
Thank You & Happy Holidays: The Sand Dollar Group Appreciates Your Business



The November issue of the Sand Dollar Times is our final issue for 2011. We first and foremost want to thank our clients and newsletter subscribers for their business, their time, their wonderful ideas, and their attention to some very important issues that we regularly report on or discuss in the Sand Dollar Times. We also want to thank all of our team members and newsletter contributors for a year of outstanding work and services. It has been a year in which the company has seen growth in a number of areas; in particular its highly valued relationships have expanded in a variety of fruitful ways. We appreciate you and your business.

We will resume sending out our newsletter in January, 2012. Until then, look for Paul C. Wright's articles and November 15, 2011 interview on *The New Economy* by visiting the [Philippe Matthews Show](#) website. We will also post important developing news and critical information in the News section of our website. Until 2012, eat, drink, and be merry. Enjoy, and Happy Holidays to you and your families!

Business Liability Insurance Law: Wage & Hour Claim Exclusions

The broad downturn in the U.S. economy is leading many employers to reduce employee time or wages as a means to cut costs.

Employers need to be careful in executing this strategy as employees, feeling slighted or unfairly treated by their employers, begin to look at legal options to address their declining wages.

Employees have legitimate claims where wage or time reductions are directly in violation of law – such as breach of exempt or nonexempt status, improper allocation or allowance of accrued vacation time, unfair application of company policy via gender discrimination or favoritism, or other violations of public policy. It is therefore critical that employers precisely follow the law and fairly apply policies that relate to wage and time reductions.

The financial liability an employer must bear for failure to adhere to the law can be substantial. For corporate officers and directors, personal liability may attach. Adding to the potential misery is a new trend wherein insurance companies that cover the directors and officers of employers are beginning to exclude liability coverage for wage and hour claims by employees against the employer. The growing number of wage and hour claims against companies has surged as of late and insurance

companies are responding by strengthening their exclusions and jacking up premiums.

When shopping for insurance, employers should pay particular attention to the provisions and exclusions of D&O (directors and officers) insurance. An attractive alternative to explore is offshore captive insurance that our asset protection team can assist you with. For assistance incorporating, insuring, or establishing residency and business operations offshore, contact us at assets@sanddollargroup.com for help.

Tax Law: Foreign Earned Income Exclusion

Our American clients and subscribers who have resided and earned income entirely offshore should note that the U.S. Foreign Earned Income Exclusion for the 2011 income tax year is \$92,900.

To exclude this income from taxation, you generally must have worked and resided outside of the U.S. for at least 330 days of a twelve-month period. Our clients who have taken up residency and incorporation in the Bahamas are pleasantly reminded that The Bahamas has no personal income tax, capital gains tax, and no corporate tax.

For personal or corporate tax assistance for 2011, send an email to us at assets@sanddollargroup.com and one of our consultants will contact you.

Immigration Law: Foreign Business Owners and Investors Wanted

The United States is aggressively pursuing foreigners who want to establish business operations in the United States. A multitude of business programs are available to help investors get their operations off the ground in the U.S., and their entry into the U.S. is paved by the EB-5 Visa program.

EB-5 visas provide permanent U.S. residency for the foreign investor. They are available to investors who invest \$1 million (\$500,000 in some instances) into new commercial enterprises that employ at least 10 full time U.S. workers.

Other permanent and temporary visas are available for those who have advanced degrees and special skills in arts education, business, athletics or work for various international organizations. Contact us at info@sanddollargroup.com for assistance with your U.S. visa.

Banking: FDIC at Risk as Bank of America Rolls the Dice



Bank failures in the United States in 2011 have averaged 8.5 per month through October, 2011. Account holders with in excess of \$250,000 remain at risk since their

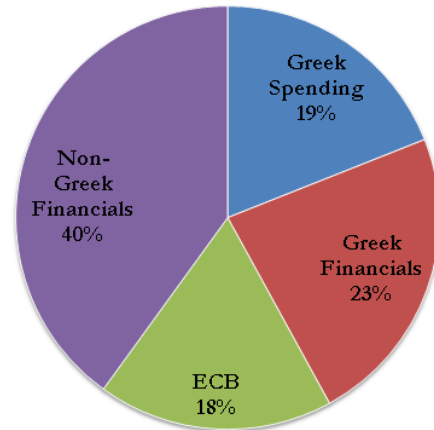
accounts are not insured above the \$250,000 threshold. The Federal Deposit Insurance Corporation (FDIC), the entity that insures bank deposits, has flirted with insolvency since 2009 due to a rash of bank failures and remains under stress due to continuing failures and a strategy implemented by Bank of America - a recipient of at least \$45 billion in taxpayer bailout funds - to transfer its risky derivatives from its investment banking side of the house to its deposit-taking unit. The move is designed to ensure FDIC coverage but would practically put all account holders at risk if the derivatives continue to sour. Other banks may follow suit, creating an unsustainable obligation on the FDIC to remain solvent while covering potentially staggering losses related to the derivatives market.

Such moves are creating a groundswell of support for the reinstatement of the Glass-Steagall Act – the depression era legislation that enforced the separation of depository institutions from investment operations. The law was repealed in 1999.

Meanwhile, banking remains stable in several offshore venues which continue to take on increasing deposits from U.S. account holders. We urge savvy investors, account holders, and business owners to diversify and are here to help you create your offshore account.

Greek Bailout: Show Me the Money

Where Is The Bailout Going?



National Spotlight: Russia

The Sand Dollar Group, LLC produces legal, political, and business intelligence reports, with business contacts, on nations around the world. Our latest report on Russia will be of interest to those seeking to forge into the Russian market and is available on our [products](#) page for \$250. Introductory material on the Russian Federation follows.

Geography

Area: 17 million sq. km. (6.5 million sq. mi.); about 1.8 times the size of the United States.

Cities: *Capital*--Moscow (pop. 10.4 million). *Other cities*--St. Petersburg (4.6 million), Novosibirsk (1.4 million), Nizhniy Novgorod (1.3 million).

Terrain: Broad plain with low hills west of

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Urals; vast coniferous forest and tundra in Siberia; uplands and mountains (Caucasus range) along southern borders.

Climate: Northern continental.

People

Nationality: *Noun and adjective*--Russian(s).

Population (August 2011): 142.9 million.

Annual population growth rate (2011 est.): -0.07%.

Ethnic groups (2002 census): Russian 79.8%, Tatar 3.8%, Ukrainian 2%, Bashkir 1.2%, Chuvash 1.1%, other 12.1%.

Religion: Russian Orthodox, Islam, Judaism, Roman Catholicism, Protestant, Buddhist, other.

Language: Russian (official); more than 140 other languages and dialects.

Education (total pop.): *Literacy*--99.4%.

Health: *Life expectancy* (2011 est.)--63.03 years men, 74.87 years women.

Work force (75.49 million, 2010 est.):

Services--58.1%, *industry*--31.9%, *agriculture*--10%.

Government

Type: Federation.

Independence: August 24, 1991.

Constitution: December 12, 1993.

Branches: *Executive*--president, prime minister (chairman of the government).

Legislative--Federal Assembly (Federation Council, State Duma). *Judicial*--

Constitutional Court, Supreme Court, Supreme Court of Arbitration, Office of

Procurator General.

Political parties: After a shakeup in late 2008 dissolved and combined several parties, seven registered parties remained: United Russia, the Communist Party (KPRF), the Liberal Democratic Party (LDPR), Just Russia, Yabloko, Patriots of Russia, and the new Right Cause party. Yabloko, which favors liberal reforms, and Patriots of Russia failed to clear the 7% threshold in 2007 to enter the Duma. The next round of Duma elections will be held on December 4, 2011.

Subdivisions: 83 federal subjects (members of the Federation), including 21 republics, 9 krais, 46 oblasts, 2 federal cities, 1 autonomous oblast, and 4 autonomous okrugs.

Suffrage: Universal at 18 years.

Economy

GDP (2010): \$1.477 trillion.

Growth rate (2011): 4%.

Natural resources: Petroleum, natural gas, timber, furs, precious and nonferrous metals.

Agriculture: *Products*--Grain, sugar beets, sunflower seeds, meat, dairy products.

Industry: *Types*--Complete range of manufactures: automobiles, trucks, trains, agricultural equipment, advanced aircraft, aerospace, machine and equipment products; mining and extractive industry; medical and scientific instruments; construction equipment.

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Trade (2010): *Exports*--\$376.7 billion: petroleum and petroleum products, natural gas, woods and wood products, metals, chemicals. *Major markets*--EU, CIS, China, Japan. *Imports*--\$191.8 billion: machinery and equipment, chemicals, consumer goods, medicines, meat, sugar, semi-finished metal products. *Major partners*--EU, CIS, Japan, China, U.S. *U.S. exports*--\$6.0 billion. *Principal U.S. exports to Russia* (2010)--oil/gas equipment, meat, motor vehicles and parts, aircraft, electrical machinery, automatic data processing machines and parts, medical equipment, plastics, cosmetics, and chemicals. *U.S. imports*--\$25.7 billion. *Principal U.S. imports from Russia* (2010)--oil, chemicals (including fertilizer), radioactive materials, iron/steel, precious stones, nickel, aluminum, fish and crustaceans, alcoholic beverages, and base metals.

PEOPLE

Russia's 142.9 million citizens descend from more than 100 ethnic groups. Russian is the official language of Russia and is one of the six official languages of the United Nations. Russian is also the language of such giants of world literature as Pushkin, Tolstoy, Dostoevsky, Chekhov, Pasternak, and Solzhenitsyn.

Russia's educational system has produced nearly 100% literacy. About 8.1 million students attended Russia's 1,108 institutions of higher education in 2008, but continued

reform is critical to producing students with skills to adapt to a market economy. Because great emphasis is placed on science and technology in education, Russian mathematical, scientific, and space and aviation research is still generally of a high order. The number of doctors in relation to the population is high by American standards, although medical care in Russia, even in major cities, is generally far below Western standards. The unraveling of the Soviet state in its last decades and the physical and psychological traumas of transition during the 1990s resulted in a steady decline in the health of the Russian people. Currently Russia faces a demographic crisis as births lag far behind deaths. While its population is aging, the high number of deaths of working-age males due to cardiovascular disease is a major cause of Russia's demographic woes. A rapid increase in HIV/AIDS infections and tuberculosis, added to rising deaths from cancer, compounds the problem. In 2011, life expectancy at birth was estimated at 63.03 years for men and 74.87 years for women. The large annual excess of deaths over births, if unabated, could cut Russia's population by 30% over the next 50 years, though inward migration could change this picture. At the end of 2010, there were 60 million Internet users in Russia, with the number growing by 15% a year. Industry watchers forecast that Russia will be Europe's largest Internet market within the next 2 years.

The Russian labor force, amounting to nearly 76 million workers in 2010, is

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undergoing tremendous changes. Although well educated and skilled, it is largely mismatched to the rapidly changing needs of the Russian economy. Official unemployment dropped to its lowest rate of 5.4% in May 2008, and labor shortages appeared in some high-skilled job markets. The economic crisis that began in late 2008, however, quickly reversed this trend and the ranks of unemployed swelled to an International Labor Organization (ILO)-estimated 8.2% in 2009; 1.8 million Russians lost their jobs in the first quarter of 2009 alone. By the end of 2010, the Russian economy showed signs of recovery, with the unemployment rate falling to 7.4% by the end of the second quarter, according to the Russian Government statistics agency, Rosstat. Following the 1991 collapse of the Soviet Union and the economic dislocation it engendered, the standard of living fell dramatically. Real disposable incomes then doubled between 1999 and 2009, and experts estimate that the middle class constitutes approximately one-fourth of the population. The economic crisis, however, interrupted this trend, as real disposable incomes grew by only 1.9% in 2009 and wages fell by 2.8% during the same period. The stock of wage arrears, which peaked during the crisis at almost 9 billion rubles, had fallen by almost half by February 2010. Government anti-crisis measures to bolster wages, pensions, and other benefits helped reduce the poverty rate in 2009 to an estimated 14%, bringing the number of people living below the subsistence minimum (equivalent to about \$169 per month) to below 20 million. The official

poverty rate was estimated as 13.1% by the World Bank at the end of 2010. According to Russian statistics, the poverty level increased to 14.9% of the population in the first half of 2011 because of an increase in the official poverty threshold and because average real income fell slightly in 2011.

Moscow is Russia's capital and largest city. Moscow is also increasingly important as an economic and business center; it has become Russia's principal magnet for foreign investment and business presence. Its cultural tradition is rich, and there are many museums devoted to art, literature, music, dance, history, and science, as well as hundreds of churches and dozens of notable cathedrals.

The second-largest city in Russia is St. Petersburg, which was established by Peter the Great in 1703 to be the capital of the Russian Empire as part of his Western-looking reforms. The city was called Petrograd during World War I and Leningrad after 1924. In 1991, as the result of a city referendum, it was renamed St. Petersburg. Under the tsars, the city was Russia's cultural, intellectual, commercial, financial, and industrial center. After Lenin moved the capital back to Moscow in 1918, the city's political significance declined, but it remained a cultural, scientific, and military-industrial center. The Hermitage, formerly the Winter Palace of the tsars, is one of the world's great fine arts museums.

Russia has an area of about 17 million square kilometers (6.5 million sq. mi.); in

geographic terms, this makes Russia the largest country in the world by more than 2.5 million square miles. But with a population density of about 22 persons per square mile (9 per sq. km.), it is sparsely populated, and most of its residents live in urban areas.

Global Trade: New Tariff Schedule Released

Importers take note that the United States International Trade Commission has recently updated the U.S. tariff schedule. The update document can be found [here](#).



Offshore Solutions: Captive Insurance

Last month I promised to talk about another offshore solution that was especially useful for doctors and dentists. Of course I'm talking about captive insurance. First off what is Captive Insurance? Captive insurance vehicles, also called "captives" are insurance companies formed specifically to insure or reinsure the risks of a parent company or of an individual.

Captives have actually been around for quite some time and in the early days they were often formed to provide alternatives to a

limited and very restrictive conventional insurance market. Some of the current household name insurers actually started as captives. For example, did you know that Allstate started as a captive vehicle for Sears, Roebuck & Co. before being spun off in 1993? While most captives will never be quite that successful, a well structured captive insurance company will finance risk when conventional insurance isn't flexible or affordable.

The 'parent of the captive can be an individual, corporations or even an association. But here's the best part. Many captives are formed by groups who need to pool their risks together to get better coverage and terms than they could negotiate individually. Doctors and dentists, are you listening? Any organization/partnership or practice whose risk justifies establishing and operating a captive is a potential owner. If you're dissatisfied with the traditional insurance market or have long term investment objectives that include actually enjoying your retirement, a captive is a relatively inexpensive vehicle that you can use to take control of your financial future.

So where to start? First you should conduct a basic captive feasibility study. In determining whether a captive insurance company is right for you, you should review your financials. Evaluate your exposure, premiums, loss trends and any other factor that affects your cost of risk. Identify any coverage that might be transferred to captive in the short term. Review your financial statements and take operating costs and projected liability into account. Understand the level of investment required to operate and maintain a captive. Once you've done those things and determined a captive is a

desirable solution, we can move forward with establishing your captive insurer.

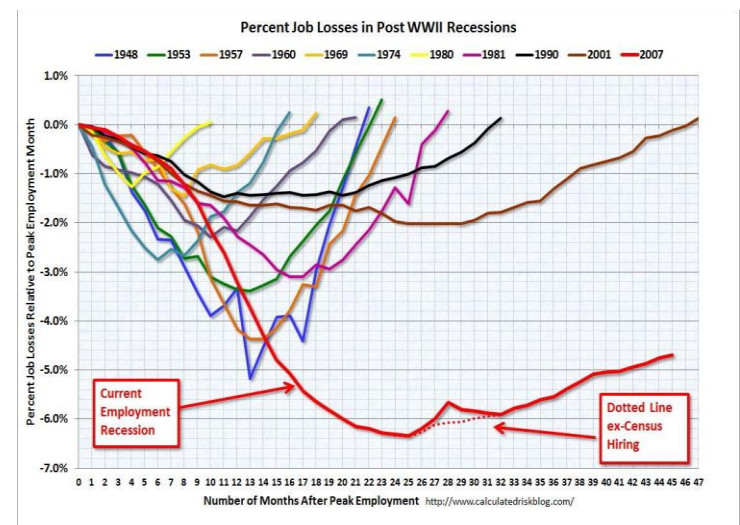
What are the advantages of a Captive? When properly used, captive insurance companies can dramatically affect the bottom line of your business or practice. First a captive can enhance your cash flow because you can time premium payments to fit in with your own cash flow trend. Second, captive insurance allows organizations direct access to the reinsurance market. Because commercial insurers work on higher expense ratios than a captive, reinsurance can be obtained at a lower cost without paying commissions and fees. Third, captives offer flexibility. Some organizations, or business units need specialized risk management and captives can be designed to meet the precise requirements of the any situation. Fourth, and most importantly, captive insurance can allow you to purchase peace of mind when other coverage' is not available or is just plain overpriced. A captive formed in an offshore jurisdiction has few restrictions and can write policies that the conventional market can't offer - and it does all of this without the fluctuations in coverage and pricing that makes it hard for your business to plan long term. So while your competitors are battling the latest tax increase, your expenses will still be predictable because your captive insurer has already priced in the risk of business uncertainty.

Finally, a word to our doctor and dentist friends who struggled through medical school just so they could make Blue Cross rich. We feel your pain. According to a study by the Wharton School, the cost of medical malpractice insurance has more

than doubled in the last 10 years! Even though many states have enacted "tort reform," those savings went to the conventional insurers' bottom line, and not to lower premiums. Captive insurance may be able to offer a way out of the cycle of the never-ending premium increase, while at the same time offering continuous coverage against a lawsuit.

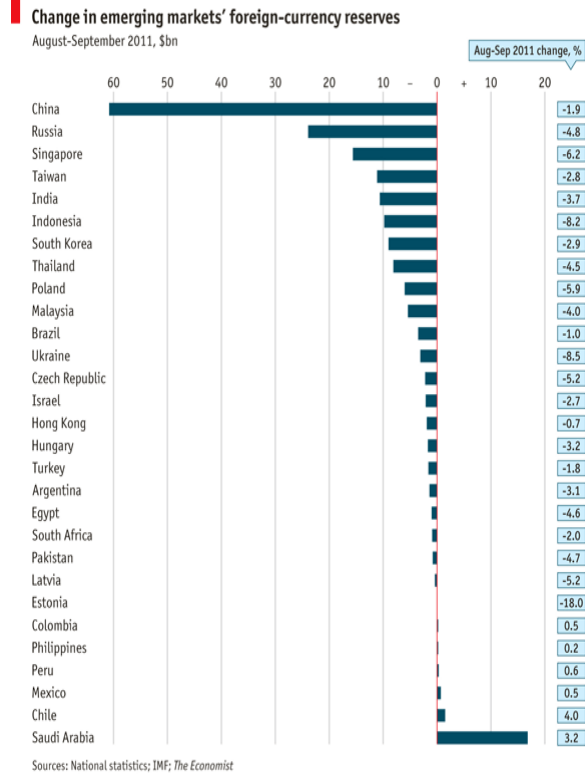
Next time we'll talk more about captive insurance vehicles and how offshore companies offer advantages that are not available onshore. Until then, feel free to contact me, Dwayne A. Bryan, J.D., by sending an email with all of your questions to dabryan@sanddollargroup.com.

Unemployment: A Comparison of Recessions



The current U.S. "Great Recession's" job losses are by far the greatest of all since World War II.

Key Charts



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