Sovereign International Pension Services Newsletter

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FREE CONSULATION

Dear Valued Clients and Friends,

Now that the elections of 2012 are over we can tell with certainty the answer to a very big looming question.
Will the attack on IRA's and Retirement Plans continue?

You can hold precious metals offshore in your retirement plan!

An article that appeared in the "Pensions & Investments" November 12th online edition by Hazel Bradford reads- **" Retirement savings tax incentives in danger post election"**

Hazel goes on to write, **"The odds of reduced tax incentives for retirement savings and further regulatory action on retirement issues increased significantly with the Nov. 6 federal election results."**

Let's take a minute to talk about what attacks we have seen over the last 4 years and what are we likely to see going forward.

Lifetime Income- There has been a move to force anyone with a retirement plan to liquidate all of their investments when they begin to take distributions. Retirees would be forced to put all of their money into something called a lifetime income option. Effectively this means 100% of your money would be invested in U.S. Treasuries. You would receive an income stream for your remaining life expectancy with any residual funds going eventually to your heirs.

An option like this is good for the government but not so great for you. It helps finance future spending and gives the IRS a manageable and predictable stream of tax revenues. It means all of your money is now under the umbrella and control of the federal government with no diversification of assets and 100% exposure to the dollar. I am sure you don't need me to tell you, but our credit rating as a nation has been going down, not up!

An ever increasing number of baby boomers are nearing this all important point in time. A change in the rules will go a long way towards capturing the majority of retirement assets.

I should point out there have also been discussions about a similar requirement for retirement plans but with a very big difference. The focus has been on adopting a requirement that would force retirement plans to invest some or all of their assets into some form of government bonds during the accumulation phase and not just during the distribution phase. The regulators have tried to put lipstick on this pig by telling you they know what's better for you and that the government can reduce your investment costs by managing your retirement assets in a much more efficient manner.

There have been a number of proposals and hearings over the last 4 years that were directed at **"a redistribution of wealth"** through the retirement plan system. That is their words and not mine. This one remains on the forefront and could come to fruition in a number of different formats. The bottom line is it would mean less tax benefits for retirement plan contributions for the wealthy, potentially more taxes when they take withdrawals or make a Roth conversion, and mandatory contributions made by business owners for lower income employees.

In March of this year I wrote an article about the DOL (Department of Labor) attack on retirement plans. The DOL issued a significant number of penalties and made a number of criminal prosecutions. The DOL attack does not seem to have slowed down and if anything has increased in its intensity. This is a very important point because it leads us into our next train of thought.

Who are the Key Players going forward?

Now that President Obama has been reelected we know with a high degree of certainty that many of those who have been responsible for the attack on retirement plans and the attempt to completely change the current retirement plan system remain in power.

J. Mark Iwry, deputy assistant Treasury secretary for retirement and health policy. In recent years has been recognized as one of the "30 top financial players" (Smart

Money magazine), "100 Most Influential People in Finance" (Treasury and Risk magazine) (one of 5 in the field of Retirement and Benefits), "100 Most Influential People in the 401(k) Industry" (401(k) Wire), "Investment News 20" (20 individuals expected to have a major influence on the financial services industry). He has been a proponent of the automatic IRA, automatic enrollment in 401k's, greater required contributions and participation in retirement plans and the lifetime income option previously discussed. He also is pushing for the availability of annuities for retirement plans as a source for the lifetime income option.

Interestingly the push for annuities and the lifetime income option seem to be coming at exactly the wrong time. The private insurance industry has already tried the lifetime income option for a number of years and appears to be giving up on it or at least trying to reduce the risk it has created for them.

Hartford has just become the 3rd major insurance company to try and get clients to trade-in their lifetime income benefits. These benefit streams have created huge burdens on the insurance companies as financial results haven't been there to support the future payouts.

Interest rates are arguably at on all time low. Historically you want to lock in interest rates when they are high not low. Now appears to be a very bad time to force participants to lock-in a lifetime income stream. But one could argue it is a great time for the government to get people to purchase some type of a treasury bond with a very long term maturity because the rate that will be paid back to investors is near an all time low.

Phyllis C. Borzi, assistant secretary of labor in charge of the Employee Benefits Security Administration. She has also been involved in the push for lifetime income options and the DOL attack on retirement plans. The number of enforcement personnel employed by the DOL will increase from 913 to 1,003 next year. With the collection of over $1 billion in fines in 2011, it looks like the DOL is going to continue its attack on retirement plans.

Sen. Harkin and his counterpart in the **House Rep. John Kline** both remain players in the game and can be counted on to continue in their attempts to redefine retirement plans and significantly change the tax code as it relates to them.

The ongoing implementation of Dodd-Frank and many other such measures guarantees the ongoing focus and attack on retirement plans. The revenue must come from somewhere and with the vast amount of assets held in retirement plans it is only a question of when they begin to harvest this juicy fruit.

The Second Attack On Your Retirement Plan- Is Your Custodian Restricting Your Choices?

In 2009 I learned of a sneak attack on IRA's that was designed to limit the investment choices available to self-directed IRA Participants without actually changing the allowable investments. As you can imagine sneak attacks like these are the hardest to defend yourself from.

The FDIC began auditing IRA Bank Custodian's. During the course of these audits a letter from the FDIC was circulated in which they made it known the issues they were concerned about and would be focusing on. Of particular note was language indicating the FDIC would treat foreign investments as being a more risky asset. For banks the greater the level of risk on their books the more they are required to keep in reserves, which ultimately means it costs the bank more to do so.

Not long after this a number of audits occurred with surprising results. A number of banks that had been acting as an IRA Custodian simply left the business completely! I managed to speak directly with some of those who were involved in the business and were the subject of an audit and they made it clear they were told: **"In no uncertain terms does the FDIC want Bank IRA Custodian's of self-directed accounts to allow IRA participants to invest in non-traditional or alternative investments."**

The attack hasn't stopped there. This year the FDIC issued a new proposed rule, FIL-27-2012, on Standardized Approach for Risk-Weighted Assets. The proposed rule states:**"Revises risk weights for exposures to foreign sovereign entities, foreign banking organizations, and foreign public sector entities."**

What this really means in plain English is foreign assets will be considered risky. The purpose of this is to curtail the number of custodians who allow foreign investments and to penalize banks for doing so. As it stands today it is totally permissible to hold foreign assets in a retirement plan and even more importantly it is permissible for retirement plans to make investments outside of the United States. But it is also clear the intent of the government is to really reduce these types of investments and to cut back on the institutions that allow them.

We also know the current administration instituted some new reporting requirements for holding foreign assets that also reached beyond our shores to the offshore providers themselves. There were 2 separate measures, the "Bank Secrecy Act" and the "Foreign Account Tax Compliance Act" (FATCA). The result of this has been a significant number of offshore financial providers no longer want to deal with U.S.

Citizens. One could make the argument ***they*** are trying to stop offshore investing without making it illegal. Certainly these actions have resulted in making it a lot harder to hold offshore investments personally or in a retirement account.

The Third Attack On Your Retirement Plan- Legally hold retirement plan assets offshore

The Lost Decade Has Wiped Out Retirement Dreams For Millions

I know it might seem a bit far-fetched but that's what is happening to your retirement plan. For the last 10 years investors have either lost money in their IRA's and retirement plans or made nothing. It is being called the lost decade and yet many investors still are doing nothing about it. They sit paralyzed or worse believe the lie their traditional advisors and Wall Street feed them. How many times have I heard things like, "You need a long-term perspective", "It will be different this time", "Just hang in there it is bound to come back", "This it the year it is going to turn around", and on and on.

Let me tell you we are in really perilous times and I am frightened by the complacency I see around me. I don't know if everyone is just numb after so many years of a difficult economy and a bad market or if they have been lulled to sleep, meanwhile their retirement plans are being sucked into a black hole .

The Global Economy Continues to Slow-

The evidence is mounting that the global economy is slowing, not growing. By now we are all familiar with the turmoil in the Euro-zone. The debate rages as to whether Greece will leave the euro or will stay threatening the entire system. It almost doesn't matter anymore as it is clear Europe is in for some very tough times as it tries to get its economic house in order. And now the evidence continues to mount that China is also experiencing a slowdown. There also seems to be ample evidence the U.S. "recovery" (if there ever was one), has reversed direction and may also be headed back towards the abyss.

What does this all mean for you the retirement plan investor?

Does anybody really know the right currency to hold or where to invest their money anymore? In times like these it is critically important to have diversification and this diversification should extend beyond what might normally be considered. In this environment you want to hold multiple currencies and even more importantly you want these assets held in multiple global accounts. Finally, I believe you should consider exposure to non-traditional assets like real estate, precious metals and alternative investments that are not as highly correlated to the traditional market.

Currency Wars Have Kicked Into Gear and Your Wealth Is At Risk

A famous author once said, "The crisis takes a much longer time coming than you think, and then it happens much faster than you would have thought,........". I have repeatedly been trying to raise the alarm about the crisis in Europe, which threatens to destroy the euro and now we have a new coordinated attack on the dollar at the same time. Russia and Iran have signed an agreement stating they will no longer trade in dollars when doing business with each other. China and Japan just did the same thing indicating they will do business with each other in their own currencies and not use the dollar.

Traditional Long Only Investments Are Very Risky In This Market

You just don't want to be in traditional long only investments in a market that has this much risk. You need to give serious consideration to holding non-traditional investment like precious metals; real estate, timber and other assets that can help you avoid the risk of a total meltdown.

Complacency Can Kill You- Feb.

I really hope you are not sitting there thinking none of this matters because it does. The worlds financial system is getting sucked into a black hole and it might seem like you have a long time to act but remember it will suddenly happen much faster than you think.

I have had prospective clients over the years who have asked me to call them when I think it is time to get their retirement plans offshore. I think it is kind of cute really, evoking an image of the school bell ringing when recess is over and it is time to run back to class.

Larry the Leader of the Global Financial System is on Line 2

I wish it were going to be like that where one day my assistant says- "Larry the leader of the global financial system is on line 2", I pick up and they say, "Hey Larry you might want to let your clients know now is the time to move their retirement assets offshore because we are going to be sucked into the black hole in 3 months". Not going to happen! "***and then it happens much faster than you would have thought....."***

How to Protect Yourself (While You Still Can)

Option #1: Move Your Funds to a Non-U.S. Bank

You'll get relief from the clutches of greedy bureaucrats, lawsuit-hungry lawyers and data-mining snoops.

Privately traded stocks, bonds, mutual funds, CDs, precious metals and currencies. Buy into elite mutual funds, managed by analysts who have consistently outperformed their American counterparts.

Option #2: Purchase a Non-U.S. Annuity

Prevent creditors from gaining unwarranted access to your funds. Participate in investments that are normally unavailable to U.S. citizens. Hold your assets in a safe offshore haven without violating IRS regulations.

Note: To buy an offshore annuity, you must work with an adviser who has been approved by the insurance company. These investment vehicles are not self-directed - so it's important to choose an adviser carefully.

Option #3: Form an International Business Company (IBC) or Foreign Corporation

This adds a significant layer of asset protection and privacy to your business (if established in the right jurisdiction).

It can also be used to open a foreign banking/trading account, purchase an annuity, make foreign investments directly or purchase real estate.

Physical possession of your funds rests with a non-U.S. company that may not recognize judgments awarded by U.S. courts.

Note: Your IRA would be the owner or member of the corporation depending upon the structure and YOU would be the manager with complete control over where the corporation does business. The custodian will, of course, insist on an annual statement of the corporation's activities and assets it owns.

Option #4: Direct Foreign Investment

In some instances you are able to make a direct foreign investment thereby moving your assets offshore. A good example of this type of investment would be the **purchase of real estate in a foreign country.**

There are other direct foreign investments available to the holders of retirement plans. These types of options continue to dwindle as our government pressures them to become, in effect, extensions of the IRS.

What have other clients done with their offshore retirement plans when they are concerned about an attack, confiscation, nationalization or other threat?

My company doesn't provide investment advice.Instead we provide our clients with a totally self-directed platform.

The number one asset protection strategy for an IRA or other type of retirement plan involves the use of a non-US LLC or some other type of foreign corporation. It is formed by and owned by the IRA and the IRA alone making it an investment within the IRA. Initially it is managed by the client/IRA participant giving them complete control. In most jurisdictions an LLC has significant if not bullet proof asset protection. The manager of an LLC can resign at a moments notice and appoint another manager. If the IRA comes under attack, the manager would simply resign and appoint someone outside of the U.S. as the manager of the LLC. It could be a friend, relative, attorney, banker, advisor, trust officer or some other professional you trust. No one would be able to force them to do something with your IRA that you did not approve of.

If and when you decide to take a distribution the LLC has additional advantages that come into play. Instead of being forced to liquidate that beachfront property in the islands you purchased inside of your IRA/LLC, you would simply re-register the shares of your corporation into your name personally and pay the tax on your distribution. (The shares are actually called membership units.) This is a great way to retain your investment, leave it offshore and still remain compliant. **Many clients have chosen to hold real estate or precious metals in this way to prevent forced liquidation of their investments in the future.**

Defend Yourself Now!

There really is no downside to moving your retirement plan offshore. After all, even with your account offshore you can still invest in everything you own today. Not only that, but you actually gain investment flexibility, acquiring access to virtually all of the global markets.

The logistics involved in trying to force offshore or illiquid assets to repatriate probably won't justify the expense and time involved. It is far more likely the government will adopt some type of grandfather clause covering existing accounts that are invested in illiquid assets.

The Bell Is Ringing

Your time is limited. Don't take any chances - there's no time like the present to liberate your IRA or other retirement assets.

Thank you for your time and cooperation. We appreciate your business. Make sure to visit us on Facebook for the most up-to-date information and to give us the big thumbs up by "liking" us.

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