

Asset Management

Week 2

This Online Course

10 Weeks

Prof. George Mentz

10 Weeks ONLINE

Online and e-Learning has various benefits, but the chief one is that we are able to facilitate discussion between adults and professionals to draw in experiential concepts.

What is Asset Management

- **Asset Management**

- **What Does *Asset Management* Mean?**

1. The management of a client's investments by a financial services company, usually an investment bank. The company will invest on behalf of its clients and give them access to a wide range of traditional and alternative product offerings that would not be to the average investor.
2. An account at a financial institution that includes checking services, credit cards, debit cards, margin loans, the automatic sweep of cash balances into a money market fund, as well as brokerage services. Also known as an "asset management account" or a "central asset account".

- **Investopedia explains *Asset Management***

1. The expense of this service generally restricts it to high net-worth individuals, governments, corporations and financial intermediaries. This includes such products as equity, fixed income, real estate, agriculture and international investments.
2. When individuals deposit money into the account, it is placed into a money market fund that offers a greater return that can be found in regular savings and checking accounts. The added benefit to individuals is that they can do all of their banking and investing at the same institution instead of having a bank and brokerage account at two different companies. These types of accounts came about with the passing of the Gramm-Leach-Bliley Act in 1997, which replaced the Glass-Steagall Act. The Glass-Steagall Act was created during the Great Depression and did not allow financial institutions to offer both banking and security services. <http://www.investopedia.com/terms/a/assetmanagement.asp>

TCO Terminal Course Objectives

- International Global Economic Cycles, Tax Issues, Lending Rates. Money Banking and Financial Law and Regulation
- Portfolio Management, Types of Assets, Asset Allocation, Diversification, Performance.
- Portfolio Law and Taxation
- Retirement Law and Taxation
- Wealth and Alternative Investments - Hedge Funds, Real Estate, Venture Capital, Commodities
- International Estate Tax Issues - Estate Planning Instruments: During Life, After Death, Role of Insurance in Estate & Tax Planning
- Client Communication and Client Evaluation & Review
- Portfolio and Wealth Management Analysis and Operations,
- Wealth Management & High Net Worth Private Banking Legal Strategy.

Asset Management – Broad Definition of Major Issues

Asset Protection More.....

- Wealth Preservation – Investments Tangible and Non.
- Legal Protection – Risk, Insurance, Entity and more.
- Legal and Tax Strategy
- Entity Structuring – LLCs, trusts, Corporations
- Jurisdictions and Venue
- Risk and Insurance issues
- Banking and International
- Tools, Accounts, Strategic Paperwork

Books

- **Books in the Course Materials Section**

- I. Wealth Management Guide (Mentz)
- II. Wealth Management Treatise Reference (Mentz)
- III. US Economics (Mentz)
- Sample Term Paper by Dr Phillips
- Other contributions by Dean Byrnes or faculty

Grading and Assessment - Success

There will be 4 parts to this Class to be graded:

- Participation and Preparation 10%
- Proposals and Outline 10%
- Rough Draft 20%
- FINAL PAPER. 60%

Paper Proposal

- Please have your one page paper proposal turned in by the 3rd week of class. Some of the proposals are on offshore investing, tax havens, wealth management international strategy. In the past, many students have focused on one facet of the tax law such as Hedge Funds, others have focused on psychology of wealth management, and some others have written on the SEC or FINRA laws regarding the sale of securities and asset management. In today's environment, issues of corporate governance and ethics in wealth management may also be attractive.

Final Paper

- The papers will be due after 10 weeks. Moreover, the 10+ page rough Draft of your paper is due by the 5th week. Feel free to email if you have questions. The Final Paper will be at least 20 pages plus Graduate level references or citations or endnotes. gmentz@tjssl.edu
- Citations – MLA or APA Styles are OK. If you need help, see <http://citationmachine.net/>

The Ideal

- Write about what you are passionate about.
- All life and career issues related to Asset Management
- Write your paper “As If” you wanted to or must present the paper to your clients, to the ABA, or to a group.
- Write your paper knowing that you will publish it in a journal, website, or other place to help others.
- Do it to LEARN about something that you want to know more about.
- Do it to improve yourself so that you can achieve a better resume or better job.

Topic for Discussion

- What is a LLC?
- What are its attributes?
- Articles of Organization [#365](#) Articles of Organization-Louisiana Limited Liability Company ([PDF](#)) ([file online](#))
- Initial Report
- Operating Agreements
- Owners, Single, IRS

Economics and Investing

- Global Cycles
- Inflation
- Demand Education, Food, Health, Materials
- Industry Cycles – Tech, Internet, Pharma etc.
- Regional Cycles Countries: Brazil, Russia, Singapore, China, India etc.
- Tax Cycles – Bonds, CDs, Dividend Stocks, Growth Stocks.
- Safe? What is safe? Bank, Stocks, Gold etc.

Food For Thoughts Next Time

Economics

Economics and Asset Management

- What should you be investing in now?
- Stocks
- Gold
- Real Estate?
- Do you need cash?
- Taxes?
- Certainty
- Global investing

India and China

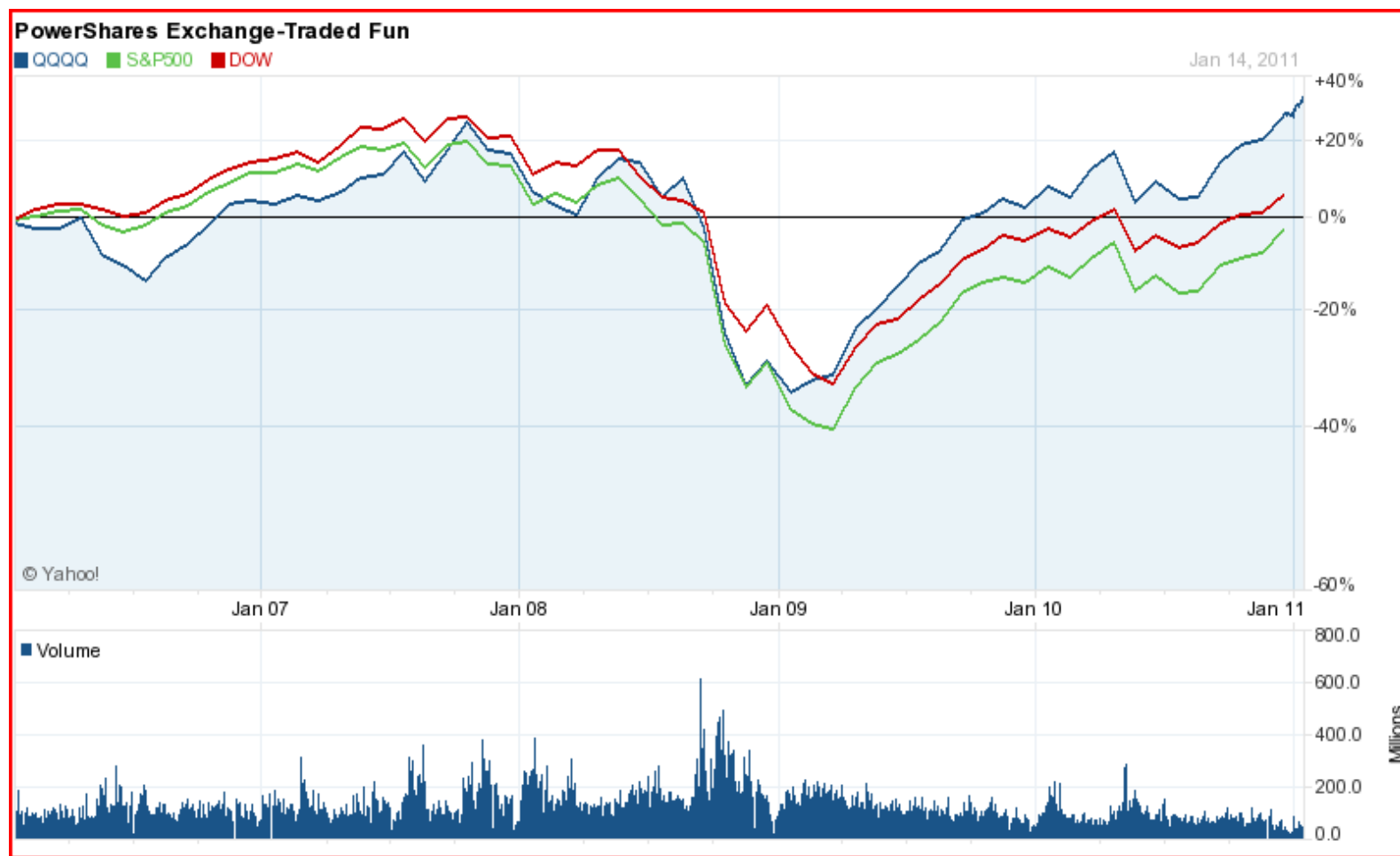
Stocks

Look at some stock charts for some India and Chinese Stocks

Examples:

- BIDU
- LONG
- JOBS
- REDF
- SIFY
- EDU

Americans 401Ks are back?



Gold



Real Estate and REITs



Leaders Change Each Year

PERFORMANCE RANK	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1	75.84%	79.97%	56.42%	4.60%	-3.82%	47.87%	32.39%	33.76%	36.96%	34.56%	-15.65%
2	52.46%	21.48%	39.17%	-1.15%	-7.41%	38.19%	23.13%	15.21%	22.10%	22.64%	-23.76%
3	41.10%	20.30%	26.15%	-4.77%	-9.56%	36.80%	19.82%	7.49%	21.47%	16.46%	-26.69%
4	35.47%	20.25%	19.56%	-5.20%	-13.73%	32.15%	18.71%	6.58%	19.33%	15.43%	-30.87%
5	26.32%	19.96%	16.92%	-8.03%	-18.96%	31.47%	16.66%	5.67%	18.86%	14.03%	-34.80%
6	14.86%	19.94%	6.00%	-10.64%	-21.31%	29.58%	14.32%	4.50%	16.05%	12.80%	-35.82%
7	12.67%	18.04%	-6.97%	-11.11%	-21.75%	26.34%	11.92%	3.92%	15.35%	11.87%	-36.72%
8	11.04%	2.71%	-13.08%	-11.19%	-24.34%	25.02%	11.81%	3.78%	14.64%	8.02%	-38.96%
9	9.75%	-9.37%	-18.21%	-12.43%	-26.14%	17.63%	8.71%	1.58%	13.53%	5.47%	-42.90%
10	-4.83%	-9.43%	-38.56%	-24.16%	-34.35%	12.26%	3.34%	-4.78%	9.02%	-13.44%	-45.48%
11	-6.86%	-15.43%	-39.30%	-26.69%	-37.51%	7.27%	2.24%	-5.71%	6.97%	-18.42%	-52.24%

KEY	CONSUMER STAPLES	ENERGY	FINANCIALS	INDUSTRIALS	MATERIALS
	CONSUMER DISCRETIONARY	TELECOMMUNICATION SERVICES	HEALTH CARE	INFORMATION TECHNOLOGY	UTILITIES

Every 7 Years

- 1992-3
- 1999-2000
- 2007-8

- WE are probably moving out of recession with the Global Stock market.
- Jobs will need to move to the self-employed and local consulting or ONLINE.

Cash Flow

- Asset Management is about protecting what you have , growing it, and keeping a standard of living.
- Most people are trying to save for retirement, pay bills, pay for education, health care and more.
- Taxes are only a concern if you are making big money.
- Catastrophic protections and risk management

LLCs

- Why Use one?
- Liability Protection
- Continuity of Management
- Can take partners or include family and children etc.
- Can take contributions
- Move assets into
- Move cash out of
- Op. Agreement is flexible like a trust.

LLC Protection?

- Flow through Entity for Taxation – Personal or Partner.
- Limited personal liability for the debts and actions of the LLC
- Shareholders would be called: Members/owners
- Manager(s) are the person or entity that runs the LLC.
- Members may include individuals, corporations, other LLCs and foreign entities.
- A non-member can be a manager and a member can be a manager.
- Single Owner is permitted in many states

Posts on LLCs

- In our Class Discussion: Thanks to Cheryl, Erin and Shivanand for the wonderful and informative posts.
- Good posts on LLCs, LLPs, Partnerships, and other issues.

Operating Agreement Terms

- Who owns member interests.
- Who is the manager
- What is the law
- Voting and how decisions are made.
- Sale of member interest restrictions
- How managers get paid.
- Material decisions or bigger issues.
- Continuity of management
- Tax issues and distributions? When, Why etc.
- Termination and dissolution – Statutory or Written?

LLCs or Entitites - Control

- Who Controls?
- Percentages?
- Majority wins
- What about minority
- Are there advantages to this status? Of no Control?
- Tax on distribution or stock?

Filing for company

- Some states require the hard copy only
- Now, some states allow electronic LLCs. See: Colorado Secretary of State or Louisiana Sec of state.
- Each state has its own rules in the USA.
- Countries are the same. Many popular sovereign cities or city states have their own rules too: Dubai, Hong Kong, Singapore.
- Some countries have hybrid LLCs which have directors and many aspects of a limited company.

Tax Issues

- The IRS has various rules and regulations about the LLC
- <http://www.irs.gov/businesses/small/article/0,,id=98277,00.html>
- Put on your 1040 if single owner just like a Sole Proprietorship.
- Partnership documents are needed for various members i.e. 1065
- Expenses and Donations etc.
- Some Software states that audits are less likely if the LLC has less than say 20 percent of expenses on Meals and such.
- Suspect Expenses
- Other software talks about LLCs that earn over 100K
<http://www.taxdebthelp.com/tax-problems/tax-audit/audit-flags>

Rule #1 – Make Money

- LLC can be used as an estate planning vehicle.
- However, generally for income and pass through.
- Health Care and Insurance
- Use deductions “pre-tax”
- Business Travel – Events
- Meals %
- Memberships, Licenses and Continuing Ed.
- Online and Hard Copy Books and Materials
- Internet Service and Research Fees
- Loans and Interest on Investments etc.

Rule #2 – Pay Yourself

- Pay yourself
- Pay Bills and Loans
- Invest
- Pre-tax invest – 401K or IRA etc.
- After Tax – Buy Hold, or Products Annuities

- ? Do you use LLC or S Corp? Talk to you CPA about minimizing your Self Employment Taxes
- Deductions for some things may be greater now. Health Care and Equipment.

Entity Structuring and Estate Planning – food for thought

- Would you stick to Trusts
- Do you like Living Trusts? Why
- How would you use an LLC to protect an Estate.
- Would you ever use a C-Corporation or S-Corp? Why.

Assets

- Home - County
- Car - State
- Boat - Movable
- Mobile Home
- Stocks – Street Name Registration ? Beneficiary or other
- Cemetery Plot
- Memberships
- Land – How is it titled?
- Community versus Common Law Issues

Socrates, Plato and Aristotle - Ethics

- There is ethics in relation to playing by the rules of your jurisdiction.
- If you reap the benefits of citizenship, then you are stuck with the regulations too.
- Tax and Land Jurisdiction is very important.
- Each Jurisdiction and Business is Different.
- Some allow for easy transfer of property
- Some allow for business with retained earnings offshore.
- And on and on it goes.

End of Class

- Thanks for being here, and see you next Wednesday.

Kindest Regards, George Mentz, JD, MBA, CWM, QFP

References

- **Investopedia & IRS**
- <http://www.investopedia.com/terms/a/assetmanagement.asp>
- <http://www.irs.gov/businesses/small/article/0,,id=98277,00.html>
- [Operating Agreements http://smallbusiness.findlaw.com/business-structures/llc/forming-llc-operating-agreement\(1\).html](http://smallbusiness.findlaw.com/business-structures/llc/forming-llc-operating-agreement(1).html)
- History <http://www.llc-reporter.com/resource.htm>
- Sector Rotation <http://www.investopedia.com/articles/trading/05/020305.asp>
- Business Cycles and Investing - <http://www.investingdaily.com/id/17239/how-to-pick-industry-sectors-based-on-the-business-cycle.html>