



## September 2010 Issue

Welcome to our September edition of Directions.

### **What's new at our practice...**

#### *Extension Deadline Looming —*

- Deadline to file 2009 tax returns is fast approaching. If you have not yet filed, please be sure to contact our office at your earliest convenience.
- The final deadline for Corporations, Partnerships, & Trusts is September 15, and the final deadline for Individuals is October 15.

#### *Welcome Randy Rosso, CPA —*

- We are pleased to announce a new addition to our tax team. Some clients may have already had some interaction with Randy Rosso. He brings some added experience to our team as a Certified Public Accountant. Randy is a lifelong Bay Area resident with twenty years of experience in a wide variety of tax arenas.

#### *Autumn Workshops & Client Open House —*

- After much interest in our financial workshops this year, we are offering 2 timely and pertinent for the fall.
- **Socially Responsible Investing -- Sept. 18 at 10am**; Putting your Money where your Values are: Learn how to customize your investments to reflect *your* values.
- **Tax Attack 2010 -- Oct. 23 at 10am**; Client Open House with our Staff to follow; 10 Changes Will

## Make Tax Planning a Central Part of a Comprehensive Investment Strategy

### **Food for Thought**

#### *Tax Attack 2010 –*

- Counting down to Jan. 1, 2011, many tax breaks are set to expire (unless Congress extends them). It is for this reason that prudent Tax Planning this autumn could prove invaluable to mitigating these coming changes. When current laws expire at the end of the year, many of the tax brackets will increase, long-term capital gains rates will rise, dividends will be taxed at ordinary income tax rates, and marriage penalty elimination provisions will expire. Couple these with major changes to estate taxes, and these create an added challenge to managing your finances.

#### *Adding Value through Integration –*

- The world of finance can be complex due to the need to consult many advisors across multiple disciplines. We have found that working with multiple advisors often results in multiple plans—a tax plan, an estate plan, and an investment plan. Our practice has the expertise to deliver a fully integrated service through a team with varied specialties. If you are interested in learning more about integrating your financial life, talk to your tax advisor or Jason.

#### *Tired of Market Volatility? –*

- Market Volatility has not given investors many opportunities for their medium-term money, making it very difficult to plan for needs in the 7 to 10 year range. Non-traded Alternative investments can sometimes be a good asset class to generate income and modest growth without exposure to the daily ups and downs of the stock market.

## Featured Wealth Management Thought

# Financial Reform Rolls Out

***Much is hazy about the Dodd-Frank bill even though it has passed.***

Will the goals of the reform bill really be met? On July 15, the Dodd-Frank Wall Street Reform and Consumer Protection Act passed 60-39 in the Senate. Next week, President Obama is expected to sign it into law.<sup>1</sup>

"Because of this reform, the American people will never again be asked to foot the bill for Wall Street's mistakes," the President said in mid-July. "There will be no more taxpayer-funded bailouts, period."

Will his words prove true? Some doubt it, while the bill's adherents think this is a great and necessary step to prevent another Wall Street crisis.

However, the step is still being taken - it remains to be seen how the reforms passed will be implemented, and some may be implemented to a lesser degree than intended. (And there is nothing about Fannie Mae or Freddie Mac in the 2,300 pages of legislation.)

**Goal 1: No replay of TARP.** In brief, the bill gives federal regulators added power to ward off possible bank collapses. In the near future, these regulators could make too-big-to-fail determinations, set bank capital ratios and ceilings on financial industry CEO compensation, and rule on the types of proprietary investments allowable for banks. The idea is keep financial giants from turning into houses of cards. However, conservatives warn that too much regulation could prompt U.S. financial firms to conduct increasing amounts of business in nations with less-regulated financial markets.<sup>2</sup>

One of the most vocal opponents of the bill was House Minority Leader John A. Boehner (R-OH), who likened the legislation to "killing an ant with a nuclear weapon." Boehner thinks that the bill "institutionalizes" the too-big-to-fail notion.<sup>1</sup> Other conservatives agree and think that the federal government might keep the bailout option around for big banks when it should be throwing it away.

**Goal 2: Consumer education and protection.** The bill creates a Consumer Financial Protection Agency within the Federal Reserve - a new bureau to watch over mortgage lenders, credit card companies

and consumer banking practices. The idea is to prevent things like "liar loans" and specious fees. Detractors think the CFPB and its regulations will actually bear a negative byproduct - they think businesses and individuals will have a tougher time getting credit. How big a reach will the CFPB have? How much autonomy will it have? That hasn't been defined.

**Goal 3: Transparent derivatives trading.** Most of the trading in the derivatives market happens out of the public eye. No more, according to this reform bill: it will take place on public exchanges, the better to pinpoint systemic risks. Almost everyone applauds this measure.<sup>2</sup>

**Goal 4: Identifying bubbles.** Not just stock or commodity bubbles, but also real estate bubbles and bubbles in any economic sector. A new agency, the Financial Stability Oversight Council, will seek to find them. No one knows its regulatory scope yet.<sup>2</sup>

**Goal 5: Double-checking credit ratings.** Why did Wall Street fall in love with derivatives? Didn't the credit ratings agencies warn banks about the peril of such investments? Allegedly not. So an Office of Credit Ratings will be created as part of the Securities & Exchange Commission. The OCR will monitor the big Wall Street credit ratings firms and watch out for possible conflicts of interest affecting ratings.<sup>3</sup>

**Interesting minutiae.** When President Obama signed off on the Dodd-Frank bill, it killed the Office of Thrift Supervision - that's the office that was supposed to prevent bank collapses. As we can tell by the failure of Washington Mutual and IndyMac, the "supervision" may not have been all that focused. The Office of the Comptroller of the Currency will pick up its duties. (The Dodd-Frank bill also has a nice wrinkle for former IndyMac account holders: it boosts the FDIC coverage on those accounts to \$250,000, retroactive to before IndyMac went bust.)<sup>1</sup>

Another consequence of the Dodd-Frank bill: all TARP payments will end immediately. And don't look for a new futures market in the offing based on Hollywood box office receipts - the big movie studios wanted to try and make that a reality, but the reform bill won't allow it.<sup>1</sup>

#### **Citations:**

<sup>1</sup> [latimes.com/business/la-fi-financial-reform-20100716,0,2303004.story](http://latimes.com/business/la-fi-financial-reform-20100716,0,2303004.story)  
[7/16/10]

<sup>2</sup> [articles.moneycentral.msn.com/Investing/Extra/what-financial-reform-does-and-does-not-do.aspx](http://articles.moneycentral.msn.com/Investing/Extra/what-financial-reform-does-and-does-not-do.aspx) [7/15/10]

<sup>3</sup> abcnews.go.com/Business/financial-reform-bill-means-big-consumers/story?id=11012343 [6/25/10]

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