

# FogHorn



# IMA

October, 2004

Institute of Management Accountants  
San Francisco Chapter

[www.sfima.imanet.org](http://www.sfima.imanet.org)

## October Technical Meeting

**Meeting Place:** The London Wine Bar, 415 Sansome Street,  
(between Clay and Sacramento), basement floor.

**Sean Randolph, President of the Bay Area Economic Forum**

In the last two decades the Bay Area economy has seen jobs move out of the region to domestic and overseas locations, in search of lower costs and markets. With some of the highest costs of doing business in the nation, Bay Area companies in particular have had major cost incentives to source and distribute their activities globally. Increasingly, however, other factors such as rising capabilities and growing market opportunities in other regions have provided additional motivation.

These factors, combined with a weak economy, have intensified interest in the media and among business, labor, government and community leaders in global offshoring and its impact on the domestic job base.

Sean Randolph, the President of the Bay Area Economic Forum, will be addressing the topic of offshoring and the effects this has had on the Bay Area job market. Sean Randolph holds a JD from the Georgetown University Law Center, a Ph.D. from the Fletcher School of Law and Diplomacy, a B.S.F.S. from Georgetown's School of Foreign Service, and studied at the London School of Economics. Sean was appointed President of the Bay Area Economic Forum on June 1, 1998. The Bay Area Economic Forum, a CEO-level public-private organization of business, government, university, labor and community leaders works to foster a competitive economic environment in the San Francisco Bay region. The Economic Forum produces analytical reports on key economic and policy issues impacting the California and Bay Area economies.

**Starting with the October meeting, there will be a raffle among all of the chapter's members for a \$20 pot, which will grow each time the prize is not claimed.**

*See upcoming events section for more details.*

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### **Date:**

Tuesday, Oct. 26, 2004

### **Time:**

5:30-6:30 p.m. - Socializing  
6:30-7:30 p.m. - Dinner & Presentation.

### **Topic:**

"Outsourcing"

### **Speaker:**

Sean Randolph, President  
Bay Area Economic Forum

### **Dinner Cost:**

Members - \$25  
Non-members - \$30  
Students - \$15  
Please bring your friends

### **Reservations:**

Contact:  
Vanessa Vercollone  
(415) 434-1411  
or via e-mail at  
vvercollone@  
AccountantsInc.com

**President's Message**  
**Oct. 2004**

Hello San Francisco IMA members.

To those of you who were not at the last technical meeting, you missed another great one. See Greg Meldahl's write up, for the details. Speaker, food and facilities were all first class. The upcoming meeting on outsourcing promises to be excellent as well. The Board is striving to get presenters who can speak on topics that are timely and relevant to all of us. What would you like to hear about? Contact any of the Board Members, and let us know.

As always, we can still use assistance on the Board. Commitment is at whatever level you feel comfortable with. Feeling of satisfaction and of being a part of something great, makes it all worthwhile. Contact any Board member to learn what you can do to help both yourself and the chapter. Hope to see you all at the Oct. 26 meeting.

Mark Birnbaum [mbirnbaum@snader.com](mailto:mbirnbaum@snader.com)

**Future meetings**

Oct. 26, 2004	Technical meeting on Outsourcing.
Nov. 16, 2004	Technical meeting on tax update.
Dec. , 2004	Annual Holiday meeting with East Bay Chapter. Info to come.

**A Summary of the October Technical Meeting by Greg Meldahl**

The IMA San Francisco Chapter technical meeting was held Tuesday, September 28, 2004. The speakers were Steven Rosenthal, (co-founder & partner) and Dave Sterling (manager) of RGL – Forensic Accountants and Consultants.

RGL focuses on Insurance Services, Fidelity Services, Litigation Support, and Business Valuation. The firm has 18 offices throughout the United States, including San Francisco, and 5 offices in Europe and Asia.

Insurance Services is their largest area of business. They work with insurance companies to investigate and determine losses from insurance claims. Steve mentioned that their firm did a lot of work related to 9/11 claims. They have recently sent a number of people to Florida to help with all the hurricane-related damage claims.

One big change since 9/11 is that commercial deductibles are now much higher. For example, one large local company has a \$100 million deductible. This has reduced the number of claims being filed.

Fidelity Services is one of the more interesting areas. Fidelity insurance protects companies from losses due to employee misappropriation. This can include forged disbursements, kickbacks, fictitious vendors, etc.

Several of the firm's employees are Certified Fraud Examiners (CFE's). They work with insurance and other companies to determine how frauds were committed, what the losses were, and ways to prevent future fraud, including review of internal controls and suggestions for enhancements in this area.

The meeting was very informative and entertaining. Forensic Accounting has come into the limelight since the Enron and World Com scandals a couple years ago, and is now one of the fastest growing areas of Accounting.

San Francisco chapter members  
receive **30 - 40%** off all  
CMA/CFM and CPE purchases.



Contact Lauren Jones at:  
**(800) 874-5346 Ext. 140**  
Or by e-mail at [lauren.jones@gleim.com](mailto:lauren.jones@gleim.com)  
[www.gleim.com](http://www.gleim.com)

## Many Expiring Deductions And Credits Extended

President Bush signed legislation recently that extends a number of valuable tax breaks for businesses and individuals that were set to expire at the end of the year — or have already expired.

The *Working Families Tax Relief Act of 2004* extends the life of these popular tax breaks through 2010:

- The child tax credit is extended at its current level of \$1,000 per child under the age of 17. It was scheduled to go down to \$700 in 2005.
- The 10-percent income tax bracket will stay at its current level of \$14,000 for married couples filing jointly and \$7,000 for single filers (adjusted for inflation) The 10-percent bracket was scheduled to be reduced to \$12,000 for married filers and \$6,000 for single filers.
- "Marriage tax penalty relief" will not decrease next year as scheduled. Without the legislation, joint filers would have been hurt in two ways: Their standard deduction and 15 percent tax bracket would have been lower, which would subject more of their income to taxation.

### AMT Relief

The individual alternative minimum tax (AMT) exemption is being extended for a year. Specifically, the \$58,000 AMT exemption for married couples is extended through 2005. It was scheduled to decline to \$45,000 next year. The \$40,250 AMT exemption for single individuals is also extended for a year: (It was scheduled to drop to \$33,750.)

Under the new law, certain personal nonrefundable credits will continue to be allowed against AMT as well as regular tax. They are the Child and Dependent Care Credit; the Credit for the Elderly and Disabled; the Mortgage Interest Credit; and the Hope and Lifetime Learning Credits.

**The AMT bottom line:** The new law provides only a temporary fix that allows some taxpayers to take advantage certain tax breaks. The new provisions do not solve the larger problem of more middle class taxpayers being subject to the AMT every year.

### The Definition of a "Qualified Child"

Also tucked into the new law is a clarification of a "qualified child." Current tax provisions define a "child" in various ways. For example, the rules vary when it comes to the dependency exemption, the \$1,000 child tax credit, the earned income credit, the dependent care credit and a child for purposes of filing as a head of household.

Under the new law, different ages will continue to be used as cut-offs to define a "qualified child" for different tax breaks, but tests involving residency and the child's relationship to the taxpayer will generally be uniform.

### Business Credits Extended . . .

The *Working Families Tax Relief Act* extends for a year many credits affecting businesses, including:

- ▶ The research and development tax credit.
- ▶ The welfare-to-work and work opportunity tax credits.
- ▶ Liberty Zone bonds for New York City and tax incentives for investment in the District of Columbia.
- ▶ A deduction for computer donations to qualified organizations.

### . . . As Well as Provisions for Teachers, Military Families and Environmentally-Friendly Cars

The proposed law also extends the benefits of provisions affecting individuals including:

- ▶ A 10-percent credit for buying electric cars.
- ▶ A deduction for clean-fuel vehicles, which includes hybrid cars.
- ▶ A deduction for elementary and secondary teachers of up to \$250 for out-of-pocket expenses to buy such classroom materials as books, supplies, computer hardware, software and other equipment. This deduction, available even if the return isn't itemized, was available for 2002 and 2003 and is extended for 2004 and 2005.
- ▶ An increase in the refundable child credit for military families by letting them include tax-free combat pay when calculating the credit.
- ▶ An increase in the Earned Income Credit for military families in 2004 and 2005 by including combat pay.

## WANT ADS

### **U.S. Securities and Exchange Commission**

#### **Staff Accountant**

Staff Accountants conduct examinations of Broker/Dealers to ensure they maintain adequate net capital ratios and comply with federal securities laws. The position requires a Certified Public Accountant or Certified Internal Auditor designation and three or more years of experience with a strong knowledge of GAAP, auditing and some exposure to Broker/Dealer accounting (e.g. net capital ratios and preparation and/or analysis of FOCUS reports). Candidates must be current US citizens. The SEC is an equal opportunity employer.

San Francisco

\$55,000 to \$100,000 per year

10 to 20% travel

Contact: Raymond Clark

Email: [clarkr@sec.gov](mailto:clarkr@sec.gov)

### **CMA/CFM Study Group or Tutor WANTED!**

I am looking for a study group or tutor to work with me in preparing for exams. I have completed Part I and will start next with Part II CMA. If you are interested please call or email me. Thanks!

John Gonzalez

415-269-5382

[www.cloudsystems.com](http://www.cloudsystems.com)

## UPCOMING EVENTS:

The board has been working hard to revamp our programs to make our events, newsletter and website as beneficial to the chapter's membership as possible. We want to encourage every member of the chapter to feel free to give their feedback and suggestions as to what they would like the chapter to provide them as far as topics for technical meetings, articles and other information for the newsletter, and information you would like to see posted to the website.

Below is a summary of some of the upcoming changes we have planned:

### **NEWSLETTER:**

A help wanted section is being offered for free to those who wish to advertise an opening or to any member who wishes to advertise that they are seeking employment. This service is intended to benefit the membership by posting information on actual job openings and is not intended for job placement services to advertise.

We do offer the opportunity to advertise in the newsletter at very reasonable rates. Advertising space will be offered in full page, half page, quarter page and business card sized slots.

If you are interested in advertising in the IMA's newsletter please contact Joel Smith for information and rates.

## **WEBSITE:**

Our new website is now up and running! Please check it out at [www.sfima.imanet.org](http://www.sfima.imanet.org). We plan to change the domain of the website in the very near future. This will create a much easier to remember web address as well as allow us to handle other administrative tasks much easier, such as sending out the newsletter, etc. We will keep you informed of any changes in the future.

We have a recommended links section on our website that allows for easy linking to the IMA's National website. In addition, we have added a new link to a webpage devoted to educating people about the various business uses of Excel spreadsheets. You can check it out at [www.Exceluser.com](http://www.Exceluser.com), or go to our website for the link. On the website you will find many articles on ways to use Excel in business. They are looking for people to contribute articles as well. Details can be found on their website.

As with everything else, if there is something you feel should be on the website that isn't, please feel free to contact Mark, Vanessa, or Joel with your feedback. Their e-mail addresses are as follows:

Mark Birnbaum      [mbirnbaum@snader.com](mailto:mbirnbaum@snader.com)

Joel Smith            [Joel@bgwbcpas.com](mailto:Joel@bgwbcpas.com)

Vanessa Vercollone   [vvercollone@AccountantsInc.com](mailto:vvercollone@AccountantsInc.com)

## **TECHNICAL MEETINGS:**

We have been very pleased with the accommodations offered by the London Wine Bar. It is conveniently located in the financial district, the food selections are very satisfying, and we have a private room to ourselves offering the atmosphere we need to conduct our meetings.

We hope to see you all at the Technical Meetings!

## **Monthly Raffle for \$\$\$\$\$\$\$\$\$\$:**

Starting with the October meeting, we are going to re-institute an old practice of having a monthly raffle from all of the names listed among the chapter's membership (we will exclude members who clearly cannot make it to the meetings, such as those living out of state). The winner of the raffle will win \$20.

Now here's the catch: The winner must be present to win! If the person picked is not present, the \$20 will be forfeited back into the pot, which will grow by \$20 each meeting until someone finally wins it! Sort of like the lottery but with much better odds!

We will keep you posted each month as to how large the pot has grown to. Just another added incentive for everyone to attend.

**Kurt King**  
**Financial Consultant**  
**A.G. Edwards**  
**800-333-4213**



## **Enlisting a Professional to Manage Your Money**

Managing your money takes time and effort, and the more you have invested, the more complicated it can be. If you've already established a working relationship with a financial consultant, you know how much it helps to have a professional on your side. Someone who truly understands the world of investments can provide invaluable information, and help you make good decisions with your money. In addition to the advice your consultant provides, you may also want to enlist the support of a private money manager to help handle the investments in your portfolio.

Beyond the services your financial consultant offers, a money manager gives you an additional measure of custom-tailored financial management. Your financial consultant can help you decide what kind of portfolio would be best suited to your financial situation and then recommend an appropriate money manager. By investing with a money manager, you entrust the day-to-day management of those specific assets to a professional who is dedicated to following a precise investment strategy.

In addition to searching for individual securities, a money manager evaluates the overall market and its associated risks to select suitable investments that fit your stated objectives. He can also keep your portfolio properly balanced, take advantage of opportunities in specific financial markets, and make the tough decision of when to actually sell investments. While the function of a professional money manager may sound very similar to that of your financial consultant, it's actually very specialized work that the manager performs for you, concentrating on a specific segment of your overall financial portfolio.

Working with a private money manager provides you several advantages. Some of them include the following:

**Convenience.** Finding the time to properly manage all of your investments can be a challenge. A private money manager dedicates his time to handling the day-to-day investment decisions necessary in a sizable investment portfolio. In the meantime, you can enjoy other pursuits, but still have the comfort of knowing that a professional who watches the markets on a full-time basis is continuously supervising your portfolio.

**Expertise.** A private money manager understands the complexities of financial markets, individual securities and investment strategies. Knowing the investment objectives you are trying to achieve, the money manager acts in a discretionary manner – meaning you give him permission to choose the most appropriate individual securities and then manage your portfolio by buying and selling securities across industry sectors. This provides diversification and performance returns for your portfolio. It also puts your money to work in places you might not have thought of.

**Discipline.** When you first arrange to work with a private money manager, you decide on a specific investment style. The manager then makes decisions based not only on their own personal expertise, but also according to this stated investment discipline.

**Ongoing Communication.** You will receive reports about your account’s performance from your money manager on a regular basis. Keeping you informed periodically, this service relieves you of the time-consuming and often stressful task of having to review your account daily.

While all these benefits may sound good, you might still be wondering if a private money manager is right for you. Individual investors’ abilities to manage their own assets obviously vary. You could be an experienced and capable investor, but you still might be able to take advantage of a manager’s expertise in investing – especially in financial environments or markets where you may not be as comfortable. Even if you just want to free yourself from the time-consuming and worrisome process of managing a sizeable portfolio, a private money manager could prove to be an invaluable resource.

If you think you could benefit from the advantages of private money management, and you’re comfortable with giving the discretionary decision-making authority to a professional, you may want to investigate your options further. Your financial consultant can be your connection to private money managers, and can even help you decide on one that might be right for you.