Williams Consulting & Accounting

2228 S. Fraser St. Unit #1
Aurora, CO 80014-4523

Certified Public Accountant

WCA Alert

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ID Theft Tops Consumer Complaints

(PC World May 2011 p. 26)

Reports of identity theft topped the list of consumer complaints to the U.S. Federal Trade Commission (FTC) in 2010, for the 11th straight year. Of the 1.34 million consumer complaints that the FTC and its partners received during 2010, ID theft complaints accounted for 19%. Debt collection complaints ranked second, at 11%. Complaints about Internet services, Internet auctions, and telephone mobile services also landed in the top ten categories.

As in past years, more than half of the fraud-related complaints did not involve loss of money; but 22% of the complaints were related to transactions of $501 or more, and 4% involved transaction more than $5,000.

Identity theft isn't fraud. Overall, the FTC classified 54% of the complaints it received as reports of fraud. ID theft is not included in the fraud numbers. Fraud losses reported by consumers amounted to about $1.7 billion. About 45% of the fraud cases started with e-mail contact, 11% originated from Websites, and 19% from phone calls, the FTC said.

The FTC's Consumer Sentinel Network is an online database available to all law enforcement agencies. It receives complaints filed directly to the FTC, or to the Internet Crime Complaint Center, Better Business Bureaus, the U.S. Inspection Service, and Identity Theft Assistance Center, and the National Fraud Information Center, among others.

Don't Sweep Fiduciary Duties Under a Rug

(Peachtree Newsletter Mar 2011)

In plain English, a fiduciary is a decision maker. Fiduciaries are people who make decisions around a plan's design, investment selection, and service provider engagements, among other things. You might be one, even if you're not the company president or plan trustee. Your investment advisor may or may not be considered a fiduciary. Based on the fiduciary capacity your advisor is able to provide, their involvement may or may not remove liability from the plan sponsor. Ultimately, fiduciaries are responsible for prudent plan management and employee wellbeing.

If you're a business owner, this means you could find yourself in the middle of a conflict of interest: Do what's right and beneficial for your employees? Or benefit your company's bottom line? As a fiduciary, it's your obligation to put the employees *first*. Choose otherwise, and the consequences could be damaging. If employees feel the plan is not being managed fairly, or that proper investment education isn't provided, they can file a complaint with the Department of Labor (DOL). The DOL takes employee complaints of retirement plan mismanagement very seriously.

If fiduciaries slip up, they can be held personally liable to restore any losses to the plan that resulted from their mistake. This exposes the fiduciary's personal assets, home, and business to risk. Fiduciaries that have willfully violated their responsibilities can also be subject to criminal penalties and civil action. Don't let this happen to you. Review your company's fiduciaries and their responsibilities. And make sure you (or they) are making decisions in your employees' best interests.

The Good, the Neutral, the Bad and the Ugly: Classify Your Debt

(MONEYtalk Nov 2010 p. 2)

We all know debt can be a four-letter word, but there is such as thing as good debt. Using debt wisely can be one of the most important steps to saving money in the long run. So how do you know if your debt is good, neutral, bad or just plain ugly?

Good debt pays for things that can increase your net worth over time, such as college or job training that will lead to bigger earnings. Buying a home or a business with a low-interest loan would also be considered good debt, because these assets might increase in value over time.

Neutral debt pays for necessities that don't build net worth over time. For example, you might need to buy a car to get to work or get a line of credit for your small business. These debts are better avoided if possible, but may be necessary if you haven't saved enough.

Bad debt is any debt with rates over 10% (especially in today's low-interest environment) or debt you don't pay off each month. Credit card debt you carry from month to month is the hallmark of bad debt.

Ugly debt is using high-rate credit cards, payday loans, or home-equity loans to fund a lifestyle you can't really afford. Borrowing on credit for non-necessities is a slippery slope that can quickly lead to more ugly debt and more difficulty with repayment.

What are the Five Classes of Assets?

(MONEYtalk Nov 2010 p. 4)

When it comes to investing their money, most people are content to take a random approach. They may have received a hot tip for a particular investment and decided to plow a large amount of money into it with no regard to the overall balance of their portfolios.

However, research has shown that it is through the careful selection of the various asset classes, rather than the individual investments themselves, that people prosper financially. Therefore, the careful selection and distribution of your investments among the various asset classes is likely to prove crucial to the future success of your investment portfolio.

There are five broad asset classes you should take into consideration when constructing your investment portfolio.

1. Cash refers to the most liquid holdings in your portfolio. It includes the balance in your checking account, money market funds, and certificates of deposit. Conventional wisdom holds that you should keep three to six months' salary in cash to cover yourself in the case of an emergency.
2. Fixed-principle investments are those that do not put your principle at risk to market forces. Fixed annuities and trust deeds fall into this category.
3. Debt makes up the third asset class. It includes municipal, corporate, government and government agency bonds. It also covers other debt-secured investments such as collateralized mortgage obligations.
4. Equity represents an ownership interest in a business entity; this class covers any investment you might make in stocks or a stock-oriented mutual fund. It also covers any interest you may have in a closely held corporation or partnership.
5. Tangibles include your holdings in real estate, art, gold, precious stones, stamps, baseball cards or other valuable collector's items.

How you choose to distribute your investments among the various asset classes depends on your goals, your risk tolerance and your expected rate of return. Keep in mind that asset allocation does not guarantee against loss; it is a method used to manage risk.

WCA Alert is designed to provide accurate information regarding the subject matter covered. However, before completing any significant transactions based on the information contained herein, please contact us for advice on how the information applies in your specific situation. WCA Alert is created from the NFIB **Smart**Brief, The Voice of Small Business among other sources.