



FUTURE OF FINANCE

Tom Anderson reports back from an event he says was the most "intellectually stimulating in [his] 40 years in financial services." You may have seen coverage of it in the Wall Street Journal, or you may have read about it in his blog, but we wanted to make sure you didn't miss it, because in addition to it being a great honor to us all that he was invited, he brought back some interesting insight. "On March 23-24, I participated in the Wall Street Journal sponsored "Future of Finance Initiative" in Washington, D.C. While initially conceived as a forum of financial experts who would help the Obama Administration define the future of the country's financial system, participants quickly modified the agenda to deal with current and pressing crises as well.

The results of the work of the 86 invited experts was published in the March 30th Wall Street Journal. Prior to publication, the forum presented their recommendations in a White House briefing with Larry Summers, the President's Assistant for Economic Policy and Director of the National Economic Council.

While time did not allow for the development of a comprehensive road map, the participants were able to reach consensus on 20 recommendations, many of which echoed programs already underway. This was no easy accomplishment, considering the widely diverse points of view represented. In fact, one participant actually abstained from voting on the recommendations, presumably out of protest. The wide-ranging group consisted of some of the titans of Wall Street and the public sector, such as Arthur Levitt, former Head of the SEC; Paul Volcker, Chairman of the Economic Recovery Advisory Board; Gary Cohn, President of Goldman Sachs; and Damon Silvers, Associate General Counsel, AFL-CIO. Nevertheless, everyone checked their egos at the door and there were sincere efforts by all participants to take the challenge seriously and to try to help the nation's financial system recover and progress in the future.

While it is not possible to recount all 20 recommendations in this newsletter, some interesting points can be shared. First, although many of the participants represented investment firms, banks, and broker/dealers as well as regulators of Wall Street, they were quick to suggest financial system improvements to reduce systemic risk that required more regulation of themselves. This objectivity was refreshing and appropriate.

Overall, I perceived a sincere sense of purpose and the recognition within the forum of the need to develop and deploy systemic science so that a similar crisis does not reoccur. I am personally proud of almost single-handedly championing the inclusion of foreclosure reform from the approximately 80 suggestions originally drafted, to the final twenty. I feel strongly that continued foreclosures will not only displace more Americans, but will continue to erode the value of the securitized mortgage market, exasperating the credit



Anderson was one of 86 financial experts selected to make recommendations about our Nation's financial future.



freeze, requiring more government intervention and deficit-financing and leading to more joblessness. While there is a consensus that not all Americans will be eligible for relief, I feel there is a need to stem the tide of foreclosures for responsible Americans, many of whom were duped by fraudulent mortgage brokers. Besides, there is no upside when someone is foreclosed on. Both borrower and lender are adversely affected, as is the overall economy. Furthermore, the efforts of the committee that deal with the socio-economic aspects of the financial crisis, if acted upon, should help heal the current cleavage between Main Street and Wall Street, by providing a sense of order and control that will restore U.S. consumer and global confidence in the American financial system."

Read more about the Future of Finance Initiative, the 20 recommendations, Tom's thoughts on it all in his blog: www.selfdirectedira.com



Tom's Column

Q. With the stock market still bearish and volatile, I am considering other alternatives for my retirement account. What kinds of investments would you recommend for boosting my retirement account in today's environment?

A. We receive these types of questions quite frequently; however, we cannot recommend specific investments or investment strategies as a self-directed retirement account custodian - we must remain neutral.

That being said, I would agree that it makes sense to consider alternatives for your retirement savings, as opposed to putting all your retirement eggs in the stock market basket. Generally - although not in the current downturn, real estate and the stock market are not correlated and, therefore, don't move up or down in relation to each other. The same goes for private equity, which essentially rises and falls with the quality of the innovation. For example, an innovation that takes advantage of a down economy and is launched then, might fare better than when implemented when the economy is booming (e.g., something associated with cost reduction, etc.). In any event, having a mix of investment types, including cash (which is a buffer), is the best way to plan for success and to minimize the potential for large losses.

In today's environment, with tight credit, we see IRA money being lent to borrowers who are otherwise locked out of bank loans. The risk of these loans can be mitigated by securing the loans to collateral like real estate, equipment, or accounts receivable, etc. One example comes from a company that specializes in making loans to rehabbers who, using investor funds from IRAs, are buying repossessed properties from banks at below market value, in states with heavy devaluation. They are then putting in \$15,000 to \$30,000 in improvements and selling them at prices above the previous market. In some cases, these can generate a 200-300 percent return in 90 days.

Another countercyclical investment that is currently improving in this market is the purchase of tax liens. As people are foreclosed on, they typically stop paying taxes. Municipalities will sell the tax lien to investors for much-needed funds in the short term, and guarantee it upon collection. If the owner never pays the tax, and the property goes all the way through to foreclosure, the tax lien investors get title to the property for the cost of the lien. This is not common, but does happen on occasion. Hopefully, a search on the Internet will help you find similar opportunities. Be sure to check the credentials of any firm you deal with so that you're certain they have a good track record and references.

The information presented within this newsletter is provided by PENSICO Trust for educational purposes only and is not intended as, nor should be relied upon as tax, legal, nor investment advice. Please seek professional guidance when making your own investment decisions.

Tom Receives Velocity Entrepreneurial Leadership Award

On Saturday, March 7th, Tom Anderson was awarded an Entrepreneurial Leadership Award for his efforts to advance entrepreneurship by Velocity (an MBA entrepreneurial educational program hosted by the University of California, Berkeley, Indiana University and Rice University). Mr. Anderson was a speaker at the forum and he discussed his experiences surrounding the formation of PENSICO Trust Company, as well as the nature of its business. The MBA students were surprisingly quite interested in the discussion about how IRAs have been used by entrepreneurs to fund thousands of small businesses in the U.S. This message was particularly well received due to the current constraints in the traditional capital markets and the tightened credit situation in today's economy. One student wrote that upon returning to Los Angeles after the event, she discovered at a cocktail party, that one of her close friends was forming a bank through IRAs administered by PENSICO Trust!



PENSICO Trust Symposium NYC

For two days (March 5th and 6th), PENSICO Trust hosted a symposium where 10 expert speakers gave an audience of approximately 100 professionals a heavy dose of self-directed investing possibilities and opportunities. One of the highlights was the testimonial by the two founders of PWAI, whose business was started by PENSICO IRA investors. They were ecstatic that while other avenues in today's capital markets were virtually non-existent or unavailable to them, they were able to attract the needed capital from the IRAs of friends, family and business associates. They are proceeding to get a patent on their new hair coloring technique, and already their product is attracting interest from some of the largest firms in the business. They are so happy, they want to go on national TV to tell everyone that dreams for a new business can come true using self-directed IRAs.

Stimulate Your Retirement and Rescue Your Savings Now!



Attend a 2-Day Expanded Event in San Francisco, September 10-11



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