GEMMER
ASSET MANAGEMENT LLC
LOCAL PARTNER
GLOBAL INVESTING

Advisor Connect

Operations Newsletter

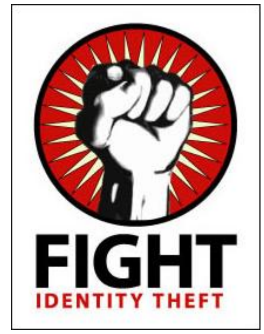
Issue Number 7 Date 03/31/2017

Charitable Gifting through Donor Advised Funds

Some donate to charity because they believe it is the right thing to do or that it makes them feel good in helping others. Then there are those who go that extra mile, aiming to create a legacy of philanthropy that continues beyond their lifetime. If you have a client who is interested in legacy charitable giving, then a Donor Advised Funds Account may be suitable for them. It is a simple, tax-smart investment solution for charitable gifting. The client can contribute cash, public and non-public traded securities, real estate, insurance policies and etc. The minimum initial account size is $5,000. If the account is over $250K, an advisor like Gemmer can manage the investments.
Here are some highlights:

- Contributions are invested for potential growth, maximizing the impact of the gift
- Cash contributions are eligible for an income tax deduction up to 50% of AGI
- Long term appreciated assets do not incur capital gains taxes if donated; eligible for a tax deduction in the amount of the full market value up to 30% of AGI
- Clients can be more strategic about their giving decisions, make timely grants when charities need donations the most, not just at year-end; can track their contributions and grants online; access to annual report at tax time

Charles Schwab and Fidelity Investment offer their own donor advised funds accounts. You can find more information at www.schwabcharitable.org or www.fidelitycharitable.org. If you have any questions on setting up an account, please contact a Gemmer team member.



Tip of the Day

Identity Theft

How YOU can help protect your client.

Never send an email that contains both your client's name and account number.

Lock your computer when you step away from your desk.

Store client information in a secure location when leaving for the day.

Use strong passwords. Password keepers add additional security.

Keep your Anti-Virus software up to date.

Educate your clients!
More tips can be found on the attached Fraud Detection and Best Practices document.

New Account Tools

In order to streamline the new account procedure and save you time, we encourage the use of the following new tools.

New Account Cover Sheet
A one page document that tells us what we need to know about your new account.

Schwab Forms Checklist
Helps determine what Schwab forms you need based on account type.

Lower Equity Trade Fees

If certain requirements are met:

Fidelity $4.95
Schwab $4.95
TD Ameritrade $6.95

Succession Planning

It is a fact; no one is getting younger, no matter how hard people try. After helping your clients plan for retirement, it is your time to do the same. The SEC states in their proposed new ruling on business continuity plans, "we believe it would be fraudulent and deceptive for an advisor to hold itself out as providing advisory services unless it has taken the steps to protect clients' interests from being placed at risk as a result of the advisor's inability (whether temporary or permanent) to provide those services". The SEC is making a bold statement, continuity planning is not just good business, it is a necessity and a must have. Be it a planned retirement in the making or an emergency, now is the time to make sure you have one.

Gemmer will be more than happy to assist you in discussing options. If this interests you, please call Brian Gemmer.

Stay Tuned Section:

Tax season is upon us and clients will want to make last minute contributions to retirement accounts. If you are cutting it close to the deadline, you can send checks directly to the custodian. Please contact us for more information on this process to confirm the check is properly written and there are no delays in the processing.

RESOURCE GUIDE

Continuity Planning

What's the Plan? Continuity Planning

1

Identifying an Internal Successor

While this might seem to be the easiest route, it is easier said than done and will need you to start with a few ideas in mind.

- Finding a young professional who is excited on the prospect of running a business
- Creating a well defined path from associate to partner based on specific milestones
  - A stepped "career ladder" with distinct levels based on quantifiable objectives
    - Client Responsibilities
    - Technical Expertise
    - Management Skills
    - Business Development

2

Selling the Business Outright

The key to maximizing your firm's value is preparing well ahead of time to attract buyers. Here are the best practices:

- Instituting a business practice that is easily repeatable so that anyone can step in and take over with little training and little disruption
- Grow a business with a good composition of clients, with both older clients who have already retained their wealth but younger clients looking to grow theirs.
- Minimize the risk during transition by implementing processes that increase effectiveness and help retain key employees.
- Find a buyer that is right for your clients' needs and expectations of service and values.

3

Being Folded into a Larger Firm

This is the most popular option for smaller firms and gives you the most flexibility if you are not quite ready to completely retire. What possibilities you have if you move into a larger firm:

- You can gain a back office that does the day-to-day business management decisions, leaving you the ability to solely focus on your clients, as well as growth.
- You can gain new resources with larger companies having more specialized staff in categories like estate planning or accountants and the ever daunting compliance laws.

4

A Merger of Equals

Merging with another firm of equal size can help move your firm to the next level. Not only does it increase assets and add growth but it can increase productivity and technology. This can give you the ability to focus on once aspect of the company while your merger partner can focus on a separate specialization.

If this is the route you determine would be best for you, make sure to find a company that has similar business philosophies and that a merger will be beneficial to both parties involved.

Please contact Brian Gemmer to discuss in further detail on your planning options.

Fraud Detection
And Best Practices

Fraud Detection and Best Practices

Fraudsters find email-related schemes appealing and effective because email is a common form of communication and provides a layer of anonymity.

Listed below are some suspicious signs to be aware of when communicating with clients.

Suspicious signs

- Originating email address is not the client's true email address. Fraudster will use client's true email address or create an almost identical address that is hard to distinguish.
- Email address changes during the course of emails.
- There are spelling errors.
- Request is almost always urgent.
- Originator states he or she is unavailable by phone (such as being out of the country, at a hospital or funeral)
- The email time stamp does not match the client's geographic location.
- The email states the client is willing to sell out all positions in order to send a wire immediately.
- The signed letter of authorization appears faded, photocopies, or traced.
- An email requesting balance information is immediately followed by a request to wire out all or a significant portion of the funds.
- Consecutive wire requests are sent to the same destination in a short period of time.
- Making a request that is out of the client's normal way of doing things.
- Fraudster may call in pretending to be the client. There is a lot of background noise and static on the line. The person is in a rush to get off the phone.
- Be aware that "fake invoices" are on the rise.

Best practices for Gemmer and Advisors

- Always verbally confirm final distribution instructions with the client using the contact information on file, not the call back number on an email. Do not rely on unsecure email to confirm wires.

- Make sure the distribution request is in line with the client's usual distribution habits.
- Pay attention to spelling and grammatical errors, as well as tone of email communications.
- Pay attention to suspicious signs whenever you are asked to rush a client request.
- When speaking to the client, ask verifying questions about the client's background (name beneficiary, how many accounts do they have, and etc.). The fraudster could hide behind background noise or say they have a cold to justify why they sound different than normal.
- Ask the client their reasoning for why the funds needs to be processed urgently
- Confirm the bank details and dollar amount with the client
- When in doubt, bring up your concerns.
- For some clients who are more high-risk than others (routinely request high dollar wire transfers to third parties or been a victim of email hacking or identity theft in the past), please look at Junxure for these flagged clients who may require extra verification.

<u>Best Practices for Clients</u>

Home computer:

- Activate computer's firewall and keep it turned on. Firewalls are often included in security software suites such as Norton Internet Security™ and McAfee® Internet Security Suite.
- Install anti-virus software.
- Install anti-spyware software.
- Regularly update your Operating System.
- Regularly update and scan your computer for virus and spyware software.
- Remove unnecessary programs or services from your computer.
- Back up your important data on a flash drive, hard drive or cloud based storage. And don't forget to back up on a regular basis.
- Use MAC address filtering
    - MAC addresses are unique to each network adapter, whether wired or wireless. Most wireless routers offer some sort of MAC address filtering, which will limit access to your wireless network to specifically allowed devices.
- If you keep your passwords in an excel list, place a security password on the document to restrict unwanted access.
- Be careful of what you download. Never open an email attachment from someone you don't know.

- Turn off your computer when it is not in use.
- Unplug any external hard drive from your computer when not in use.

Minimize risks online:
- Do not open attachments from unreliable sources.
- Use trusted internet browsers to surf the internet.
- Use extra caution when using a public computer or logging in away from home.
- Remember to logout of sites properly by clicking on "logging out".
- Don't email Personal or Financial Data.
- Check that Web Forms are secure.
- Protect your passwords and pins.
- Avoid using your social security number.

~~~~~~

Plan of Action after Fraud has been detected
Due to email hacking, wire request not initiated by client, compromised personal information

The client should do the following (if applicable):
- Run "Anti-virus" and "Anti-spyware" software on their computer.
- Contact the custodian and contact the Identity Theft Team.
- Change passwords.
- Client should have different passwords for financial websites.
- Change account numbers on affected accounts.
- Change affected email addresses.
- Report fraud activity to the three credit agencies. The client can also add fraud notification alerts to be sent to them through the use of a credit monitoring service.
    - Equifax-Call **800-525-6285** or visit www.equifax.com, or write P.O. Box 740250, Atlanta, GA 30374
    - Experian-Call **888-397-3742** or visit www.experian.com, or write P.O. Box 9556, Allen, TX 75013
    - TransUnion-Call **800-680-7289**, or visit www.transunion.com, or write P.O. Box 6790, Fullerton, CA 92634
- Monitor all financial accounts for the next few months using a monitoring service.
- Close fraudulently accessed or opened accounts

Depending on the severity of the fraud attempt, the client should also:
~~~~~~

- File a Police report.
- File a complaint with the US Federal Trade Commission (FTC). When you file this form, the FTC will investigate your situation and respond. You can also report fraud over the phone by calling the toll-free Identity Theft Hotline at 1-877-ID-THEFT or 1-877-438-4338.
- Fill out an ID Theft Affidavit. Fill out the ID Theft Affidavit, available on the FTC's Web site, and send it to your creditors to help ensure that you are not held responsible for fraudulent charges made to your account. Some creditors require their own form, so check with each to find out what they need.
- If there was financial fraud, the client should visit www.stopfraud.gov. The client can report financial fraud by contacting the FBI at 202-324-3000 or online at https://tips.fbi.gov.
- If this was a cybercrime, the client can file a complaint with the Internet Crime Complaint Center (www.IC3.gov) and go here https://www.ic3.gov/complaint/default.aspx
- If the client's SSN was stolen, then they should contact the IRS and notify them in the event the fraudster attempts to file a fraudulent tax return/refund.

For Schwab accounts:
- Get a "VERBAL" password added to his or her accounts. Client should call Schwab Alliance.
- The client can request a "token card" or VIP app access from SchwabAlliance to be used in conjunction with their passwords.
- Depending on the severity of the fraud attempt, request that account numbers be changed. Schwab can do this by "cloning" the affected accounts. The client should call Schwab Alliance.

TD Ameritrade accounts:
- Depending on the severity of the fraud attempt, request that account numbers be changed. TDA can do this by "cloning" the affected accounts.
- Get a "VERBAL" password attached to his or her accounts. Client should call TDA Ameritrade customer service.

Fidelity Investments:
- The client can request a "token card" or VIP app access from Fidelity to be used in conjunction with their passwords.
- An extra security question can be added to the client's account. The client will be asked an extra security question before they are able to speak to a representative on the phone for an added layer of security.

Gemmer should take the following steps (if applicable):

- Update advisor about the situation.
- Contact the custodian to let them know about the fraud attempt.
- Send a copy of the fraudulent email(s) to Schwab for investigation.
- Notify the GAM Director of Operations of the fraud attempt.
- Add “Extra Verification for money requests” keyword to Junxure profile.

New Account Cover Sheet

GEMMER
ASSET MANAGEMENT LLC
LOCAL PARTNER
GLOBAL INVESTING

New Account Cover Sheet

(attach cover sheet to each new account)

Advisor Name:____________________________ Contact Person:__________________________

Client Name:____

Account Type:______________________________ Risk Zone:_____________________________

Platform: ☐ Premier ☐ Select

Dividends & Capital Gains: ☐ Pay to Cash Reinvest: ☐ Both ☐ Dividends Only
If no selection is made, the default is to reinvest dividends and capital gains.

Fees Paid By: ☐ This Account ☐ Different Account #______________________

Include in Combined Performance? (Premier Only) ☐ Yes ☐ No

How will the account be funded?

☐ Check – Check#_____________ Amount:___________________

☐ Journal from existing Account #______________________ Amount:___________________
Additional forms may be required.

☐ Transfer – From:__________________________________ Approx Value:_________________
Include statement less than 90 days old.

Additional Transfers/Notes:____

Recurring Distributions? ☐ No ☐ Yes–Frequency_______ Day of Mo_____ Amt___________

Other Short-Term Cash Needs? ☐ No ☐ Yes – Amount____________ When______________

Fully Invest? ☐ Yes – (no recurring distributions or short-term cash needs)

Special Instructions: ____

____

New Account Checklist

New Account Checklist

<u>Gemmer Asset Management Contracts</u>

- ☐ **Investment Policy Statement –** Each Account.
  - Risk tolerance and model selection.
  - Requires **client, financial representative** and **Gemmer Asset Management** signatures.

- ☐ **Investment Advisory Agreement –** One per Household.
  - Agreement between Gemmer Asset Management and the client.
  - Refers to you as the "Client Financial Representative/Solicitor".
  - Requires **client** and **Gemmer Asset Management** initials and signatures.

- ☐ **Fee Schedule (no signature required) -** One per Household (unless there are different fee schedules for each account)

- ☐ **Solicitor Disclosure -** One per Household.
  - Agreement between you and the client.
  - Requires **client** and **Client Financial Representative/Solicitor** (you) signatures.

<u>Personal Accounts</u>

Individual, Joint, Community Property, Transfer on Death, etc.

- **Schwab One Account Application for Personal Accounts**
  - To open a new account at Schwab.

- **Limited Power of Attorney for Investment Advisor**
  - To add us as the advisor to an existing Schwab account.

- **Transfer of Account Form**
  - Transfer funds to Schwab from another custodian.
  - Include a statement for the account being transferred to Schwab dated within 90 days.

- **Check and Journal Form** – One time or recurring.
  - Journal funds between Schwab accounts like or unlike registration.
  - Check payable to account registration and mailed to other address.
  - Third party check.

- **MoneyLink Electronic Funds Transfer Form** – One time or recurring.
  - Transfer funds into or out of your Schwab account to your bank account.
  - Include voided check.
  - Standing instructions, initial Section 5.

- **Designated Beneficiary Plan Agreement** for <u>Transfer on Death Accounts ONLY</u>

<u>Trust Accounts</u>

A notarized signature is required ***<u>unless</u>*** it is a Revocable Trust (Grantor(s), Trustee(s) and Beneficiary(ies) are the same person). Originals are required for notarized documents.

- **Schwab One Account Application for Trust Accounts**
  - Open a new account at Schwab.
  - Provide the **<u>title page</u>** and **<u>signature pages</u>** of the trust. Schwab will not accept Certification of Trust, Memorandum of Trust, Affidavit of Trust or Abstract of Trust.

- **Limited Power of Attorney for Investment Advisor**
  - Add GAM as the advisor to an existing Schwab account.

- **Transfer of Account Form**
  - Transfer funds to Schwab from another custodian.
  - Include a statement for the account being transferred to Schwab dated within 90 days.

- **Check and Journal Form** – One time or recurring.
  - Journal funds between Schwab accounts like or unlike registration.
  - Check payable to account registration and mailed to other address.
  - Third party check.

- **MoneyLink Electronic Funds Transfer Form** – One time or recurring.
  - Transfer funds out of your Schwab account to your bank account.
  - For MoneyLink distributions please include a voided check.
  - Standing instructions, initial Section 5.

Traditional/Rollover/Roth IRA Accounts

- **IRA Account Application**
  - Open a new account at Schwab.

- **Limited Power of Attorney for Investment Advisor**
  - Add us as the advisor to an existing Schwab account.

- **Transfer of Account Form**
  - Transfer funds to Schwab from another custodian.
  - Include a statement for the account being transferred to Schwab dated within 90 days.

- **IRA & ESA Distribution Form** – One time or recurring, requires tax withholding preferences.
  - Conversion to Roth IRA.
  - Distribution from Roth IRA to Inherited IRA.
  - Withdrawal of excess contributions.
  - Required Minimum Distributions.
  - Journal funds between Schwab accounts like or unlike registration.
  - Check payable to account registration and mailed to address of record.
  - Check payable to account registration and mailed to other address.
  - Third party check.
  - Wire funds.
  - Transfer funds out of your Schwab account to your bank account.
  - For MoneyLink distributions please include a voided check.
  - Standing instructions (initial Section 7).

SEP IRA Accounts

- **IRA Account Application**
  - Open a new account at Schwab.

- **Adoption Agreement**
  - Required with all applications

- **Employer's Agreement**
  - Required with all applications

- **Limited Power of Attorney for Investment Advisor**
  - Add us as the advisor to an existing Schwab account.

- **Transfer of Account Form**
  - Transfer funds to Schwab from another custodian.
  - Include a statement for the account being transferred to Schwab dated within 90 days.

- **IRA & ESA Distribution Form** – One time or recurring, requires tax withholding preferences.
  - Conversion to Roth IRA.
  - Distribution from Roth IRA to Inherited IRA.
  - Withdrawal of excess contributions.
  - Required Minimum Distributions.
  - Journal funds between Schwab accounts like or unlike registration.
  - Check payable to account registration and mailed to address of record.
  - Check payable to account registration and mailed to other address.
  - Third party check.
  - Wire funds.
  - Transfer funds out of your Schwab account to your bank account.
  - For MoneyLink distributions please include a voided check.
  - Standing instructions (initial Section 7).