# Sovereign International Pension Services Newsletter

**March/2012**

Dear Valued Clients and Friends,

Spring is just around the corner! Also around the corner is April 15th. That's also the deadline to submit your 2011 IRA contribution.

Your IRA custodian has sent you a valuation form to be completed and returned to us by March 31, 2012. Your custodian will submit these valuations to the Internal Revenue Service on IRS form 5498. If you need a copy of this valuation form, please contact our office.

## The DOL's Attack On Retirement Plans Kick's Into High Gear!

A recent report appearing in "AdvisorOne" mentioned the Department of Labor's Employee Benefits Security Administration (EBSA) went after retirement plans last year in a BIG way. Almost $1.4 BILLION in fines were issued in over 3,000 civil cases. The attack by DOL resulted in over 300 criminal cases. This resulted in more than 120 indictments of which 75 cases ended in convictions or guilty pleas.

More than 3,000 plans were audited in 2010, which resulted in over 70% of them being required to restore losses or take other corrective measures.

These figures don't even take into consideration the economic cost to the companies and individuals who doubtless spent a tremendous amount of money on legal fees defending themselves. And if you think this was a one-

### In This Issue



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time occurrence think again. The DOL is planning on ramping up their enforcement staff for this year.

The majority of these cases resulted from what the EBSA is calling Fiduciary negligence and non-compliance with fiduciary responsibilities. Guess what, it is going to get worse and I mean a lot worse. I have been writing about new rules designed to broaden fiduciary responsibilities and to bring many financial advisors and brokers under the same umbrella. Wall Street has fought for years to prevent brokers and advisors from being labeled fiduciaries but now the battle is over.

The DOL is set to reissue its new definition of fiduciary and fiduciary responsibilities in April. One of the more controversial aspects of the first round of proposed changes was to bring IRA's under the same umbrella. That means brokers and other advisors will fall under the same rules that resulted in so many fines and criminal cases for the pension plan world. There are a heck of a lot of IRA's giving the DOL a much bigger playing field. In the meantime they are working on a blanket exemption to the prohibited transactions rule that would give IRA Advisors some relief but only if they dumb down their advice and carefully meet certain disclosure rules.

There is another arm to this attack and that is the new disclosure rules that kick in. Please refer to my previous articles for background information on this topic. Here it is in a nutshell. For years participants in company sponsored retirement plans have been getting ripped off and they had no idea! There have been hidden fees, kickbacks, revenue sharing and all kinds of sweetheart deals going on in retirement plans with complete impunity. The fact of the matter is many plans sponsors and trustees really have no idea just how much their plan is costing them and their participants. This is all about to change with the new fee disclosure rules that kick in this year. [408(b)(2)]

I think fee disclosures and transparency are a great thing and I have been calling for it for years, but I can also see this leading to a lot more lawsuits and significant fines for the retirement plan world.

It doesn't take a rocket scientist to see what these two attacks will lead to.

More attacks on retirement plans!
More criminal cases!
More fines collected by the DOL!
Brokers, and other advisors facing the threat of fines and indictments!
This will undoubtedly lead to some advisors leaving the market and no longer servicing IRA's or retirement plans.
Some companies will no longer handle IRA's or pension

plans preferring not to act as custodians.
Those that do will significantly limit YOUR investment choices.

Sovereign International Pension Services, SIPS, offers consulting services to qualified plans and acts as an IRA Administrator for IRA's, SEP's and the remainder of non-qualified retirement plans.

Now more than ever you need an independent review of your retirement plan. Our company can review your plan document, do an independent review of your fees, asses the advice you are getting from your advisor, review your fiduciary responsibilities and much more.

IRA's account holders with non-traditional assets are required to submit their FMV, Fair Market Value on an annual basis. Custodians require an outside verification of the your FMV, which SIPS can provide. If you own non-traditional assets or want a more realistic valuation of your account value we can help.

Protect yourself and your retirement plan assets now before you become a statistic. As always feel free to contact our office for additional information.

## Have You been getting Ripped Off In Your Retirement Plan?

I recently spoke to Gary Scott, a long time friend of mine, who is one of the original pioneers in the world of offshore investing. Here is a link to the audio version of my presentation in Mt. Dora and the accompanying slide presentation. Click here to download

Gary was one of the first publishers to suggest global investing. May 2012 will mark the 44th anniversary of his reporting on international investments. Gary is an entrepreneur, author and investment publisher who began writing about multi currency portfolios four decades ago, at that time many thought he was crazy.

## A Trillion Here - A Trillion There - Preserving Pensions

*By: Garry Scott*

**There are 3.6 trillion dollars stashed away in private pensions.** This concerns everyone with a private retirement plan, 401 K, or IRA because that's a lot of money and the US government has been casting its eye on it.

"A Billion here and a Billion there and pretty soon you're talking real money" is a phrase incorrectly credited to the late Senator Everett Dirksen. Whoever said it, all we can say as taxpayers now is "We Wish". The phrase has upsized to "a Trillion here and a Trillion there!"

This sad fact has left the US federal government as a cash strapped organization looking for new ways to balance their budgets. They are not alone. Furors are raging right now in Canada and the UK plus many states as well. History suggests that at one time or the other most governments try to nationalize pensions.

**Then they lock the pensions into a devaluing currency that destroys purchasing power. This is an oft repeated slick trick that can destroy the lifestyles of retirees.**
To read full article Click here

For your personal copy of my newsletter please Click here

Mark Nestmann is a friend and associate of mine who specializes in Second Citizenship, Residency, Wealth Preservation and International Taxation. Mark has a great blog that I would highly recommend.

Recently he wrote a number of articles related to new reporting requirements that many of us in the offshore world believe is an attempt to turn foreign financial institutions into an extension of the IRS! It is one more major step towards eliminating offshore investing. You really need to make sure you understand and are compliant with the new rules.

## IRS: Offshore Banks Will Need to Disclose Precious Metals Held by U.S. Clients

*by Mark Nestmann*

Earlier this week, I participated in to a teleconference sponsored by the Society of Trust and Estate Practitioners and the International Law section of the American Bar Association. The conference addressed the expanded offshore asset disclosure requirements brought into effect by the Foreign Account Tax Compliance Act (FATCA). (For

background on FATCA see here, here, and here.)
FATCA imposes a 30% withholding tax on many types of U.S-source income and gross sales proceeds to what the law calls "foreign financial institutions" (FFIs) and "non-financial foreign entities" (NFFEs). FATCA's withholding provisions will be phased in beginning Jan. 1, 2014 and come fully into effect one year later. To avoid this tax, FFIs and NFFEs must function as unpaid IRS informants. FFIs and NFFEs are defined so broadly that FATCA potentially impacts every foreign financial institution or non-financial entity in the world that receives, directly or indirectly, most types of U.S. source income.
FFIs include not only banks, but virtually all foreign investment vehicles, both publicly and privately traded. Non-U.S. insurance companies, mutual funds, broker-dealers hedge funds, private equity funds, and small family-owned and family-managed funds, are all FFIs. To avoid the 30% withholding tax on U.S. source income or gross sales proceeds, FFIs must certify that they don't accept business from U.S. persons, or alternatively, enter into a one-sided information agreement with the IRS. Among other provisions, such agreements must require FFIs to request waivers from account holders of any applicable foreign secrecy law and to close any account for which holders refuse to provide such waivers.

For the full article or to contact Mark- Click here

## Are you making 20% of your investments?

*By: John Curtis*

If your not making 20% a year on your capital investments perhaps your invested in the wrong markets!
I was recently asked to look at some historical info for an article a friend of mine was writing and I was shocked to see just how well my clients have been doing in Brazil.
Gail bought an apartment through me in a small development called Riacho Verde, near the famous Cabo Branco beach, she paid R$242k for the 2 bed 600sq. ft. condo in November 2011, now the apartment is worth R$325k, that's a 34% profit in just 18 months. Another client, Anthony, bought in to the wonderful Tour Geneve project on Altiplano, this really is a super project, he bought a small office unit for R$252,254, today, there are only a few offices left to sell in the project, even before a brick is laid, the office Anthony bought is today valued at R$324,635, that's an incredible 28.7% capital gain in just one year! These are not isolated cases, I don't have any clients who have not made money from investments in Brazilian property with me.
What makes a good investment? Well the traditional formula of location+location+location is valid but the location is not

just the geographical data and a nice view, it's increasingly more about location in relation to strong economy and market demand, it's no good buying that condo in Miami if you want to make money now, you need to see where people are taking advantage of high capital gains now and that is in Brazil!

To read full article Click here

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.

If you have any questions or comments, please send them to lgrossman@offshoreira.com

**Sincerely,**

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