and make a withdrawal for this weekly money, or keep a month's supply in a home safe. My ones and zeros expertise guide me to avoid ATMs and any sort of electronic banking.

Credit Cards. Set up one that you use exclusively if you do ANY online purchasing, which I also discourage BTW. This card should use your new

Distant Mailbox and Burner phone and should have limited money in the account. Online sites: Avoid those that keep your records, such as Ebay, PayPal, opt out of "joining any site" where they keep your information; remain a guest though it is inconvenient. Avoid Facebook with your real identity. If you do use it go to the SETTINGS and opt out of absolutely everything public; the default is completely public so anybody can see everything even if you do not so intend.

- Watch what sites you frequent. It is not hard to physically locate an internet user for anyone with proper knowledge of how the internet works internally. And it is not complex really. Some sites are notorious, such as Yahoo.
- Be aware of all the sites hacked in the past year alone: Target, Ebay, Chase credit card division, the IRS, Home Depot, Obamacare, countless others, etc. Remember Snowden. All the consolidation of data is not necessarily a good thing.

Mother Lode account: (see Lesson 2, Choosing a bank if you don't know what this is.) It is worth repeating that this account must not have electronic banking associated with it.

- Absolutely no debit card (your PIN is only 4 digits, it is entered in countless places, any idiot can figure it out!...there are only 10,000 possibilities that an iPhone can run thru in an instant). Also-positively-freeking NO debit card.
- No credit card. While they are marginally safer, they open this account to multiple vulnerabilities. This is your Once-In-a Lifetime stash. Protect it with all you've got.
- No pre-printed checks. This advertises to anybody you write a check to all the info to access the account, even the routing number! be smart.

PROTECTION FROM PREDATORS (the not-evil ones, the annoying ones):

Anonymity is one of the best forms of protection.

Location and Connectivity

- **Use your Distant Mailbox:** Direct them to a different physical location for their house-to-house sales calls AND all their junk mail. Be sure to use this for politicians as they are the worst; they routinely pass laws then exempt themselves from them. And they sell your name and contact info to anybody with a dime.
- **Use your burner phone:** For all the same reasons. I helped design multiple call center internals and I hate telemarketer calls! There are tricks to fool the autodialers, but the best protections for landlines in cue they still have that number are:
- Have an answering machine to screen your calls, meaning you never answer your phone. Pause in your recorded message after, "Hello (or Good day)." for about 2 seconds. It causes autodialers to route the call to the next agent. Then they get to hear the rest of your message. It also fools people who call you though.
- Have a listed phone number that you give out to everybody.
- Have another phone number you pay extra for that has distinctive ringing and that you only give to your family or friends.

"Additional Services"

Most companies we do business with these days have OPT OUT requests, but of course they make it difficult to do sometimes. But take the time to do it. Otherwise you give them permission to sell your name and ALL ACCOUNT information to all their affiliates, subsidiaries, third parties (whatever the heck that means!! ...the net just gets larger), etc. Big holding companies maintain huge databases and we have no idea how much information is in those. **OPT OUT OF IT ALL.**

Banks are notorious because they have a consumer division and a commercial division. The difference is we are the consumers and we need checking and savings accounts. BUT somewhere along the way under assorted deregulation laws banks may now be in the financial services industry, i.e. the brokerage and stock business. That is the commercial division. Banks historically have a lot of consumer expertise. Commercial? mmmm not so much in general.

Even **commercial financial institutions** have not fared so well of late. Remember Lehmann Brothers, Merrill Lynch, and the whole Wall Street debacle? yeah. Well, buyer beware. If their primary purpose is to manage funds and they lose them can you imagine what they are doing with IT (Information Technology) when it is not "their bailiwick?"

Insurance companies are another source of invasion of privacy. They have all sorts of info on you, like what special add-ons on your homeowners policy you have for that jewelry or artwork, or antiques or the whatever's you treasure. Then of course they sell that information to the highest bidder and all "affiliates, third parties, etc." again. Is it any wonder we have identity theft? **OPT OUT OF IT ALL EVERY CHANCE YOU GET.**

Charities are among the worst sellers of your information. Charities make a lot of money by selling their lists to "other affiliates and third parties" (those guys again!) I have quit donating in my name for this reason.

- Use the LLC to make donations
- Better yet donate to a Donor-Directed charity once and let THEM do your donations. It gives you another layer of privacy and anonymity. (See Lesson 4 on Taxation)

Politicians: Ditto for the Charity advice. NEVER donate another dime to politicians in your own name. BUT do support your causes please.

(Recreation tip for the slightly demented: Do a small donation to some politician or charity using a version of your name, like SJ Smith when your name is James Samuel Smith. Then trace it and see how many letters show up over the next 4 months addressed to SJ. This will prove the major industry of selling contact lists.) Old people get into too much mischief!

PROTECTION FROM LURKING PREDATORS (the evil ones):

Anonymity is one of the best forms of protection. These are the people who basically want to sue you because they tripped over a rug in your house, you opened your car door and barely hit their car parked next, or just because, etc.

SUE-Happy people

- **Use your Distant Mailbox**

- **Use your burner phone**
- **Use your LLC to own cars and houses**
- **Insure yourself to the hilt.**
- Get an umbrella policy for \$5M that really does cover almost everything.
- Up your car insurance a bit too to liability limits of \$2M.
- Up the liability insurance on your home(s).

The gold diggers (may also include long-lost relatives)

There will always be opportunists. They are the ones that marry for money not love. They marry the old guy or gal in hopes they kick the bucket soon. We won't change them, but we can avoid them.

- Don't flaunt your money
- Rent fancy cars if you want for the first year (a different one every weekend or month), but don't buy one right away if you are single. A small BMW is fine but not a Bentley!
- Don't buy rounds of drinks in a bar for strangers
- Don't wear fancy watches to advertise your wealth
- Find a soul mate that loves you first for YOU then introduce the idea of a Pre-nuptial agreement before the BIG day. Divorce is one of the costliest endeavors man has created. Protect yourself. "Sole and separate property" is a really good thing to research and understand, particularly in community property states.
- Buy some K&R Insurance. {Thanks to BTBA for this!} It is Kidnap and Ransom insurance. Any good wealth manager should know about this. K & R Insurance - Kidnap and Ransom. It is available many places, among them Prudential and Abbot Downing, the wealth management part of Wells Fargo.

LESSON 6: Leaving the Workplace

Caveat:

I am not a professional in anything that matters on this site... not financial manager, not attorney, not CPA, etc. I merely offer opinions or summaries.

Is Your Future Solid Financially?

It takes far more to retire than one might expect. Over time inflation takes a big bite out of an income stream. IF (not likely) our inflation rate remains at about 3% a year then in 20 years your buying power is only one third what it is today. That is not going to cut it. You can plan your own retirement or get a professional. Either way you need LOTS more than one 25K dinar note will yield. IF you do not believe this, ask a grandparent how they have fared over time.

So don't quit that job without a replacement income stream. Make sure you have replaced the income flow BEFORE TAXES and that it is flowing regularly. This will take a few months or a quarter at least. Don't forget to include:

- Healthcare benefits
- Retirement matching funds contributions
- stock options
- paid vacation time
- Healthcare savings account contributions
- Education benefits

There are many sites that will help you calculate what you need. Just google Retirement planning calculator. An easy one is found at BANKRATE.COM.

Where Will You Spend Time?

What do you plan to do with all your spare time? Getting up, working out, eating get old and boring after a while. Have a plan. Spend time developing it.

Your TO DO list before Resigning:

- Move your 401K to an IRA. That takes both time and effort to set up and make happen.
- Shop for new healthcare coverage. You need it and it isn't cheap. And the new rules make it harder to find it except in "the enrollment periods."
- Give up to 3 weeks notice, depending on your position and job. The others aren't leaving so don't make it harder on them that you are.
- Make sure this CE is done, signed, sealed, and delivered. Make sure you have positioned it for the replacement income stream and that you have verified it works and is totally in place.
- If you are young you need to set up a retirement plan. That means that some money needs to be set aside so it grows conservatively and steadily so if anything goes belly up you will still be able to retire and not need to return to the work force when you are 54.

LESSON 7: WEALTH MANAGEMENT

CAVEAT: The information is my own personal opinion. I am not a professional in this area, so please hire one to suit your needs.

While I appreciate that you need to hire somebody, you bear responsibility to be an educated person to converse intelligently with your new professional. It is only the fool who would hand all their assets off to a wealth manager without understanding what he is or is not doing for you. And this fool deserves to lose all their money in two years.

This is a huge area that is not easy to simplify or boil down. There are thousands of books out there. This is a synthesis of much studying, experience, and school of hard knocks, so it is not footnoted. IF there are professionals in this area who wish me to include something, pls PM me.

BASIC TERMINOLOGY FOR THE NEWLY INITIATED (there are many more nuances, but let's stick to basics):

- **Instrument:** any investment that is legal & is normally essentially a legal document and contract. An instrument can be a stock, bond, annuity, mutual fund, and others. A promissory note is an instrument that is merely a contract but it is usually secured (i.e., rests on some tangible asset like a car, a house, real estate, etc.), but not always!
- (a loan to a family member may be a promissory note, but it is all hope and good will. And BTW, ANY such loan should be a simple promissory note that gets notarized and signed by the parties. This is business and you must do it legally and properly, not just open your wallet and drop \$1000 into a cousin's hands. Learn to be a business person). [TNT does not get my indents, so I am trying shades of gray to emphasize indentation. I hope it works! lol]
- **Security:** An instrument that has SEC approval (see next). This gets us into regulation law and securities law both for the USA and each state, so it is a huge area!
- **SEC** (Securities & Exchange Commission): a USA governmental agency intended to license and regulate the industry against fraud, etc. From its website: Our mission "is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation." Remember Bernie Madoff? Well it was the SEC who brought him down. Bernie's investors had a legal instrument that was indeed registered with the SEC as I recall it, but he did not comply with SEC regulations. That's what got him in trouble.
- **Paper assets:** Those which are effectively a contract or agreement and you cannot touch the asset. There are two large categories of paper assets: Secured and unsecured. Unsecured are things like a stock, a bond, a Mutual Fund, and ETD, etc. A secured asset is one that has some tangible value behind it. A promissory note against real estate is an example. Normally secured assets have priority over unsecured assets in a liquidation situation (when a company goes bankrupt.) TO clarify the concept think of fiat currency and asset-backed currency.
- **Stock:** a small share of a company's equity, i.e. its calculated value, or worth or assets. Basis: what you paid for something, less costs to do so (such as transaction fees)
- **Mutual Funds:** a group of stocks put together (legally) and managed by Wall Street typically that allow you to spread your investment over many companies instead of exposure to only one. The cost of a MF is most often determined nightly by calculating its Net Asset Value (NAV) and that will be the price tomorrow on the market. Many companies in a MF pay dividends. These are normally reinvested, which adds to your basis. Something most people miss is that you must keep records of this or when you sell you only get your original basis and not all the dividend add-ons. This is a more advanced topic, but it is important enough for this audience to realize and be prepared to ask questions about this point. It could be HUGE for us in coming years. Who wants to pay tax twice because these dividends are taxed in the year you earn them via a 1099-B issued to you annually by the MF company (that is Mutual Fund!) and again when you sell if you don't keep good records.
- **ETF:** Exchange Traded Funds. These are also offered by many brokerage companies or by the trading exchanges. Bonds: a small share of a corporation or government's debt. The corp/gov sells you a bond so that entity can get some money to do projects it wants. You are acting like a bank lending agency but in very small amounts.
- **Annuities:** an insurance product sold by insurance companies. There is often a life insurance component but it may be quite small. The money invested grows tax free (like an IRA) which is a HUGE benefit. There are stiff penalties for removing the assets early (say 10-15 yrs). There are typically growth phases where you can be more aggressive to grow the pot, then move to the distribution phase where you start receiving a fixed income annually and the growth equations change. The growth phase can be variable (dangerous in down markets!), can be protected to a loss line, can be small to compensate for the down years, etc. The good part here is that you are guaranteed an income later in exchange for taking a more limited growth that is/may be guaranteed over the years. Many have a component where you can leave as inheritance the part you don't use in later life. One could write a whole book on annuities! But this is it in a nutshell. Hire a professional!
- **Real Estate:** Property, Plots of land, Buildings, developments, farms, etc. Mother earth. There are also RE Investment Trusts (REITs) where RE has been monetized (they sell shares) and you can participate in much larger entities.
- **Hard Assets:** These are things that are tangible. You can touch and hold them. Examples are real estate, gold, silver, art work, jewelry. Not all of these (antiques, art, etc) necessarily make good investments, but they may well represent part of your portfolio or family heritage. Normally these investments are not regulated by the SEC, which deals in "paper" instruments.
- **Brokerage:** a company (or "house") licensed by the SEC (Securities Exchange Commission) in a country selling various usually public instruments that maintains possession of said instruments for you. Most are now online and provide varying levels of reporting, some quite good. They sell through the major Trading Exchanges normally for one country unless they have "seats" purchased for quite high prices on other exchanges. Trading Exchanges: New York Stock Exchange, NASDAQ, ISX (Iraqi Stock Exchange), Toronto SE, London Stock Exchange, Hong Kong Stock Exchange, Singapore Stock Exchange, Japan, China, Europe, etc, etc. There are many choices. There are also Bulletin Board (BB) stocks (those that are traded differently & are normally quite small companies with few assets, and highly risky), Over the Counter OTC SE (SE is a stretch, but it is just a different way and a lower tier of companies, normally startups, that can be bought publicly, and only slightly more valuable than BB), Private offerings (which future currency trades might become), and the list goes on. The US exchanges are regulated by the SEC.
- **INDEX:** Various groups of stocks on exchanges that are meant to reflect the larger movements of the entire exchange. The DOW Jones averages (remarkably for only about 30 companies) are for the NYSE, NASDAQ for the Nasdaq, S&P500 is a long standing index for a selected 500 companies, Russell 2000 represents a larger composite of 2000 selected companies. Checking an index for an exchange tells you what happened in a nutshell in the market for the day.

Ok, the list can go on and on, but let's get on with it now that we have a common vocabulary.

Overview:

There are many dimensions to wealth management to consider.

- Risk Management
- Family Heritage
- Philanthropy
- Lifestyle enhancement

RISK MANAGEMENT

Risk tolerance is the single biggest differentiator when it comes to your portfolio. Some people are risk-averse, some are risk-takers, and some fall everywhere in between. Your exposure to risk necessarily involves your age and earning potential. Those in their twenties have more time to recover from more aggressive risk programs than those in their sixties. Your portfolio will necessarily change its character over the years as your risk aversion changes.

It is also prudent to never invest "all in." Diversify, diversify, diversify. That means assets ought to be allocated:

- **Conservative:** Those assets you really want to protect and not lose should it all go south in a hand basket. This is the money you want to remain available to you in your retirement years reliably and normally represents a baseline standard of living. Opinions vary on where this money ought to reside. Some say annuities, which are in the end paper assets, but are insured and come with guarantees from the insurance industry that is among our oldest establishments in the western world. Annuities are the closest thing IMHO to a sure thing that is available on the market. See BASICS above. Some say real estate, some say gold, etc.
- **Hard assets:** (see above terminology) and I would include secured instruments here.
- **Paper assets:** stocks, bonds, mutual funds, Exchange Traded Funds ETF (my personal favorite unsecured paper asset for many reasons). Mutual Funds normally come with management fees annually whether you make or lose money. The fees are deductible expenses but you need to keep records to get it. Some pay dividends, and you usually reinvest those; that adds to your basis so you need to keep track of this too or you get double taxed when you sell and that can be HUGE over the years.
- These can be further divided along a spectrum reflecting your tolerance for risk. There are large cap (very big money), medium cap, small cap (which in my book are still very large companies). There are dividend paying companies, ranging from 1-7% per year payable to you usually quarterly. Some are bell weather companies that have paid dividends for decades, such as Pepsi, Johnson & Johnson, Proctor & Gamble, AT&T, etc. These are also found on the DOW. Some Nasdaq dividend payers are Microsoft, Intel, Frontier, Qualcomm, and so so many more. The return beats the banks if you can tolerate the volatility of the market and the risk. **EVALUATE YOUR RISK AVERSION.**

FAMILY HERITAGE

Most of us want to create a family inheritance in perpetuity (forever). Some will want to be more specific about terms. Here are but a few ideas.

Trust funds that may be given to recipients at some age or after having achieved some milestone in life, (marriage, degree, etc.) It is easier to quantify the milestones than how the money will be spent, FYI. A GOOD trust attorney would be required to set this up. Check out internet ads for these guys and decide if they are ambulance chaser types or professional. This is money well spent to get the best as it lives well beyond you.

Specific Use Trusts: Mine will be for education for heirs. Education is the one and only legacy you can give someone that nobody can ever take away by robbery, divorce, or loss. And it becomes theirs to make of it what they can. "It is what it is, but it becomes what you make of it." This is incentive-oriented sort of gift. You can make applications required. You could specify that the educations supported include degrees in science, math, teaching, finance, etc. and exclude Ancient Greek Cultures, Scientology, etc. Or you could specify objectives where one objective could be degrees where jobs will be plentiful.

PROTECTIONS: Consider conditioning such trust proceeds as having to be the sole and separate property of the blood heir. That way you will protect the unsuspecting starry eyed younger person from gold diggers and early mistakes that dump your whole intended purpose for your heirs. To err is human. It would be prudent for all of us to have Kidnap and Ransom insurance. GOOGLE it and buy some.

PHILANTHROPY

Many of you plan to Pay It Forward. I am delighted! I encourage the others of you that haven't considered this to please plan to give back for this marvelous opportunity and gift. Give both to God for his generosity and trust He has placed in you and back to humanity to better your fellow man.

For your biggest advantage please see the TAXATION Lesson on Donor-Directed giving for the most advantageous way for you to give in perpetuity. Also please read the LESSON ON PROTECTIONS because there truly are people out there who will hunt you.

LIFESTYLE ENHANCEMENT

Some of this money should be used to either fix those human error destructions left in your wake or to improve your lot in life. This includes paying off all those debts, student loans, other loans, mortgages, etc. It might include a nicer house, car, etc. Each one will have to find the level of wealth you wish to portray through your possessions as these become walking advertisements of your advantage in life.

I remember the story of a very famous man whose name you would ALL recognize. He had been married to my best friend. When he became famous and very rich, he showed up one day and handed her keys to a car and walked away saying, "It doesn't make up for how poorly I treated you, but know I still love you." She was stunned. Stun somebody you've hurt!

WARNING:

Please do not consult your kids or your friends, unless they have a proven track record of success in this area. Find a real professional, licensed as a financial advisor or life insurance agent. This is not the time to cut corners or trust the well-intentioned but uninformed. I would not offer advice for this reason. I will beef up this section later.

[I decided to post the details about investment advisors in a new Lesson to reduce confusion.]

From 4ABBA:

Multi-Family Offices - Ten Core Services

Just as each family is unique, so too are their wealth management needs. How do Family Offices personalize services to meet individual needs and maintain a sustainable business model? Even though each family has unique requirements, their needs can generally be categorized into 10 distinct, but interrelated, elements. Some families may find they need comprehensive services; others may find they need only the administrative, investment or legacy planning components. Ultimately, the greatest benefit of an FO is the ability to personalize services in the best interest of the family.

1. Estate planning. This is a vital service offered by the FO, one that has a direct influence on all other FO management components. The FO works to determine wealth transfer objectives, monitors the estate plan on an ongoing basis to ensure that family goals and financial management plans are aligned and makes recommendations that are in the best interest of the financial well-being of the family.

2. Lifestyle maintenance. Helping families assess whether they'll have sufficient capital to maintain or obtain a certain lifestyle is one of the primary services FOs provide. Through the use of tools, such as goals-based financial planning, risk assessment and customized financial reporting, FOs work with families to help them set realistic lifestyle goals for both the short- and long-term.

3. Managing investments. The FO provides a trustworthy resource for investment recommendations and management, including creating strategies and advising on strategic asset allocation, performing due diligence and selecting and monitoring investments.

4. Education. Without education about wealth management, the best planning in the world will have little long-term impact. FOs create customized programs unique to each family's requirements, so that family members can act thoughtfully when making any financial decision, no matter how big or small. Sustaining wealth across generations is possible only when family members have an overarching perspective created through mentoring and education. For years, families have asked for programs to educate the next generation, and now they're available. A very large, multi-generational FO recently retained our firm to build family governance and educate the fourth generation about family values and the family's assets. I believe this trend will continue to gain strength as families realize the inherent benefits of preparing heirs to be responsible stewards of wealth.

5. Expense management. Regardless of net worth, expense management is vital to financial success. For HNW families, expenses typically go far beyond balancing a budget and paying monthly household and credit card bills. The FO plays the important role of establishing internal controls, including expense approvals and archiving, categorizing and coding expense transactions, maintaining and managing cash balances and juggling the myriad of other details involved in properly managing expenses to help sustain and grow wealth.

6. Tax planning. For HNW families, tax planning carries with it a host of challenges, including trust and estate planning, charitable tax planning and structuring, as well as ensuring compliance with federal, state and local tax requirements. FOs manage all aspects of tax-related issues to position families in favorable tax structures.

7. Fiduciary accounting and support. This, as well as management of trusts and trust-related issues, are common services of the FO. Trust administration and management and liability support and advice for all trustees also fall under the FO's fiduciary service offerings.

8. Philanthropy. Families fortunate enough to amass significant wealth recognize the importance of philanthropy. For HNW families, philanthropic efforts go far beyond annual donations. The creation of charitable trusts, strategic tax planning, next-generation involvement and foundation governance are all considerations for which FOs provide guidance and education.

9. Governance. Sustaining wealth across generations is paramount for HNW families. Without governance, however, the ability for a family to transfer wealth beyond three generations drops significantly. FOs are adept at guiding families as they develop a family mission statement, implement a governance system and prepare succession-planning activities.

10. Documentation. From a strictly administrative perspective, tracking, coordinating and managing the documentation involved in family wealth management is a Herculean task. FOs are able to maintain the family's document inventory, including trust paperwork, tax documentation, summaries and ownership of major assets, family governance statements and any other documentation family wealth management generates.

In addition to these 10 core services, FOs often manage new business acquisitions and oversee the negotiation process; advise family business boards of directors; supervise the purchase of real estate; oversee attorneys and others involved with the families; and mediate family member conflicts. In short, the services an FO can provide are dictated by what the family needs.

Considerations

Just as there are 10 core elements today that summarize the services of most FOs, there are at least eight considerations families should address when selecting a suitable FO model:

1. **What services do they provide?** Do they address the 10 core elements in some way, or are they specialized, focusing more on investments or administrative responsibilities?
2. **How large or small is the FO?** Some families may be seeking very hands-on personalized service; others may be looking for an FO to provide general oversight through a more formal, hands-off approach.
3. **How does the FO communicate family business, updates, news, investment advice and so on?** How frequent are communications from the FO?
4. **What's the cost of service?** How does the FO get paid? Is it a direct fee for service, or does the office collect fees based on trades, for example?
5. **What's the management structure of the FO?** What are its management challenges? Does the office attract and retain a wide range of professionals and resources? Does it coordinate and integrate activities for the benefit of its families? Has it built sustainable entities?
6. **Who owns the FO?** What's the mission statement of the FO? Are its goals and mission in alignment with the family's goals and mission?
7. **Where's the FO located?** Is it a small office with only a few locations? Or, is it a global company with offices around the world, offering personalized services to HNW families in a given region?
8. **Is the objective in its approach?** Is its operational focus in the best interest of the families it serves, or is its driving principle to generate revenue for its ownership?

Family Office Challenges

All businesses face challenges that force them to examine and refine their business approaches to better serve their customers, and the FO is no different. In a 2011 Family Wealth Alliance Single Family Office Study,¹ FOs were surveyed to identify their biggest challenges. One hundred percent of the offices surveyed identified managing generational and FO transitions as their biggest challenge. Family cohesion and governance also scored high. Preserving wealth ranked relatively low, and liquidity and cash management ranked at the bottom of the list. It's becoming more common for large SFOs to reach out to other firms to assist in communicating the values of the family and transitioning the business or assets to the next generation.

Wealth Advisory Firm Options

With a clear understanding of what services an FO can provide and considerations to ponder when choosing an appropriate FO model, investors must still analyze the business models of service providers and determine which best fits their needs and preferences. Three primary options are available: advisors, distributors and manufacturers.

Advisors. The role of an advisory firm is just that: to serve as an objective advisor. They agnostically source products from outside suppliers. The advice they provide is independent of products. Advisory firms are paid directly and only by the investors. Their value proposition hinges on objectivity, expense optimization, risk management, access and quality of advice. FOs follow an advisory business model.

Distributors. They are financial supermarkets. They exclusively distribute products for their institution and others. Their advice is bundled around the investment products they offer. Distributors are paid via wrap fees, asset management fees, trade fees and the like. Similar to advisory firms, they count quality of advice as part of their value proposition, as well as product variety, depth, access, brand and size.

Manufacturers. They offer investment management services and primarily distribute a proprietary product. Manufacturers receive payment from asset management fees and imbedded, product-based performance fees. They sell their services based on the quality of asset management capabilities, research, brand, size and performance.

Five Core Principles

Wealth management decisions carry an inherent risk for all investors, but especially for HNW families that require the services of a range of providers.

Regardless of the wealth management/advisory firm a family selects, it's in the family's best interest to ensure that, above all, the firm adheres to the five core fiduciary principles of wealth management:

- 1. *The client's interests are put first.***
- 2. *The firm acts with prudence—with the skill, care, diligence and good judgment of a professional.***
- 3. *The clients aren't misled—they receive a full and fair disclosure of all important facts.***
- 4. *The firm makes every attempt to avoid conflicts of interest.***
- 5. *The firm fully discloses and fairly manages, in the client's favor, unavoidable conflicts.***

Any family that follows these guiding principles when assessing wealth management options will be well positioned to objectively and carefully analyze services for the best interest of the family.

—The views expressed are those of the GenSpring representatives and are subject to change. They are shared for educational purposes only, and shouldn't be considered as investment advice or a recommendation for any particular security, strategy or investment product.

LESSON 8: FINANCIAL & TAX PROFESSIONALS

Caveat: It is assumed you are conversant with the information in Lesson 7 so it is advisable to read Lesson 7 first. I am not a financial professional, nor do I play one on TV. This is information I found and gathered for you from the Internet mostly and from experience.

INTRODUCTION:

It is important to know what kind of training and certification your guy has who will be helping guide decisions on your wealth and its taxability. This lesson covers some of the types of managers or advisors and the regulatory bodies that will affect performance. There are Financial Advisors and Tax Professionals that will be important in your future. Also discussed is Private Banking and rankings of various international banks.

FINANCIAL PROFESSIONALS

HOW FINANCIAL ADVISORS GET PAID AFFECTS A LOT!

Please note that some advisors are paid on a commission basis; that means they make money selling you or putting you into specific instruments offered by their "company affiliates"; they don't make money telling you when to get out.

Other advisors are paid on the money managed and its performance.

Choosing which model you employ will be a huge decision for you. DO not make it lightly.

LEVELS OF FINANCIAL ADVISORS:

There are several levels of licensed individuals that may be of interest to you soon:

Investment Advisor: An investment advisor is anyone who receives compensation for providing financial advice. Also known as Financial Planner, financial advisor. None of these denote specific qualifications, but more generally refer to generic job titles.

Certified Financial Planners: A person providing their clients with comprehensive financial advice and having passed various levels of exams, one the 10 hour CFP exam itself. Study areas of financial planning include:

- Insurance planning
- [Employee Benefits Planning](#)
- Investment planning
- State and Federal Income tax planning
- Retirement planning
- Estate, Gift, and Transfer tax planning
- Estate planning
- Asset Protection planning
- Retirement planning
- Interpersonal communication
- Professional conduct and fiduciary responsibility
- Financial plan development (capstone) course
- Also required is a bachelor's degree or higher.

See more at: <http://www.cfp.net/become-a-cfp-professional/cfp-certification-requirements/education-requirement>

Registered Representative: A person who works for a brokerage company that is licensed by the Securities and Exchange Commission (SEC) and acts as an account executive for clients trading investment products such as stocks, bonds and mutual funds.

Registered Investment Advisor: An RR that is also licensed by the NASAA and has passed the Series 6 and/or 7 exam. They normally do not associate themselves with a broker. Based on amounts under management RIAs register with their state or the SEC.

Chartered Financial Analyst: must first be a CFP, complete the prestigious CFA Institute's Program of a rigorous curriculum, pass the series 6,7, and Series 66 exams, pass an additional three 6-hr exams given one/yr over 3 succeeding years, join the CFA Institute, adhere to the CFA code of Ethics and Standards, and have at least 4 years experience. Only 20% of candidates pass all three exams on their first try. Bank of America, UBS, and JP Morgan have the largest number of CFA holders on staff. http://en.wikipedia.org/wiki/Chartered_Financial_Analyst#Requirements

Wealth management as an [investment-advisory](#) discipline incorporates [financial planning](#), [investment portfolio](#) management and a number of aggregated [financial services](#). [High-net-worth individuals](#) (HNWIs), [small-business](#) owners and families who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate [retail banking](#), [estate planning](#), legal resources, tax professionals and investment management.

Chartered Financial Consultant is the "Advanced Financial Planning" designation awarded by the [The American College of Financial Services](#).^[1] Charter holders use the designation ChFC on their resumes and are qualified to provide comprehensive advanced financial planning for individuals, professionals, and small business owners. Since 1982, approximately 40,000 people have earned the ChFC through regionally accredited program courses and exams. Exams are proctored for each required course.

Academies that offer Chartered Wealth Management Programs:

[American Academy of Financial Management](#) (AAFM) aka International Academy of Financial Management (IAFM): a 5-day program offered twice a year

Wharton School at U of PA

U of Chicago

Institute for Private Investors

Large banks offer courses in marketing strategies to sell both proprietary and non-proprietary products and services to high-net-worth individuals (HNWI)

One site gave this advice, "Get your first financial advising job at a bank."

LICENSING AND REGULATION (This helps you understand how your advisor is qualified, so it behooves you to study this part, dry though it is. It also directs you toward the right individual for your needs.)

SECURITIES LICENSES: These include [registered representative](#) (RR) or an [investment advisor](#); in either case the first step is obtaining the proper securities license. The license needed is determined by several factors, such as the type of investments to be sold, method of compensation and the scope of services that will be provided.

Those who intend to hold themselves out to the public as [Registered Investment Advisors](#) (RIAs) must register with the state they do business in if their assets under management are less than \$25 million (\$100M in some states), or with the [SEC](#) if the assets exceed \$25 or \$100 million. Registered Investment Advisors do not need to associate themselves with a broker-dealer.

FINRA Licensing

The [Financial Industry Regulatory Authority](#) (FINRA) oversees all securities licensing procedures and requirements. This [self-regulatory organization](#) administers many of the exams that must be passed to become a licensed financial professional. It also performs all relevant disciplinary and record-keeping functions.

FINRA offers several different types of licenses needed by both representatives and supervisors. Each license corresponds to a specific type of business or investment. While there are several licenses geared toward specific types of securities, there are three general licenses that the majority of representatives and advisors usually obtain:

Series 6

The [Series 6](#) license is known as the limited-investment securities license. It allows its holders to sell "packaged" investment products such as mutual funds, [variable annuities](#) and [unit investment trusts](#) (UITs). The Series 6 exam is 135 minutes long, and covers basic information regarding packaged investments, securities regulations and ethics.

This license is also required for insurance agents that sell variable products of any kind, because securities constitute the underlying investments within those products. [Principals](#) who supervise representatives holding a Series 6 license must obtain the [Series 26](#) license in addition to having already obtained the Series 6.

Series 7

The [Series 7](#) license is known as the general securities representative (GS) license. It authorizes licensees to sell virtually any type of individual security. This includes common and preferred stocks; call and put options; bonds and other individual fixed income investments; as well as all forms of packaged products (except for those that also require a life insurance license to sell). The only major types of securities or investments that Series 7 licensees are not authorized to sell are commodities futures, real estate and life insurance.

The Series 7 exam is by far the longest and most difficult of all the securities exams. It lasts for six hours and covers all aspects of stock and bond quotes and trading; put and call options; spreads and straddles; ethics; margin and other account holder requirements; and other pertinent regulations.

Those who carry this license are officially listed as "registered representatives" by FINRA, but they are generally referred to as [stockbrokers](#). Many insurance agents and other types of financial planners and advisors also carry the Series 7 license to facilitate certain types of transactions inherent in their businesses. Principals of general representatives must also obtain the [Series 24](#) license.

Series 3

The [Series 3](#) license authorizes representatives to sell [commodity futures contracts](#), which are generally considered the riskiest publicly traded investments available. Representatives that carry the Series 3 license tend to specialize in commodities and often do little or no other business of any type.

The Series 3 exam is approximately 120 minutes long and covers all forms of commodities transactions, [options](#), [hedging](#), margin requirements and other regulations. An offshoot of this license is the [Series 31](#) license, which allows representatives to sell [managed futures](#) (pooled groups of commodities futures similar to mutual funds).

NASAA Licensing

Not all securities licenses are administered by FINRA. The [North American Securities Administrators Association](#) (NASAA) oversees the licensing requirements of three key licenses:

Series 63

The [Series 63](#) license, known as the Uniform Securities Agent license, is required by each state and authorizes licensees to transact business within the state. All Series 6 and Series 7 licensees must carry this license as well. The provisions of the [Uniform Securities Act](#) are tested on the 75-minute exam.

Series 65

The [Series 65](#) license is required by anyone intending to provide any kind of financial advice or service on a non-commission basis. Financial planners and advisors that provide investment advice for an hourly fee fall into this category, as do stockbrokers or other registered representatives that deal with [managed-money accounts](#).

Series 66

This [Series 66](#) is the newest exam offered by NASAA. In essence, it combines the Series 63 and 65 exams into one 150-minute exam. This test contains no investment material, as the Series 66 license is only available to candidates that are already Series 7 licensed.

A NOTE ON PRIVATE BANKING

Private banking is [banking](#), [investment](#) and other [financial services](#) provided by banks to private individuals who enjoy high levels of income or invest sizable assets. The term "private" refers to customer service rendered on a more personal basis than in mass-market [retail banking](#), usually via dedicated bank advisers. It does not refer to a [private bank](#), which is a non-incorporated banking institution.

Private banking forms an important, high-level and more exclusive (for the especially affluent) subset of [wealth management](#). At least until recently, it largely consisted of banking services (deposit taking and payments), [discretionary asset management](#), brokerage, limited tax advisory services and some basic [concierge](#)-type services, offered by a single designated relationship manager. Taking a largely passive approach to financial decision making, most clients trust their private banking [relationship manager](#) to 'get on with it.'

Private banking is the way banking originated. [The first banks in Venice](#) were focused on managing personal finance for wealthy families. Private banks became known as 'Private' to stand out from the retail banking & [savings banks](#) aimed at the new middle class. Traditionally, Private Banks were linked to families for several generations. They often advised and performed all financial & banking services for families.

Private banking and wealth management rankings[[edit](#)]

According to Euromoney's annual Private banking and wealth management ranking 2013, which consider (amongst other factors) [assets under management](#), net income and net new assets, global private banking assets under management grew just 10.8%YoY (compared with 16.7% ten years ago).[14]

"Best private banking services overall 2013". This table displays results of one category of the Private banking and wealth management ranking over two years. Only Goldman Sachs moved into the top 10 between 2012 and 2013; the others had already been there.

Rank 2013	Company	Rank 2012
1	UBS	2
2	Credit Suisse	1
3	JPMorgan	4
4	HSBC	3
5	Citi	5
6	Deutsche Bank	6
7	Merrill Lynch Wealth Management	9
8	Santander	8
9	BNP Paribas	7
10	Goldman Sachs	11

More Information at: http://www.investopedia.com/articles/financialcareers/07/securities_licenses.asp

TAX PROFESSIONALS:

Different Kinds of Tax Professionals

Before you start your search, you might be wondering about all the different kinds of tax pros out there or who can do your taxes. Basically, anyone can call himself a tax preparer and file your return for you. There are **two types of tax professionals**, though, that are probably most appropriate for you and most people: certified public accountants and enrolled agents. Both types can represent you before the IRS in case you get audited.

Certified public accountants or CPAs are accountants who have passed qualifying state exams and met specific education and experience requirements for that title. Not all CPAs are experts on income taxes, though, so when looking for someone to prepare your return, you'll want to ask about the CPA's experience in handling individual taxes. A benefit of going with a CPA is these financial pros may be able to help you with other financial situations like estate planning or financial planning in addition to doing your taxes.

Enrolled agent or EA is a tax professional licensed by the IRS through a special enrollment exam or after working for the IRS for five years. EAs may specialize in specific tax areas, so be sure to ask what his or her area of expertise is. The benefit of using an enrolled agent is that these people live and breathe taxes (they're required to take continuing education courses in taxes every three years), and, generally speaking, may charge less than CPAs.

OTHER Tax Preparers

You have two other main choices for tax preparers—**tax attorneys** and **tax preparation chains such as H&R BLock**,—but I don't believe they make sense here. Tax attorneys are best for handling complex tax disputes and corporate matters, rather than preparing individual

returns. They are also good at ferreting out the legal issues of tax questions. Your CPA will likely have a referral for you.

TAX ATTORNEY

When Do You Need a Tax Attorney? Tax attorneys are lawyers who specialize in the complex and technical field of tax law. Tax attorneys are best for handling complex, technical, and legal issues.

You definitely need a tax attorney if:

- You have a taxable estate, need to make complex estate planning strategies, or need to file an estate tax return.
- You are starting a business and need legal counsel about the structure and tax treatment of your company.
- You are engaging in international business and need help with contracts, tax treatment, and other legal matters.
- You plan to bring a suit against the IRS.
- You plan to seek independent review of your case before the US Tax Court.
- You are under criminal investigation by the IRS.
- You have committed tax fraud (such as claiming false deductions and credits) and need the protection of privilege.

What you should look for Tax attorneys must have a Juris Doctor (J.D.) degree and must be admitted to the [state bar](#). Those are the minimum requirements for practicing law. Additionally, tax attorneys should have advanced training in tax law. Most will have a master of laws (LL.M.) degree in taxation.

Some tax attorneys also have a background in accounting. If you are facing a complex accounting as well as legal matter, you might want to looking for an attorney who is also a [Certified Public Accountant](#).

Questions to ask

- Is the attorney admitted to the state bar?
- What does the tax attorney specialize in?
- How much does the attorney charge?
- Can the attorney help you with your tax case?
- If not, can the attorney refer you to another tax attorney who can help you?

ESTATE ATTORNEY

An Estate attorney is also known as a Probate Lawyer. A probate lawyer is a type of state licensed attorney who, through years of mentoring, continuing legal education and experience, understands how to advise [Personal Representatives](#), also known as Executors, and the [beneficiaries](#) of an estate on how to settle all of the final affairs of a deceased person, known as a decedent.

Hopefully none of us will need an Estate Attorney any time soon. However, Estate attorneys also frequently also do Estate planning from a taxation vantage point so they know how to set things up properly to avoid Probate issues upon death. It is a small community so Tax Attorneys typically know the Estate Attorneys in your area.

Get a referral because there are many "ambulance chaser" type probate lawyers who use cookie cutter plans, not one devised for your needs & objectives.