

PENSCO Wednesday Webinar Series

How to Choose the Right Financial Advisor & Mortgage Pool Investing with Your Retirement Funds

Wednesday, February 3rd, 2010

11 am PDT / 12 pm MDT / 1 pm CST / 2 pm EDT

Hosted By:

Tom Anderson, CEO & Founder, PENSCO Trust Company
Robyn Levin, Founder/President of R. Levin Marketing Group

Guest Speakers:

William McCance, President, Advisory Group Equity Services
Josh Fischer, Managing Director, Sterling Pacific Financial

Information presented is for educational purposes only and is not intended as, and may not be relied upon as, tax, legal, investment or other advice. You are advised to consult your advisors for specific guidance regarding your investments.



How to Choose a Financial Advisor

Choosing a Financial Advisor

- Managing your finances involves a lot of effort
- Taking care of your money can easily become a full-time job
- Finding someone to help is an attractive idea
- Picking the right person can be difficult

Do your homework first

- Before talking with an advisor, you should have a general idea of how you want the advisor to help
- Some financial advisors specialize in helping people in certain situations, while others have general knowledge to help anyone
- Prepare for an initial meeting with an advisor by gathering and organizing your financial information

Information you should provide to a potential advisor

- Current assets and liabilities
- Current statements for any investment accounts
- Tax returns for the last couple of years
- Report showing the income and expenses flowing through your checking account
- Your Philosophy and Goals

The Scale

Effort

0

5

10

Generalist

- Financial Planner
- Financial Advisor
- Works with all product
 - Investments
 - Insurance
 - Retirement Planning
- Works with other experts
 - CPA
 - Attorney

Specialist

- Multiple Money Manager
- Insurance Agents
- CPA
- Attorney
- Alternative Investment Specialist

Learn Your Advisor's Rules

- How much the advisor costs
 - Advisors can earn money by charging fees directly to their clients, or by receiving commissions from the companies they recommend to you as investments
- What work will the advisor do for you
 - Many advisors will prefer to help you with your entire financial plan; this makes it easier for them to give you advice based on your overall financial situation

How is the Advisor Paid?

- An hourly fee
- A flat fee
- A commission on the investment products they sell you
- A percentage of the value of the assets they manage for you
- A combination of fees and commissions.

How is the Advisor Paid?

Which is better?

What Services are Offered?

- Goal setting
- Cash Management and Budgeting
- Tax Planning
- Investment Review and Planning
- Estate Planning
- Insurance needs
 - Life insurance
 - Disability insurance
 - Long term care insurance
 - Health insurance
 - Property and Casualty insurance
- Education Funding
- Retirement Planning

The Service You Deserve

- Some advisors prefer to set up regular meetings with their clients, while others prefer to deal with issues as they come up, as long as you feel that you have strong communication with your advisor, you are probably getting the level of attention you need



Things to Check Before Choosing an Advisor

- Credentials
- Ethics
- Business Practices



Credentials



- CFA: Chartered financial analyst
- CFP: Certified financial planner
- ChFC: Chartered financial consultant
- CPA: Certified public accountant
- CLU: Chartered life underwriter



While a designation will tell you what the advisor has been taught, they won't tell you if the advisor is good.

Things to Investigate



- Areas of specialization
- Professional designations
- Registrations or licenses
- Education
- Work history
- Investment experience
- Products and services
- Disciplinary history

Questions to ask a potential financial advisor

- What is the advisor's background?
- What do the advisor's clients say?
- How does the advisor get paid?
- Where are the advisor's checks and balances?
- What's the advisor's track record?
- Can the adviser put it in writing?
- What do other pros think?

Red Flags

- Not Registered with FINRA/SEC
- High pressure and in a hurry
- Unknown custodian
- Wants the check made payable to himself or his firm
- If it sounds too good to be true it usually is!
- **Ask questions!**



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Next Month's Wednesday Webinar:

5 Reasons to Buy Rental Property Now with Your IRA

&

How to Handle "Hard-to-Value" Assets

Wednesday, March 3rd, 2010

Speakers:

Roger St.Pierre, Sr. V.P. First Western Federal Savings Bank

Tom Anderson, CEO & Founder, PENSCO Trust Company

As a past participant, you will not need to register again. We will send you a reminder email with the call-in information and a link to the handouts.

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- Strategies and Scenarios for Self-directed Investing
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- How to Legally Promote Your Private Placement

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Presentation Overview

- Trust Deed Investment Basics
- What is a Mortgage Pool?
- Key Advantages for New Lender-Investors and Retirement Investors
- Getting Started



Trust Deed Investment Basics

- “Trust deed investing” refers to investments in private real estate loans
- Often, an intermediary like Sterling facilitates, acting either as mortgage broker or loan servicer
 - As a trust deed investment company (TDIC), Sterling is licensed to perform both roles
- Because private loans serve needs unmet by conventional bank financing, investors earn higher rates
- What’s more, because these loans are backed by collateral, higher returns don’t generally require commensurately higher risk



Trust Deed Investments and Self-Directed IRAs

- Considering real estate in your IRA? Trust deeds – i.e., real estate notes – are a lower-fuss alternative
- However, choosing solid loan opportunities requires informed analysis
- Mortgage pools can minimize the effort and knowledge required – offering an alternative for retirement investing that's even more hassle free than individual notes



What is a Mortgage Pool?

- Mortgage pools are funds that invest in multiple loans
- Investors buy shares – analogous to a mutual fund
- Investors share proportionately in all returns of the fund
- Investor risk is spread across all loans in the portfolio



Diversification Advantage

- Because a mortgage pool investment is spread across all the loans in the pool, risk is lowered through diversification
 - Impact of any one loan default on investors is usually minimal
- Healthy pools invest regularly in new loans, as older ones mature – constantly refreshing diversification



Convenience

- While an individual trust deed investment must remain in place until maturity, investors can usually sell mortgage pool shares after a set lock-up period
 - In Sterling's case, investors can access their funds (with notice) after a 12-month lock-up
- Principal returned to the pool is automatically reinvested – no need to shop for a new investment
- Dividends can also be automatically reinvested



Ideal for Self-Directed Retirement Accounts

- Possible to invest at a much lower starting level than with real estate or most individual notes
- Unlike with an individual note investment, with a mortgage pool there is virtually no risk of owning a property with your IRA
 - Fewer potential hassles and tax pitfalls
- Income can be automatically reinvested, to maximize benefit of deferred taxes
 - Easy way to “set and forget”
- Easier diversification outside the public markets, without the need to hire specialized advisors



Further Peace of Mind

- To offer a mortgage pool, firms usually need more than just a mortgage broker's license
 - Sterling is licensed as a California Finance Lender
- Firms offering mortgage pools must provide offering documents similar to other securities
 - These documents detail the firm's standards for lending via the pool, expected return, investor suitability standards and maximum offering amount



Sterling-Specific Advantages

- Sterling provides an independent, voluntary audit report to the CA Department of Corporations annually
 - This permits us to offer our pool to the widest range of investors
- Sterling's mortgage pools are audited each year by Armanino McKenna, LLP – a recognized leader in mortgage pool accounting
- No hidden fees or loads – rate you are quoted is target return for the fund
- Monthly yield can be direct deposited to your account or reinvested



Getting Started is Easy

- Choose a pool that meets your goals for risk and return
 - Some take on a bit more risk for higher returns
- Consider the reputation of the pool's management – do some homework about pool performance, firm reputation
- Obtain and complete necessary funding documents from your custodian and investment documents from the pool



New to Self-Directed Investing?

- Our standard minimum investment in our mortgage pools is \$25,000, with a one-year lockup
- We also offer a smaller initial investment option for self-directed retirement accounts – \$5,000
 - Follow on investment is \$2,500 – tailored to fit within annual contribution amounts
 - To learn more, visit: www.sterlpac.com/pensco



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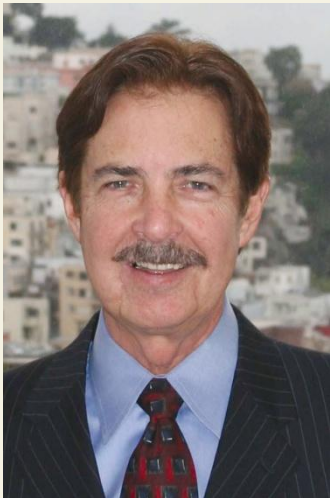
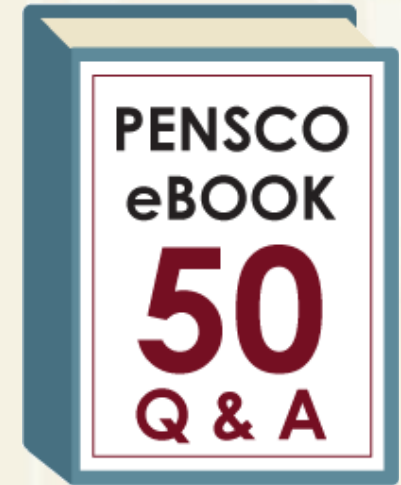
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Other Resources:

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**An educational blog by Tom Anderson,
Founder, CEO, & President of PENSCO Trust**

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