Sovereign International Pension Services Newsletter

May 2012

Dear Valued Clients and Friends,

In our April newsletter I wrote an article about a new attack underway that has been launched by the Department of Labor's Employee Benefits Security Board known as EBSA. Here is a quick refresher on this attack.

"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"

The Latest Attack!

An article I came across this month confirms something I have been writing about for a couple of years now. I believe the government wants to control your retirement plan in a number of frightening ways. There are many of us who believe the end game will result in all retirement plans being forced to own U.S. Treasuries either during the accumulation phase, or when you begin to take distributions or possibly both.

The DOL's latest attack is a huge step towards limiting what you can do and specifically appears to be an attack on self-

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directed options. Let me explain why this is important.

Today the rules allow for a self-directed option in your retirement plan. Many small business owners take advantage of these options because it gives them maximum investment flexibility and the horrible market performance of the last few years has only caused their popularity to grow even farther. Unfortunately most plans offered by large companies do not contain this option even though there are NO RULES preventing them from doing so.

Why are self-direct accounts popular? First of all it is up to you and you alone how the funds are invested, (keeping within the rules governing prohibited transactions of course). This becomes important when the participants, like yourselves, want to decide how their money should be invested. Maybe he or she wants a self-directed brokerage account because they trade their own investments and do a much better job than Wall Street. They may want to own real estate, precious metals, tax-lien certificates or any of the other so called non-traditional assets.

The new attack on retirement plans will be another BIG step towards putting a stop to self-directing your retirement plan and/or being able to move it offshore.

August 31st Is The Deadline

There is a new fee disclosure rule starting in August I have previously discussed. I like it because it is going to force transparency in what plans are paying for fees and ultimately it will tell you what fees are being charged to your retirement plan. Trust me, many of you are in for a rude awakening.

But now out of the blue just a few short months before implementation the DOL has issued some new guidance that has taken everyone in the industry by surprise. An industry insider said that the new guidance came out of left field. Another insider said the DOL guidance was breaking new ground in areas that had never been discussed. It will cause more paperwork, higher costs, more confusion and a greater level of fiduciary responsibility for plan sponsors.

A greater level of fiduciary responsibility is important as you will see in a moment. It costs more to implement and follow and it adds a lot more risk to the fiduciary. Referring back to my April newsletter, there were $1.4 billion in fines and over 300 indictments in 2010. Do you think plan sponsors and fiduciaries want to do anything that is going to add to their liability and complexity or do you think they are looking for ways to simplify things and minimize their potential problems......

A senior consultant in the retirement plan universe said "This is a nightmare,". A client who had been looking to add a self-directed brokerage account to their plan was told by their ERISA counsel to "seriously reconsider". Another of the consultant's client is pressing ahead to add the option in July.

Over the years, many concerned people have asked me to let them know when the window of opportunity was closing to take their retirement plan offshore. I told them I would "ring the bell" when I thought the window was about to close.

I AM LETTING YOU KNOW, THE BELL IS RINGING. GET YOUR PLAN OFFSHORE WHILE YOU CAN. ADD THAT SELF-DIRECTED OPTION NOW.

The Found Money Report

Recently, I was a guest on the WBAP radio program called "The Found Money Report." You can listen to the interviews by clicking here.

May 2012-
http://www.sovereignpensionservices.com/files/FndMnyRpt_2012_0512_seg03.mp3

March 2012- http://www.sovereignpensionservices.com/files/FndMnyRpt_2012_0310_WebArchive.mp3

March 2012- http://www.sovereignpensionservices.com/files/FndMnyRpt_2012_0317_seg03.mp3

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, 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 you normally might consider. 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 may want to consider exposure to non-traditional assets like; real estate, precious metals and alternative investments that are not as highly correlated to the traditional market.

Whatever you do it is clear the window of opportunity to take your retirement plan or IRA offshore is rapidly closing. The ability to have a self-directed option seems to be disappearing as well. The time to move is now!

Hot Off The Press

Retirement plan participants are in for a big surprise starting August 31st. Full disclosure on retirement plan fees are required and will be reflected on statements. For the first time many participants are about to find out just how much their retirement plans are really costing them.

If you need an alternative to the traditional Wall Street retirement plan with high fees, hidden costs and poor investment options let me know. SIPS provides low cost, totally self-directed retirement plan solutions.

The Government knows what's best for you!

From the people who brought you everything.... oh the lucky few. There is a new proposal for these lucky few in the Federal Thrift Savings Plan. Apparently they don't think you contribute enough so they would like to automatically take more from your paycheck every year until you do! The private sector is next, a.k.a. the automatic IRA etc. and where do you think the money will eventually go? The next step they have discussed is forcing these mandatory contributions into retirement bonds.

Another Self-Directed Custodian Bows Out

Received an interesting email from a client today-

"Just an FYI that I received in an email from Everbank and

thought I would share.
I finally made the decision today to open an account with Everbank and invest a small portion of my portfolio into one of their products.
I was disappointed to be told that Everbank made a business decision to "no longer open or even "maintain" accounts for self-directed IRA's because of certain tax implications self-directed IRA's may impose."

I hope this isn't the preface of what's to come with other financial institutions."

In 2010 I wrote an article for the Sovereign Society where I predicted this was going to happen. In the last few years a number of IRA Custodians have left the business. Click below to read that article. http://www.offshoreira.com/ourviews.aspx?LinkId=116840&spid=63215

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