



PRIVATE TRUST GROUP OF AMERICA

A Strategic Resourcing Partner for Wealth Management Professionals

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2008

Sharing Ideas ~ Building Relationships<sup>SM</sup>

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Change is the incubator for success. We can embrace change and be energized by the opportunity, or we can shy away from it and become paralyzed by inaction.

Topics of Discussion

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THANK YOU

To all who have contributed to our success over this past year, we express our sincere thanks and appreciation. The support and encouragement we receive from clients, friends and business associates continues to be a tremendous source of energy and inspiration -- not only to me, personally, but to our entire staff.

Obviously, we share a special bond with those who have entrusted their important business matters to our care; but we also appreciate those who have given us the opportunity to be considered as an alternative resource. Regardless of the outcome of any potential business relationship, we always feel that we have learned something from the experience and that we will be an even better business partner as a result.

As we approach 2009 and prepare for another successful year, we look forward to strengthening existing relationships and building new ones. It is in that spirit that we welcome your comments, suggestions and ideas so we can better serve our clients and the greater trust services community.

All of us at PTG extend our sincere best wishes to you and your loved ones for a pleasant holiday season and a happy, healthy and prosperous 2009!

Sincerely,

Sandi Lotito  
Founder

Tough Economic Times Require Bold Leadership

We have already seen disturbing examples of some very large financial institutions that have failed during this current financial crisis because of poor leadership. Others are certain to follow and, unfortunately, the fallout will extend all the way to our local community banks that have tried to do business the right way. No one in America should feel insulated from the excesses that have created the most severe economic crisis since the Great Depression.

Despite signs that the finan-

cial markets may have reached a bottom, we are not yet out of the woods. It took several years for the mortgage debacle to reach a tipping point—and it will take years for real estate values to recover and for the American people to regain trust in their government and our financial system.

Surviving the current financial crisis will require tough decisions and bold leadership. We are taking steps to ensure that our own business will meet the challenging

times that lie ahead, and we stand ready to assist you in weathering the storm.

National Debt on 12-08-08:  
**\$10,652,930,363,287.91<sup>1</sup>**

U.S. Population on 12-08-08:  
**305,851,364<sup>2</sup>**

Pro-Rata share of National Debt for every man, woman and child on 12-08-08:  
**\$34,833.69<sup>3</sup>**

1. U.S. Treasury Department  
2. U.S. Census Bureau  
3. Depressing

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## PTG Assists Wisconsin Bank in Obtaining Trust Powers

Following its recent success in assisting a Connecticut bank in obtaining trust powers, PTG has completed a similar task for a Wisconsin bank.

Among the services provided the two banks by PTG:

- Established a business model and completed a detailed Business Plan that was fully supported by the Board of Directors and Executive Management.
- Wrote detailed Policies and Procedures that gained the support and acceptance of regulators.
- Assisted each bank's local marketing team with terminology and service level pricing for fee schedules, etc.
- Full start-up and ongoing operational and administrative support for all trust activities.

As PTG continues to expand

its services beyond the traditional outsourcing of trust department operations, we encourage you to give us a call if you need an independent analysis of your current business model, systems or functions.

We are committed to providing outstanding services to those we serve, and we always enjoy the opportunity to work with others who share that philosophy.



In search of spring...

## Small Businesses Are Still The Engine That Drives America

The following excerpts are from an article written by PTG's Founder as the current financial crisis was unfolding this past fall. We hope this serves as a reminder that small businesses like yours (and ours) are what built America and will help sustain her through the difficult days, months and years that lie ahead.

As the financial markets roil and one big New York investment firm after another is either bailed out by the federal government, files for bankruptcy or is sold at a fire sale price; and as the national mortgage crisis continues to unravel with devastating consequences for the American taxpayer, I am reminded that it is small businesses like ours — and community banks, trust companies, law firms and similar organizations like yours that provide the bed-

rock stability necessary for capital markets to thrive and prosper when the giants among us fall.

If the current financial crisis has shown us anything, it is that companies that have been in business for several generations are not necessarily more secure or offer more stability than smaller, newer organizations. It should also finally put to rest the false notion that financial institutions with a Wall Street pedigree and billion dollar balance sheets are superior alternatives to smaller, better managed financial institutions like community banks or local businesses run by community leaders.

*"We hope this serves as a reminder that small businesses like yours (and ours) are what built America and will help sustain her through the difficult days, months and years that lie ahead."*

Like many of you, our business was formed in a market dominated by large competitors who had lost sight of how important it is to nurture and support smaller organizations. Their grand views of market domination are inconsistent with the needs of smaller trust organizations. Having grown up in the personal trust services profession, we understand the importance of providing highly personalized services at all levels — from start-ups to multi-billion dollar enterprises.

One of the most important philosophies we share with our clients is the strong desire to provide outstanding

services to those we serve. Just as you believe that your organization can understand the needs, goals and aspirations of clients in your local community better than a multinational financial institution, so, too, do we believe that our company is better positioned to serve your unique needs more efficiently and cost-effectively than our larger and more inflexible competitors.

That philosophy includes the core principle that all of our clients, from small start-ups to larger and more established institutions, have the same access and receive the same hands-on advice and assistance from our experienced staff — because we understand that our success depends on your success.

## The Necessity of Separate Database Management

Although maintaining separate databases creates some inefficiencies for a company like PTG, we have always maintained that the benefits outweigh the extra work involved. It has also been our experience that regulators prefer the separate database approach over the

widely accepted practice of consolidating and comingling assets from many different institutions into a single omnibus account for custody.

Our decision to maintain separate databases is always reinforced each time we go

through a conversion from a competitor and discover that we have received accounts, assets and/or other information belonging to another bank that is not part of the conversion.

As part of your due diligence process, you should insist on

separate database management rather than "branch accounting" within a single omnibus custody account.

**"All bad precedents began as justifiable measures."**  
— Julius Caesar —

**Data Aggregation Services Can Expand Your Trust Department's Reach**

Two years ago PTG first introduced data aggregation services to one of its client banks located in New Jersey. After bank executives explained the concept to their OCC regulators and gained their tacit approval, the program was launched. Now it is one of our fastest growing services.

transaction activity from those different managers electronically rolled up into a consolidated statement.

**“As demand for data aggregation services grows, it can be one more way to set your organization apart from your competitors.”**

What is data aggregation? In its simplest form, data aggregation means that clients have the ability to use multiple investment managers and have all of their asset and

Since it is an electronic process performed nightly, consolidated statements are available on a daily basis instead of waiting for month-end brokers statements to

manually perform shadow accounting reports.

Data aggregation is also a good way to open up new business opportunities with other investment professionals who do not have the ability to provide institutional trust services. In those instances, an RIA or other investment professional is allowed to retain investment responsibility and custody of the assets while turning the trustee and other administrative functions over to a bank or trust company.

Data aggregation can expand your trust department's reach if explained to existing trust clients and properly marketed to the broader investment community.

As demand for data aggregation services grows, it can be one more way to set your organization apart from your competitors.

**Please call Sandi Lotito or MaryRose Moskell at 978-463-9099 for more information.**

**No Unbundling of Unified Fiduciary Fees Required for 2008**

On January 16, 2008, the Supreme Court unanimously found that trust investment advisory fees are subject to the “2% floor” of §67(a) of the Internal Revenue Code.

I.R.S. issued Notice 2008-116 further extending the relief provisions to 2008 income tax returns, thus paving the way for fiduciaries to deduct the full amount of bundled fiduciary fees for tax year 2008 without regard to the 2% floor.

Citing the need to publish final regulations that could include “safe harbors,” the Internal Revenue Service subsequently issued Notice 2008-32 on February 27, 2008 relieving trustees from applying the Supreme Court's decision to tax year 2007.

However, payments to third parties for expenses subject to the 2% floor that are readily identifiable as such must continue to be treated separately from commonly bundled fiduciary fees.

On December 11, 2008, the

Before taking too much solace from the inexplicable

delay in issuing final regulations, consider this. The delay has given the I.R.S. even more time to come up with esoteric and incompre-

hensible rules and regulations that will create a whole new practice specialty for lawyers!



**The Owner's Name Is On The Door**

**An excerpt from the Bernard L. Madoff Investment Securities LLC website:**

**"In an era of faceless organizations owned by other equally faceless organizations, Bernard L. Madoff Investment Securities LLC harks back to an earlier era in the financial world: The owner's name is on the door. Clients know that Bernard Madoff has a personal interest in maintaining the unblemished record of value, fair-dealing and high ethical standards that has always been the firm's hallmark."**

Hypocrisy knows no bounds.

## New Hampshire Enacts Domestic Asset Protection Trust Legislation

As a follow-up to the groundbreaking Trust Modernization and Competitiveness Act signed into law in 2006, the New Hampshire legislature has taken steps to ensure that the state remains in the forefront of client-friendly trust statutes.

Beginning January 2, 2009, domestic asset protection trusts will be permitted in New Hampshire under the "Qualified Dispositions in Trust Act." The new law is designed to prevent creditors from seizing assets held in certain trusts that qualify under the Act.

To qualify, a trust must meet the following basic statutory requirements:

1. **Governing Law.** The trust agreement must expressly provide that New Hampshire law governs the validity, construction, and administration of the trust.
2. **Qualified Trustee.** At least one of the trustees must be a qualified trustee, which can be a bank or trust company operating and administering trusts within the State of New Hampshire, or a natural person, other than the transferor, who is a resident of New Hampshire.
3. **Irrevocability.** The trust must be irrevocable.
4. **Spendthrift Clause.** The trust's beneficiaries cannot assign, pledge or otherwise transfer (either voluntarily or involuntarily) their interests in the trust property.

Despite these and other requirements, the law provides significant opportunity to retain certain rights, powers and interests.

For more information, please contact Sheila L. Christie, Esq. of Cashel Wealth Partners LLC, a Portsmouth, New Hampshire firm specializing in advising and assisting wealthy families interested in taking advantage of New Hampshire's trust-friendly laws.

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## Some Tax Reminders for 2008

Here are a few tax tips as we prepare to say good-bye to 2008 and welcome in 2009:

**Extra Standard Deduction for Taxpayers 65 and Older.** Married taxpayers age 65 and older will be allowed to add \$1,050 to the regular standard deduction (the same as on 2007 returns), and singles will get an additional \$1,350 (up from \$1,300 in '07).

**Kiddie-tax Trigger.** The amount of investment income a child under age 19 -- or a full-time student under 24 -- can earn before excess

earnings are taxed at his or her parents' rate will rise to \$1,800 for 2008, up \$100 from 2007.

**Phase-out of Itemized Deductions.** Taxpayers will begin to lose the value of their itemized deductions after taxable income passes \$159,950 in 2008; that's \$3,550 higher than the \$156,400 trigger point for 2007.

**Phase-out of Personal Exemptions.** The income levels at which the value of personal exemptions begin to disappear will also rise in 2008. For single taxpayers,

the trigger point will be \$159,950 (up from \$156,400 in 2007); for married couples, \$239,950 (up from \$234,600); and for heads of households, \$199,950 (up from \$195,500). The rising trigger points save money for taxpayers with incomes above these levels.

**Tax-free Parking and Transit Passes.** Employers will be allowed to give employees parking valued at \$220 a month as a tax-free fringe benefit in 2008. The 2007 maximum was \$215 a month. The tax-free limit for transit passes will rise from \$110 to \$115 a month.

**Social Security Wage Base.** This amount, after which the 6.2% Social Security tax no longer applies, will rise to \$102,000 in 2008, up from \$97,500 in 2007.

To paraphrase Benjamin Franklin:  
"In this world nothing can be said to be certain, except death and taxes — and a federal bailout."

**Private Trust Group of America** specializes in providing administrative and operational support to trust departments and wealth management offices nationwide. Our executive staff has over 100 years of combined trust and related technology experience, and our professional staff's average experience exceeds 22 years. Please take a moment to review our website at [www.privatetrustgroup.com](http://www.privatetrustgroup.com) for an overview of our services.