

IRS settlement puts UBS back on its feet

By ILYA RZHEVSKIY
Epoch Times Staff

UBS AG has finally put its lingering problems behind after settling with the U.S. Internal Revenue Service (IRS) and giving up the identities of American tax evaders.

Last week, UBS—the largest Swiss bank—finally agreed to disclose to the IRS the names of 4,500 accounts held by Americans suspected of tax evasion.

The settlement is a huge blow to the Swiss banking industry, which in the past has thrived on its principles of secrecy while attracting customers around the world. Obtaining the names of Americans was deemed by analysts to be a first major step in cracking the Swiss code.

During the last year the IRS has been putting a lot of pressure on the Swiss government and banks demanding to identify 52,000 accounts of American citizens suspected of holding undeclared Swiss bank accounts to evade taxes. Additionally, the IRS filed a lawsuit against UBS for criminal charges intending to take UBS's banking license away in the United States and demanding it to pay billions of dollars in fine.

Such pressure from the IRS was on top of the gigantic problems the bank was already facing—UBS lost a total of \$28 billion in the past two years. The bank was practically devastated by investing heavily in the U.S. real estate market.

The decision to disclose the 4,500 American accounts has given UBS a second life. In agreement with the IRS, the lawsuit will be lifted and all IRS fines would be forgiven.

Immediately following the agreement to disclose the secret information last week, the Swiss government sold

its equity stake in UBS and made a net profit of \$1.1 billion. That is a 32 percent net gain on investment that goes to Swiss taxpayers.

This amounted to the first success story of a European government making money while lifting its banks out of trouble.

"They are substantially in the money," said Guy de Blonay, a fund manager at Herderson New Star in London. "It looks pretty good."

The Swiss government gave \$5.6 billion to UBS last October in form of debt convertible into the common stock, in order to help drag the bank out of its tenuous financial situation.

Analysts hail this as a great example of how federal bailouts can be a win-win proposition. Even long before the collapse of Lehman Brothers, AIG, and the U.S. financial markets, the Swiss government already had a solution ready for saving UBS.

"Already in May, 2008, we were prepared and UBS was not even informed about our preparations," said Jean-Pierre Roth, the former Chairman of Swiss National Bank.

When UBS came asking for help in late October, the program was implemented the very next day.

"The Swiss are watch makers, and they present their watches only when they are ready," said Roth referring to the precise manner in which the Swiss work, taking in account and calculating multiple strategies before they actually implement something.

The sale of the common stock was triggered by lifting the damaging lawsuit that was hanging over UBS's head. Now that the case is resolved, investors felt more comfortable about the bank's future and also started to buy its stock.



UBS Chairman Kaspar Villiger addresses the bank's annual general meeting in Zurich earlier this year. The Swiss bank recently settled with the IRS to release suspected U.S. tax dodgers. SEBASTIAN DERUNGS/AFP/GETTY IMAGES

Trent's money rules Rule #5: Talk about money (and be honest)

By TRENT HAMM

Breaking through that social and personal barrier of talking about money is incredibly difficult, but it's vital.

Without doing it, you open yourself up to paying the penalty of countless mistakes and facing some deeply painful situations that could have

easily been avoided had you just spent a bit of time talking about it.

Here are six important things to think about.

WHAT'S UNRESOLVED?

Look around your life, particularly your closest family and friends. In each of these relationships there are

likely things that are left unresolved, things that, in a perfect world, would be resolved. Here are some examples.

Your partner: Are you sharing the same dreams for the future? Do you have any debts that you're hiding? Are you in better - or worse - financial shape than your partner might believe? Are you in agreement about

how to handle your respective property in the event of the other's passing? Is your relationship fulfilling you, making you happy?

Your parents: Do they have an estate plan in place? A will, at least? Are they prepared for the financial costs of retirement? What are they expecting from you when they retire?

Your children: Are they expecting you to pay for college? Are you expecting to? Are they expecting you to help with a wedding? Are you expecting to? Do they understand your estate planning?

Other relatives: Do they owe you money? Do you owe them money? Are there other problems, such as caring for older family members? Who's responsible for what?

Your close friends: Are they constantly engaging you in activities that cost more than you are comfortable spending? Do they owe you money? Do you owe them money?

This is just a start. Even in my own life, after lots of talking about money with the people around me, I still don't feel as though the door is shut on all of these issues.

I will say this, though: every time I made an effort to actually talk through these issues with someone important to me, I found that I had put it off for too long and worried about it too much, because it went easier than I expected and there was much relief afterwards.

IS EVERYONE INVOLVED WHO SHOULD BE?

Whenever you address a complex issue, the ramifications often affect all sorts of people, and it's usually a very poor idea to start making big changes without seeking their input.

So, before you even start discussing these things, get everyone involved that should be. If you're talking about a person's estate, make sure anyone who has a significant stake is involved in the discussion - or is at least carefully considered to be a part of the discussion.

Each time, it ended in disaster. I immediately think of some of the estate planning situations I've witnessed and been involved with. It was obvious at times that things - and people - were being cut out in order to preserve the comfort of now while postponing the painful part until later.

Each time, it ended in disaster. You're better off swallowing your pride and getting everyone relevant to sit down and talk about things. If someone won't participate, that's their decision, but the door needs to be very open to them - and it needs to be clear that the door is open to them.

GETTING THE NECESSARY INFORMATION

Facts are the enemy of lies, lies are the enemies of trusting relationships, and the maintenance of trusting relationships is why you're doing this in the first place.

Yes, people are defensive. Yes, it hurts to tell the whole truth sometimes. So make it easier on everyone



Talking about finances with relatives and loved ones is an important practice. PHOTOS.COM

- bring as much real facts to the table as possible. Get out those statements. Figure out how much is there.

People are going to be uncomfortable with this. The best thing you can do to quell that is to step up to the plate yourself. Bring your information and offer to show it if they will. Your openness and honesty creates a standard that others will feel some strong desire to live up to, lest they look as though they are being dishonest or are hiding something.

What about feelings? Again, honesty is the best policy and, again, your best bet is to lead by example. Behave in exactly the way you'd like others involved to behave. Share every drop of your relevant information. State your opinions and feelings openly, honestly, and calmly.

Real information and real honesty are powerful tools for cutting through the layers of personal feelings and getting directly to the heart of the matter.

GETTING IT DONE

You know what you want to talk about. You're prepared to bring honesty to the table. You know who needs to be involved. Now, you just need to do it.

Plan to talk about it in a place that's as safe as possible for all of the participants - a comfortable place. A person's home is usually the best choice unless it inherently causes some discomfort.

It should also be a place where, if numbers are going to have to be analyzed, all of that data is easily available. Thus, if you're going to walk through some estate planning, you may want to do it at the home of the person whose estate is being planned.

You should schedule a very clear time when this is going to be discussed and make that time and date known to everyone who might be involved. Give plenty of time for this, so that you can schedule around any conflicts. Don't just decide one Saturday morning that everyone is going to meet that afternoon.

Another key factor is if it's really involved, plan things around another activity. Make dinner during the discussion so you can dine together afterwards - or dine as a break.

A final note: make sure that the meeting ends with some very clear actions for some or all of the people to take. What needs to be done to make these plans a reality? Without specific actions, nothing will actually happen as a result of the talk.

DEALING WITH ANGER OR HURT FEELINGS

Because money has such a huge emotional factor, you can pretty much expect that if a discussion is intense enough, people are going to get angry or upset or have some sort of emotional response. So, plan ahead for it.

First, make a very clear rule that raising your voice or being outwardly angry isn't allowed. If someone gets angry, just call a time out and let everyone chill out. Nothing good comes from allowing a discussion to continue if participants are angry or upset because the emotion will just rapidly escalate. Then follow that rule. If someone gets upset, just take a break until everyone is calm again.

Second, make it clear to everyone what the end goal here is. Make sure you all agree on this. If it's about estate planning, for example, make it clear that the goal is to help your parents develop a plan that reflects their wishes - and that their wishes are final because it's their estate.

Finally, don't let hard feelings run after the event. If you're sure that emotions are going to run high, plan a family dinner or other special event immediately afterwards to work on healing those stressed bonds. Feelings like these should not be allowed to fester.

FOLLOWING UP

After the conversation, you'll likely find yourself with a list of actions and probably some bruised feelings. Both elements deserve some follow-up.

Talk to the people involved afterwards and see what you can do to alleviate any hurt feelings. Pull back to the general purpose of the meeting and remind them that the big goal actually happened, even if it hurt. Listen to their concerns and don't talk them down - agree with them, at least to the extent to let them know that their feelings are at least understood, even if you don't agree.

You should also follow up on any decided actions. Make sure that the people who agreed to do things actually do them. This might even involve some follow-up meetings to ensure that these actions happened or that further input is received.

This sounds like a lot of work but the benefits are tremendous: stronger relationships, an assurance that the important things are taken care of, and potential crises averted. Talking about money honestly is a huge positive once you get past the fear of it.

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