

The Ethical Treatment of **\$**omebody Else's Money

Straight From The Horses' Mouth

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MoneyCulture©

A new front in the exchange-traded fund (ETF) fee war casts doubt on future revenue for asset managers, according to Moody's Investors Service. This downbeat assessment arrived as Goldman Sachs Asset Management launches another so-called smart-beta ETF with a management fee of 0.09 percent per year. The migration of investors to low-fee index-tracking funds from higher-fee actively managed stock mutual funds has hit the top lines of asset managers the past decade. Analysts viewed the rise of smart-beta funds, which typically charge higher fees than index-tracking funds but less than actively managed funds, as buffer to protect fund company profit margins. Stephen Tu, a senior analyst at Moody's, says that the latest salvo from Goldman highlights how quickly the souped-up index fund game is getting commodified.

Lottery Winner

Got a lottery winner client? Think about a Sudden (or Substantial) Wealth Accumulation and Transmission Trust (SWATT). Yes, that's a real thing. Check with a Trust Lawyer.

Bitcoin

A new bill could ease tax reporting pressure on Bitcoin investors. Rep. Jared Polis, D-Colo., and Rep. David Schweikert, R-Ariz., introduced a bill on Thursday that would eliminate reporting requirements for cryptocurrency purchases up to \$600.

At the same time, BTC is closing in China and the UK - JPM warns investors to get out or lose it all.

China is forcing Bitcoin exchanges to close and cracking down on exchanges amid concerns about BTC trading and money laundering. CryptoCompare, a cryptocurrency comparison site said, "Heads will roll in this one".

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The UK Financial Conduct Authority (their SEC-type agency) warned that investors in the virtual currency should be “prepared to lose your entire stake.” JP Morgan CEO, Jamie Dimon called bitcoin, “Stupid”. He said it’s, “Far too dangerous...It won’t end well...It’s a fraud.”

BTC fell to \$3400 before stabilizing(?) at \$3750ish. Tom Lee, a former Managing Director of JP Morgan and now head of research of Fundstrat Global Advisors said BTC is headed to \$25,000 in five years.

T-2

A new era in securities settlement has arrived. T+2—the new, and shorter, standard settlement cycle for securities transactions in the U.S.—is now a reality. MEANS: “A collaborative industry-driven effort with strong support from regulators, the T+2 initiative has achieved its common goal, which will ultimately further reduce risks and costs for investors. Do you think they understand what that says?

And Finally:

Treasurer Mistake Causes Dead Woman to Receive \$73K in Postmortem Pensions

An unreported death cost Wilmington, Delaware, 20 years’ worth of unnecessary spousal benefit payments. I guess she couldn’t use them where she was because her spouse was somewhere else.

RetirementCulture©

National 401K Day

Sometime in the last week, it was National 401K day. Nothing happened, except that day there was a question on a 401k blog:

“does anyone know of a way to transfer funds at anytime from an under performing 401k to a higher performing Annuity without being hit and still keep their employee matching incentives?”

HSA as retirement vehicles

Health savings accounts (HSAs) are a viable solution for people looking to cover their health care costs in retirement, according to a new report from HSA Bank, “Health Savings Accounts: Bridging the Retirement Savings Gap.” Health care costs can range from \$10,000 to \$20,000 a year in retirement, and a 65-year-old couple retiring today can expect to pay \$400,000 for health care, according to HSA Bank. And these expenses are expected to increase 5.5% a year—twice the pace of the U.S. inflation rate.

HSA Bank notes that are many advantages to HSAs, not least of which is the fact that HSAs are “triple tax advantaged.” Funds are contributed pre-tax, grow tax-deferred and withdrawals used for qualified medical expenses are tax-free. The Schwab Center for Financial Research estimates that because of these tax advantages, funds for health care from an HSA are 33% larger than funds from a 401(k) and 44% larger than a taxable account.

HSA funds roll over from year to year and can be retained by the account holder if they leave their employer. HSA funds can be invested, although only 3.8% of account holders are taking advantage of this opportunity. HSA funds can be used for long-term care insurance, and anyone can contribute to the HSA on behalf of the account holder, including an employer or family member. (Continued)

RETIREMENTCULTURE CONTINUED

HSA Bank notes that among companies with 5,000 or more employees, 89% now offer an HSA plan along with high deductible health plans (HDHPs). Among companies of all sizes, 70% offer HSAs. Citing a recent survey by the Plan Sponsor Council of America, HSA Bank notes that 75% of employers view HSAs as valuable tools for retirement saving.

401K advice needed

Most 401(k) participants prefer to receive advice on their retirement investments through email and one-on-one counseling sessions, according to a survey by Betterment for Business, the technology-focused 401(k) provider. The “most preferred cadence” for advice was “as often as a question arises” (28%), suggesting a need for personalized, on-demand advice. The study also identifies room for improvement in terms of how advisers are interacting with current and potential clients.



Fiduciary Forensics

Fiduciary Training in the Cloud

Basically Plan Sponsors still have no idea what they should be doing as a plan fiduciary.

"For the most part, committee members don't know what they don't know," said Joshua Itzoe, a partner at Green-spring Wealth, a Towson, Md.-based registered investment adviser that serves more than 50 retirement plans.

He believes regular fiduciary training and education should help committee members understand their responsibilities to plan participants. ERISA has established personal liability as the standard for violating fiduciary responsibility under the ACT. The definitive case was the 1989 Whitfield v, Cohen, which we tell in detail in our MoneyCulture course as the war story, “Malcolm Wasn’t Listening”.

Because of turnover in investment committee members or Trustees, online education is the way to fill the need.

We have been training professionals in ERISA fiduciary responsibility since 1986 in person in our 8 books and, since 2008, online. It is affordable; it is kept current to today and it is done by Fiduciary and ERISA expert, attorney, John Lohr. See us at soomebodyelsesmoney.com to enroll.

Dante's Corner

Broker defrauds elderly customers out of more than \$1 Million

The Securities and Exchange Commission has charged Connecticut-based broker representative and investment adviser Leon Vaccarelli and his company with fraudulently persuading several elderly customers to invest with him and then spending their money on his own living and business expenses.

The SEC's complaint alleges that instead of investing the customers' money in such things as conventional brokerage accounts and so-called separately managed accounts as promised, Vaccarelli deposited customer funds into his personal and business bank accounts. He allegedly commingled the funds with his own money and used them for his own purposes, and in some instances he used customer funds to pay returns to earlier investors. According to the SEC's complaint, Vaccarelli asked one customer to sign an agreement that she would not provide certain information to FINRA or the SEC. Vaccarelli allegedly sold more than \$450,000 in securities that were held in trust for the care and maintenance of a beneficiary and used some of the proceeds to pay business and personal expenses.

And from—guess the State

The headline reads, “SEC Inks \$6.5M Deal In Marijuana Stock Fraud”.

A federal judge in Surprise—California, has approved two settlements between the ex-fiancee of an alleged stock fraudster, the company she ran that helped pump up Medbox Inc.'s (a Pot stock) revenue, and the U.S. Securities and Exchange Commission that call for \$6.5 million in disgorgement and fines.

The SEC had accused Yocelin Legaspi of helping her onetime beau, Vincent Mehdizadeh, gin up fake revenue for his marijuana consulting and vending company by nominally serving as the boss of New-Age Investment Consulting Inc., which Mehdizadeh actually controlled.

Finally: A Death Put scheme

FINRA last Tuesday fined broker-dealer C.L. King & Associate \$750,000 for “negligent misrepresentations and omissions” in connection with a hedge fund customer's scheme that profited from terminally ill patients' death.

BTW: LOTTOROCK is actually in germination and registered as a concept, but not implemented yet.