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MENTOR
C A P I T A L

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Mentor Monthly Missive

In this issue:

- Exciting news from Mentor Capital
- Are hedge fund managers really magicians?
- You can catch more flies with honey than with vinegar

New member of the board

Daniel B. Carey has been elected to the board of directors of Mentor Capital Management Inc. At the same time, Dan was elected vice president of the company.

As a member of the board Dan will help forge the direction of Mentor Capital as it grows and expands. As vice president he will assist John S. Davis, company president, in strategic planning, client acquisition and day-to-day operations of the firm.

Dan has been a wealth management advisor with Mentor Capital since 2007. His practice focuses on tax and estate planning, investment management and retirement forecasting.

Mentor Capital Management, 105 S. York St., Elmhurst, is an independent, fee only wealth management firm. Its advisors have been providing objective advice to individuals and small businesses since the company's founding in 1992.



If you can't beat 'em – cheat 'em

So it turns out that some of those heady hedge-fund returns that had investors slaving weren't generated by skillful stock-picking or the smart use of alternative investments after all. It's alleged that in some cases, they allegedly were the result of good old-fashioned cheating.

In a federal probe that is ongoing, investigators are looking at whether consultants and employees of "expert networks" illegally passed on insider information to the hedge funds for a fee. Insider information is non-public details about a company's operations that could move the company's stock if it were publicly known. Such information can be about mergers, acquisitions, company finances or legal issues, among other things.

Public pensions that invested in hedge funds in an effort to get some of their sweet returns are worried now that their gains may have been ill-gotten. They're watching carefully to see if criminal charges will be brought against the hedge funds, to determine whether to take out their money.

This whole controversy only adds fuel to the fire over investment performance. Hedge fund managers need to justify their high fees and lavish lifestyles. But it's a fact that none of them can consistently, over long periods of time, "beat" the markets. So they allegedly have to resort to lies, distortions and outright illegal activity to boost their returns.

Pension funds and other "astute" investors, it seems, will never learn. They're just waiting for the next Bernie

Madoff to come along so they can get some of those juicy returns. They listen to fund managers who claim to have the system beaten. Then it turns out that the system isn't beaten after all – it's only more sleight of hand.



‘Don’t spit in the wind’ ... Or curse an IRS agent

A recent situation reminded us of the best and most effective way of dealing with a notice from one of Uncle Sam’s diligent tax representatives: Turn it over to your tax advisor.

Phoning to curse, yell at or threaten an internal revenue agent is counter-productive, to say the least. Firing off an angry letter doesn’t work. Politely acknowledging the notice and the issue and promising a quick response – which your advisor can do for you in an objective manner – is best. You don’t want to make an agent angry. Remember, he has the power, whether you like it or not.

The TV show “Cops” shows what happens when Joe Public blows up at or tries to run away from a representative of our government. Beatings ensue. The “suspect” never wins, in the show, anyway. Although the taxpaying suspect is usually not beaten physically, he can end up with troubles in great quantities.

Many IRS notices can be dealt with simply by providing proper documentation. Your tax advisor can help you do this in a calm, coordinated way. Failure to respond – or responding in an abusive or threatening manner – can wind you up in tax court. That’s no fun.

We handle issues with the IRS every year, and from our experience can say that most disagreements can be worked out to the satisfaction of the taxpayer. Without shouting and with a minimum amount of aggravation.



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