Your FP/CM

1Q 2018

FPCM FOCUS STRATEGY - RENEWING OUR POSITION IN GE

CRAIG GIVENTER, CFA, Partner, Managing Director, Portfolio Manager

"FPCM Focus" is a concentrated, opportunistic, equity strategy that is managed for long-term capital appreciation. It was established and funded in 2006, and the portfolio has been continuously managed by the same lead portfolio manager since inception. FPCM Focus held 24 positions as of the end of 4Q17, with just ten holdings comprising almost 60% of the portfolio. (For more detail, request a copy of our FPCM Focus – 4Q17 Commentary)

COMPANY SPOTLIGHT

FPCM Focus initiated a position in General Electric (GE) in the latter part of the 4Q17, an investment that clearly falls into the portion of our strategy that is allocated to "distressed high-quality assets". We have been steadily building the position's size in the first quarter of 2018.

We have followed GE for many years, and the last decade has been a long, disappointing story of poor corporate stewardship and sub-par capital allocation. As in most cases like this, the trend is not sustainable, and in GE's case, an activist firm has taken a leading role in agitating for significant change at GE. The rate of change has been dramatic for a company of GE's size. Over the past few months, the company has appointed a new CEO, CFO and several senior business heads, has reduced the size of the Board of Directors, and has committed to a large-scale restructuring of the corporation through divesting businesses and reducing costs.

All of this change is occurring within the context of deep cyclical downturns in several major GE businesses such as "Power", "Oil & Gas", and "Transportation". The company is ripe for major change as historical operating and financial mismanagement led to earnings misses, a dividend cut, the collapse in return on invested capital, and understandably, poor stock price performance. Current concerns about future earnings power, cash generation, capital structure, and even the rumblings of an equity raise (an argument could be made that the stock price would increase on this news), all highlight the market's deeply negative sentiment on GE's stock.

In the spirit of the words widely attributed to Winston Churchill, "never let a good crisis go to waste", the new senior management and Board of Directors are not wasting any time in changing GE. The company is on the path to becoming more simplified. GE has exited several businesses over the past few years, merged its "Oil & Gas" business with the publically-traded oilfield services company "Baker Hughes" (now called "Baker Hughes, a GE Company" - ticker: BHGE), and has shrunk "GE Capital". GE's management is continuing to shed businesses, with the company's "Transportation" and "Lighting" divisions on the list of future divestitures. The remaining businesses include a mix of long-cycle businesses such as "Power" and "Aerospace" and shorter-cycle, less cyclical businesses such as "Healthcare".

One might ask, "What will GE look like in the future?" It would be safe to say that the similarities between jet engines and medical equipment are not many, and it would not be surprising to see additional major portfolio actions in GE's future. From a valuation standpoint, 2018 should be a "trough" year; meaning that it should mark the low-point in GE's earnings. Estimates for 2018 are roughly $1.00 per share, with this trough earnings level reflecting weak performance in deep-cyclical divisions such as "Power" and "Transportation". Normalizing these businesses for mid-cycle performance, and taking into account an aggressive cost-reduction program, we estimate GE's normalized earnings are in the $1.50 per share range. The GE "Industrial" division's return on capital fell from the mid-teens to less than 3% in 2017, and we expect GE to generate increasing returns on capital over the next several years. GE is inexpensive at roughly 14x trough earnings, and arguably, very inexpensive at less than 10x normalized earnings.

"FPCM Focus" is managed on a separate-account basis for clients. The strategy's minimum investment is US$ 1 million. For additional information on this strategy, or on FPCM's other investment services, please contact us at 646-277-7310 or at contact@fpcm.net.

FP/CM CLOSE UP

VERIZON COMMUNICATIONS (VZ)

AMIT FRIEDLANDER, Research Analyst

FPCM believes that the US wireless industry in general, and Verizon Communications in particular, are entering an underappreciated period of opportunity. Verizon shareholders benefit from a 5% dividend yield as they wait for these opportunities to materialize.

LONG TERM MARKET OPPORTUNITIES

Starting with the big wireless picture, there is an ever increasing demand for wireless data, mostly driven by video consumption. (see table on page 3)

Mobile Data Traffic (TB/Month)	2016	2017	2018	2019	2020	2021	Cumulative
North America	1,411,021	2,000,301	2,776,564	3,753,177	4,838,494	6,397,092	**4,986,071**
Y/Y		42%	39%	35%	29%	32%	**35%**

Source: Cisco Forecast

We believe that cable needs wireless more than wireless needs cable, and that wireless service will supplant wireline service over time. This story has already played out in voice service and we expect it to also hold true for broadband, as technology improves and consumers balk at paying two bills instead of one. The trend should accelerate as next generation 5G service rolls out over the next few years, helping wireless data speeds rival that of wireline service.

Verizon has the best wireless network and best fiber optic network of any wireless carrier, which should help it achieve a strong position in 5G. In fact, Verizon is already rolling out 5G fixed wireless service this year. The service uses wireless signals to deliver home and office broadband service, creating the opportunity to poach customers from cable companies and other wireline incumbents.

Also important to Verizon's future prospects are the businesses that it does NOT focus on. With 85% of profits coming from wireless service, Verizon has low exposure to traditional linear TV and wireline voice, which are both challenged businesses.

NEAR-TERM CATALYSTS

Change is also in the air in the near-term. First of all, following years of price competition, prices have shown signs of stabilization. Industry management teams, beginning with price-leader Sprint, have commented that they expect to increase prices going forward.

Second, with the FCC revoking net neutrality, Verizon and other carriers may now find themselves able to better monetize their networks by charging heavy data users, such as Netflix, to continue supporting their substantial data transmission needs.

Third, as a domestically focused company, Verizon management has guided that tax reform will boost company profits by 15%. This, together with a forthcoming cost cutting program, should dramatically improve earnings and free cash flow, and could also drive dividend growth.

Finally, due to the upcoming shift in the way industries are categorized, starting in September 2018 Verizon and AT&T will join Google, Facebook, Netflix, and a number of other Internet and media companies in the newly-created Communication Services market sector. As discussed in-depth in our January newsletter (see The New Communications Sector – Does it Matter for Investors?), when investors buy ETFs to gain exposure to highflying Internet stocks, in many cases their money will now also flow to companies like Verizon and AT&T, boosting their share prices in the process.

RISKS

The biggest risks we see for Verizon are an industry return to intense price competition, investments to upgrade to 5G proving more expensive than expected, and rising interest rates.

INVESTMENT BALANCE SHEET - VERIZON	
POSITIVES	**CONCERNS**
• Ever increasing demand for wireless data, mostly driven by video consumption • Best wireless network • "Cable needs wireless more than wireless needs cable." Expect wireless service to supplant wireline over time. • Wireless prices appear to be stabalizing. • Unloved telecom stock index to be merged with very much loved Internet darlings e.g. GOOG/FB. • Net neutrality revoked. • 5% dividend yield: Get paid to wait!	• Saturated, mature market • Price competition could return. • Wireless Industry consolidation unlikely following Sprint and T-Mobile's failure to reach an agreement. • Bond Proxy in a rising interest rate environment. • Investments in 5G could prove more expensive than expected.

INVESTMENT "BALANCE SHEET"

POSITIVES

- We are in the midst of a synchronized global recovery, with Europe, Japan & emerging markets joining the U.S. in an economic growth mode.
- Global earnings growth, more than anything else, has fueled the equity markets since mid-2016.
- Central banks are unlikely to tighten monetary policy aggressively over the next 2 years.
- Contrary to the post-recession years, fiscal policy is likely to be a tailwind for global growth over the next few years.
- Corporate tax reform & lower regulatory pressure in the U.S. could add 50-100 bps to GDP growth over the 2018-2020 period.
- U.S. consumer spending should continue to be supported by increasing employment & wages, a recovery in household wealth, and the end of consumer de-leveraging.
- The rate of inflation is expected to remain reasonably low in the short- and medium-term.
- Except for the risk of serious external shocks, it is difficult to foresee another recession at this time because the typical down-levers (capital expenditure, housing, credit) are not over-extended, and market corrections tend to be shallower and faster during non-recession years.
- Equity valuation is expensive in absolute terms relative to history, but over-valuation is not extreme, especially relative to free-cash flows and interest rates.

CONCERNS

- The Federal Reserve is already in a "tightening" mode, albeit at a moderate pace. In addition, the Fed has started to reduce its balance sheet this year, and the ECB and BoJ are expected to follow suit starting in 2019.
- Fiscal stimulus would be a tailwind for the global economy in the medium-term, but the debt level is high and too much stimulus could end up being counter-productive in the long-term.
- Earnings growth and momentum have been driving the market rally since the end of 2016, but momentum is likely to peak in the short term.
- Inflationary expectations are extremely low. Even a random increase in headline-inflation figures could scare the markets and put significant pressure on monetary authorities.
- The Chinese economy has performed well since mid-2016, but only after significant fiscal stimulus that resulted in a higher debt level and capital outflows. Global growth, commodity prices and emerging economies would be seriously affected by negative developments in China.
- Lower productivity, the aging of the population in the developed economies and low labor participation are important long-term headwinds for global economic growth.
- With the combination of excess liquidity and low volatility, "passive" and quant strategies could cause major market disruptions in a down market.
- An aggressive trade policy by the new U.S. administration could be detrimental to global economic growth.
- Geo-political & political risks continue to increase across the globe.
- Political "Populism", on the rise around the world, could have major long-term economic consequences.
- Equity valuations are high in absolute terms versus historical standards.
- Are we closer to the end of the era of low inflation & interest rates, lower labor costs & higher margins, increased globalization & fiscal conservatism?
- Tail Risks: (1) Credit crises in China; (2) Conflict with North Korea, Iran or other; (3) Sovereign debt problems; (4) Significant jump in LT rates; (5) US relations and potential conflict with China & Russia.

KEY INVESTMENT TAKEAWAYS

- We are still in the midst of a "cyclical bull" market (start date: Feb 2016), within a "secular bull" market in equities (start date: March 2009).

- Over the next year the probability of U.S. and/or a global recession is relatively low. Market downturns in non-recession years tend to be shallower and of less duration.

- Political and geo-political risks are high and could have a meaningful impact on markets.

- We remain optimistic on an eventual rebound of late-cyclical stocks in the later-part of this economic cycle driven by tax reform and an increase in capital expenditures. However, we would see this rotation as temporary given the stage of the economic cycle, and foresee favoring a less-cyclical, less-risky positioning over the longer-term. We continue to favor technology, financials, health care & energy.

- International markets, including emerging markets, should offer attractive investment opportunities, as they face less interest rate pressure and more upside in earnings and operating margins in the short-term.

- We expect long-term interest rates to continue their uptrend due inflationary pressure, Fed tightening and demand-supply imbalances in the bond market due to higher supply, and less demand from the Fed and other Central Banks.

- Credit risk has increased with increasing leverage at the corporate and consumer level, but credit conditions remain favorable in the short-term. We favor selective opportunities within the better-quality segment of high-yield bonds and lower-quality of investment grade, but we are likely to increase our allocation to treasuries and agencies over the course of the next several quarters.

- The current low level of volatility is unsustainable in the long-term. A jump in volatility in combination with the excess liquidity, and "passive" and quant strategies will continue to cause major market disruptions, especially in a down market.

- Even though we are positive on equities in the short- and medium-term, we have serious concerns about the economy and markets over the longer-term. Political "populism", low productivity, extreme expansionary global monetary policies, and fiscal irresponsibility are dangerous headwinds for global economies and equity markets.

- We continue to be opportunistic and patient, and as always, are keeping an eye on your long-term objectives.

FP/CM KNOWLEGE CORNER

In this section we share our thoughts on financial & economic topics that may be of interest to you. We welcome your questions, and your suggestions for future topics.

WHY FREE TRADING?
THE THEORY AND THE REALITY

AARON COHEN, Ph.D., Partner, President, Portfolio Manager

Frequently economics is counterintuitive, and there is no better example of this than the case for the free trading of goods and services.

When we think about macroeconomic issues we tend to view them in a similar way to how we think about business or personal finances. We regard the economy as a "zero sum game", where gains come only at the expense of others' losses. This is entirely misguided, and our economic history provides all the evidence needed to prove it. If macroeconomics is a "zero sum game", how can we explain the economic prosperity that has developed since the beginning of mankind?

The classic example supporting free trade goes something like this: Imagine an economy of two little islands, each with a single individual living on them. Let's call these folks Robinson & Friday. Wheat is the only resource available on the islands. Initially Robinson & Friday, unaware of each other, both grow wheat and bake bread with their harvests.

Let's assume that, for some reason, Robinson is more efficient than Friday both at growing wheat and at baking bread, such that[i]:

BEFORE TRADE

	WHEAT (LBS/ACRE-YR)	FLOUR (LBS/ACRE-YR)	FLOUR/ WHEAT	BREAD (LOAVES/ACRE-YR)	LOAVES/ FLOUR
ROBINSON	60	42	0.70	71	1.70
FRIDAY	50	33	0.65	42	1.30
TOTAL	**110**	**75**		**114**	

Now assume that Robinson & Friday meet one another. Friday doesn't produce enough bread for himself, while Robinson produces in excess of his own need. So, Robinson proposes a deal. Friday will plant full time, allowing him to double his harvest, and Robinson will bake all the bread. Robinson will only engage in planting if additional harvest is needed to keep total flour production at its "before trade" level. So now[i]:

AFTER FREE TRADE

	WHEAT (LBS/ACRE-YR)	FLOUR (LBS/ACRE-YR)	FLOUR/ WHEAT	BREAD (LOAVES/ACRE-YR)	LOAVES/ FLOUR
ROBINSON	14	10	0.70	127	1.70
FRIDAY	100	65	0.65	0	
TOTAL	**114**	**75**		**127**	

By engaging in the Free Trade of wheat flour for bread, both Robinson and Friday are better off, as the total production of final goods (i.e. bread) would increase from 114 to 127 loaves. Interestingly, Friday, in spite of being less efficient at both harvesting and baking, is not displaced from the job market. Note that, contrary to the reality of personal economics where there is a clear difference between generating a profit or a loss, or being a creditor versus a debtor, in trading it is not inherently positive or negative to run a trade deficit or a trade surplus. Every trade deficit will be offset by a balancing capital surplus, and every trade surplus by a balancing deficit in a capital account[ii].

Inspired by the work of Adam Smith, economist David Ricardo, in his 1817 book "Principles of Political Economy and Taxation", was the first person to clearly show the advantages of trading, and demonstrate the underlying concept of "comparative advantage" - the economic law referring to the ability of any given economic actor to produce goods and services at a lower opportunity cost than other economic actors. In a real life example, Ricardo predicted that England would stop making wine while Portugal would stop making cheap cloth, simply because England lacked the ideal climate to produce wine, and Portugal lacked the proper skills to manufacture cheap clothes. He was right. England made more money by trading its cloth for Portugal's wine, and vice versa.

The concept of "comparative advantage" can be used for almost any institutional activity. For example, your company has an incentive to free you from tasks that could be performed more cheaply by others, even if they are sometimes less productive at doing them than you are. Furthermore, the higher your productivity (i.e. your production versus your compensation per hour), the less willing you will be to do certain activities. If we apply this principle to a country, we can see why low-skill jobs often move to other locations. Those of you who are old enough will remember a time when Japanese goods were considered inexpensive but of poor quality, and will have also experienced how Japan's productive capacity was transformed, to the point where Japan now only produces high value-added products.

Comparative advantages are not static. They are subject to changes in labor productivity, in the availability and costs of supplies, and in relative prices and exchange rates. Moreover, "economic size" attracts countries to trade, while "economic distance" (whether created by geographical distance, trade barriers, or cultural, political and linguistic differences) makes trade harder.

The objective of the "wheat and bread" story was to provide a simple illustration of the "non-zero-sum" nature of trade. In real-life there are many important issues that factor in to comparative advantage, which are not addressed in this very basic example.

THE CHALLENGES OF FREE TRADE

- In many cases the trading of goods and services includes dealing with problems related to "economic externalities"[iii], thus requiring some degree of government intervention and regulation. Even within the most capitalist systems, governments need to avoid the establishment of monopolies that could keep prices well above their normal levels, and similarly, the buildup of a unilateral dominance by an industry or company in an individual country that could jeopardize "fair trading". In today's world, protecting intellectual property (IP) is the biggest challenge facing governments and regulators. Without proper protection the incentives for companies to spend large amounts over many years in innovation would disappear. On the other hand, politicians and regulators need to realize the limits of government regulation, and many times, its weak hand versus the market. Suppose, for example, that China sells a refrigerator for $500, while Mexico sells it for $600, and both face a $100 U.S. tariff. If tariffs are eliminated on Mexican goods, U.S. consumers will shift their purchases from Chinese to Mexican refrigerators. The result is that Americans will purchase from a higher-cost source, and the U.S. government receives no tariff revenue.

(cont. page 8)

- Free-trading undoubtedly implies lower regulations, and lower regulations entail less power for bureaucrats and politicians. Thus, the marginal benefits for large corporations and for politicians, of tweaking the system increase as the trading environment becomes freer, yielding it unstable. The underlying problem is that the large benefits accrue to a small group –thus giving them an incentive to lobby for advantages, while the costs are distributed among a large part of the public, with little incentive to oppose change. Removing a trade barrier on a particular good hurts the shareholders and employees of the domestic industry that produces that good. Some of the groups that are hurt by foreign competition wield enough political power to obtain protection against imports. Consequently, barriers to trade continue to exist despite their sizable economic costs.
- The realization of competitive advantage usually includes specialization, which might create structural unemployment as some workers cannot transfer from one sector to another.
- The World Trade Organization (WTO) tends to move extremely slowly, so countries have moved to create free-trade alliances and trading blocks, such as the European Union, NAFTA, Mercosur and others. Free trade among the group members has helped productivity and economic growth, but many times at the expense of increasing the trade barriers with non-members. In addition, the nature of the agreements promotes red tape and bureaucratic restrictions (for example rules dealing with issues of re-importation). Additionally, by excluding certain countries, the agreements may shift the composition of trade from low-cost countries not party to the agreement, to high-cost countries that are.

THE ADVANTAGES OF FREE TRADE

+ Free trade drives economic growth, enhanced efficiency, increased innovation, and the greater fairness that accompanies a rules-based system. These benefits increase as overall trade—exports and imports—increases.
+ Ultimately, free trade is about consumer choice and low prices. For importing countries, free trade gives consumers the opportunity to buy goods and services that otherwise would be unavailable to them, and delivers lower prices by increasing the competitive environment. For exporting economies, free trade provides consumers foreign currency that they can use to purchase other goods they need.
+ The advantages of free, or "freer" trade, are so unequivocal that unilateral tariff reductions are advisable, and are adopted in many instances. The advantage of unilateral free trade is that a country can reap the benefits of free trade immediately. Countries that lower trade barriers by themselves do not have to postpone reform while they try to persuade other nations to follow suit.

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[i] For simplicity we have assumed that Robinson & Friday initially spend 50% of their time planting & harvesting, and 50% baking.

[ii] This doesn't mean that a large trade deficit would be irrelevant in all circumstances. A deficit arising from an artificially strong local currency –or an artificially cheap foreign currency- that makes imported goods cheaper, could create disruptions in the exchange rate, and as a consequence in interest rates.

[iii] An externality is a positive or negative consequence (of an economic activity) experienced by unrelated third parties. For example, pollution emitted by a factory that spoils the surrounding environment and affects the health of nearby residents is an example of a negative externality. The effect of a well-educated labor force on the productivity of a company is an example of a positive externality.

FINANCIAL PLANNING - WHAT DO YOU KNOW ABOUT TRUSTS?

MAUREEN MATAMOROS, MSM/MBA, Financial Planning Advisor

Getting ready to meet with an Estate Planning Attorney for the first time? Knowing something about trusts can help you ask the right questions, and better understand your lawyer's recommendations.

Everyone should have an estate plan. Some can be simple, while others will need to be complex. What is universally true? To ensure that the maximum amount of your estate's value actually passes on to the beneficiaries you intend, you need to have an estate plan in place. **Wills, living wills and healthcare proxies are the basic, essential components,** but for many families **trusts** are also needed - to identify and protect beneficiaries, to effectively transfer property, and to avoid unnecessary taxation and legal fees.

THE BASIC TYPES OF TRUSTS

There are two broad types of trusts: "Inter Vivos" trusts and "Testamentary" trusts.

An inter vivos (or "living") trust is one that you (as the "grantor") establish during your lifetime, while a testamentary trust is established at the time of your death, via specific instructions that you include in your will.

Trusts are also either "Revocable" or "Irrevocable".

A revocable trust can be dismantled or amended. While you select a trustee, name beneficiaries, and place assets into the trust, you can change or undo any of these decisions. Therefore, the assets are still under your control and you retain ownership of them. Any future income produced by the assets is reported as your income, and the assets remain a part of your estate. A primary reason for establishing a revocable trust is that, upon your death, the trust is able to transfer ownership of its assets directly to your named beneficiaries, avoiding the time-consuming (and often expensive) legal probate process. Note: A revocable trust becomes irrevocable when the grantor dies.

An irrevocable trust cannot be canceled or reversed. You no longer control any of the assets you place in the trust, and you cannot get them back. The trustee(s) you name manage the assets in accordance with the rules and stipulations you and your lawyer include in the trust's originating legal documents. Accordingly, you no longer own the assets, and they are not a part of your estate. Any income produced by the assets is income for the trust, not you, and the trust pays its own income taxes. An irrevocable trust is often used when your primary goal is to reduce the amount of assets that will be in your name - and therefore subject to estate taxes - when you die. They can also be used to protect your assets from creditors during your lifetime.

SOME COMMON PURPOSES FOR TRUSTS

Although every family situation is different, and your Estate Planning Attorney will design a trust that is specific to your unique needs, there are some relatively common goals that trusts can address:

▶ **Giving to minors.** Many people like the idea of gifting directly to children and grandchildren. While a UTMA (Uniform Transfer to Minors Act) account is a well-known and easy way to gift to young people, it has a major drawback. Full control of UTMA funds transfer to the account beneficiary as soon as they reach age 18 or 21. In cases where the individual is not ready to handle the money at such a young age, or when the assets are very significant in value, this can be a real concern. As an alternative, a trust can be established that retains control of the assets until the designated beneficiary is older. Trust documents can also stipulate whether the assets should be turned over in one lump sum, if their distribution should follow a prescribed schedule spanning a number of years, or if payments should be linked to specific purposes or events.

- **Protecting assets from a spendthrift.** Similarly, when there is concern that an adult beneficiary may not manage money responsibly, you can establish a trust with Spendthrift provisions. A trustee is given the authority to determine how, when and for what purposes the trust's funds will be disbursed to the beneficiary. This can also protect the trust's assets from the beneficiary's creditors.
- **Earmarking assets for children from a previous marriage.** With blended families, very explicit provisions may be needed to ensure that children from a previous marriage, as well as a current spouse/family, are taken care of financially should you pass away. As an example, an irrevocable QTIP (Qualified Terminal Interest Property) trust could stipulate that any income earned from the assets in the trust will be paid to your current spouse during his/her lifetime, but that after that spouse's death, the assets will be distributed to your children from an earlier marriage.
- **Protecting disabled or special-needs heirs.** A Special Needs trust can be designed to ensure that funds are available to provide supplementary care and maintain the quality-of-life for heirs with physical or mental disabilities, while still maintaining their eligibility for government disability benefits.
- **Retaining an income stream while also making a charitable donation.** A Charitable Remainder Trust (CRT) is designed to generate an income stream for you (or another beneficiary that you designate) either for life or for a specified number of years. At the end of the term, the remaining value of the trust assets is distributed to the specified charity. CRTs provide the added benefit of allowing the grantor to take a charitable deduction in the same year the trust is first established.
- **Reducing or Eliminating Estate Taxes.** For individuals and couples whose net worth is likely to exceed federal and/or state estate-tax exemptions, a number of other types of trusts help with tax-effectively transferring assets to heirs. Some (like Bypass Trusts) ensure all of your available tax exemptions are optimally utilized, while others (like Qualifying Personal Residence Trusts – QPRTs) establish protections that enable you to transfer assets early, taking advantage of their lower current-day value and tax exposure. ILIT trusts (see below) can provide insurance proceeds to pay the estate taxes.
- **Creating Liquidity to Pay Taxes.** In situations where an individual's taxable estate is likely to exceed the federal lifetime exemption amount ($11.2M per estate for 2018-2025), and especially when a significant portion of that net worth is held in illiquid assets, an Irrevocable Life Insurance Trust (ILIT) is worth discussing with your Estate Planning Attorney. An ILIT owns, and is the beneficiary of, a life insurance policy on you, the grantor. At the grantor's death, the policy proceeds are paid to the trust and therefore are not included in the grantor's estate. The ILIT can then use the policy proceeds to pay any estate-tax obligations, reducing the likelihood that assets will have to be sold to pay taxes, and maximizing the amount of assets transferred to the next generation.
- **Protecting Foreign Investors.** Most non-U.S. persons start out in an environment in which they do not owe any U.S. income, estate or gift taxes. However, something as simple as moving foreign assets to a U.S. situs can expose them to such taxation. Offshore Trusts can be established to hold foreign assets, protecting non-U.S. families from incurring unnecessary U.S. tax obligations.

As you think about your own Estate Planning needs, remember that nothing should be used as a substitute for the in-depth knowledge of a competent Estate Planning Attorney. And, as you prepare to meet with your legal counsel, remember to consult with us. Robust assessments of your current and future financial situation are valuable tools for the Estate Planning process.

We hope you have enjoyed this publication. Please contact us with your questions and with your thoughts and ideas at contact@fpcm.net. We look forward to hearing from you!

Thank you for your continued confidence and support.

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