

Member Withdrawal

1. Select valuation dates and fee
2. Select stock to transfer, if you have appreciated stock
3. Write the check
4. Wait for AccountSync™
5. Identify account transfer



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Withdrawing a member is the most complicated transaction a treasurer has to deal with. bivio makes it easy, but there are probably legal provisions in your partnership agreement that you need to follow. We are going to discuss some of these points in the different parts of the withdrawal form.

In general, we recommend you transfer appreciated stock, that is, stock with unrealized capital gains, to your departing members. If you don't have any appreciated stock, you should pay off the member in cash, even if it means selling some stock that has unrealized losses against it.

This example shows a cash and stock transfer.

Select Member and Dates

Member Withdrawal
Use this form to record a member's withdrawal of cash or stock from the club.

Member:

Transaction Date. The date the withdrawal is executed and funds are transferred to the member.

Transaction Date:

Member Valuation Date. The date on which the member's units in the club are valued. Use the **Refresh** button to recalculate the member's value on the date specified.

Member Valuation Date: Member Value: 25,175.75

Account. The account used to fund the cash portion of the withdrawal.

Account:

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To get to this form, go to your Accounting Members area and click on the “withdraw” button. **DO NOT WRITE THE CHECK YET!** Again, the hardest job The One Minute Treasurer™ has to do is **WAIT!** The check will get written soon enough. The purpose of this form is to calculate the amount you are supposed to put on the check. Fill out this form first, and then write the check.

For this example we’ll enter a full withdrawal. Select the member and the date the member is officially out of the club. We’ve chosen the transaction date as 1/7/07 and valuation date to be the last date the market was open (1/5/07). You can’t have the valuation and transaction dates on the same day. If your membership agreement does not define what valuation date to use, just choose the day before for the Member Valuation Date.

Once you’ve selected the dates, click the Refresh button. This will update the page with the Member’s current value in the club. **DO NOT WRITE THE CHECK YET!** Most partnership agreements stipulate a withdrawal fee, and there probably isn’t enough cash in the bank to cover the check. You probably want to transfer stock to the member, not pay him out in cash.

You need to create an account for this, but only the first time you enter a withdrawal. We won’t go into that here. We will call this account: Member Withdrawals. This is a holding place for the time you write the check till it gets withdrawn from your broker’s account, and AccountSync picks it up. This will help make reconciling your accounts much easier.

Let’s move to the bottom half of the form which covers these issues.

Withdrawal Type and Fee

Amount. The total value of the withdrawal, including any fees assessed.

Full Withdrawal
 Partial Withdrawal:

Fee. Any fee charged to the withdrawing member. You may enter a cash amount, or a percentage of the withdrawal value by including a '%' in the value.

Fee:
Examples: 75.22, 3%

Type. Withdrawals may be in cash, or a combination of cash and stock.

Cash Stock

Transfer Valuation Date. The transfer valuation date is used to determine the share price for the club's investments for a stock withdrawal. If you are creating a cash withdrawal, you can ignore this value.

Transfer Valuation Date:

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We are withdrawing Sam Chase whose member value is \$25,175.75 on 1/5/07. That's a lot of cash, and the club won't have that on hand. The best option for everyone is to transfer appreciated stock (an investment with an unrealized gain) to the member. This defers taxes until the stock is sold. Sam can choose to sell, or wait for the 12 month long-term capital gains holding period.

We've checked the Stock checkbox. We'll be transferring stock. We'll discuss that on the next page.

Most clubs charge a fee to withdraw from the club. This covers the cost of selling or transferring stock, and to serve as a barrier from people taking money out of the club willy nilly. If your partnership agreement stipulates a fee, enter it here. The fee is expressed as a percentage of the member's total value. We put in 2%. Alternatively, you can enter a dollar amount, but most fees in partnership agreements are specified in terms of percentages. Let the computer calculate the dollar amount for you.

The last field is the Transfer Valuation Date. That's the date we value the stock we are transferring to the member. You are best off putting that in the past, not in the future. If you put it in the future, you are leaving the transfer value to the future. It will be confusing. Again, some of this may be specified by your partnership agreement. We chose the simplest thing, which is to set the valuation date to be the same as the Member Valuation Date.

At this point, you are still not done, but you need to click OK to get to the next page.

Percent Fee Type

Member Investment Withdrawal: Sam Chase

Use this form to select the shares to transfer to the withdrawing member.

Percent Fee Type. The fee assessed may be a percentage of the cash portion of the withdrawal, or a percentage of the total value of the withdrawal.

Percent of Cash Percent of Total Value

Refresh. The Refresh button recalculates the value of the investments selected, and the cash remainder.

Enter the number of shares to transfer in the **Selected** edit field for each investment. Use the **Lots** button to select which lots get transferred to the member. By default, the lots are selected in "first in, first out" order.

When you have finished selecting the lots, and have verified the value transferred, press the **OK** button to commit the transaction.



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This is the page where you will select which stocks to transfer to the member. You also need to select how the fee is calculated. The Percent Fee Type is probably Percent of Total Value for your club, but some clubs use a Percent of Cash calculation. We've chosen the former in this example.

The next section explains what you need to do to calculate the stock and cash amounts. You need to click Refresh to try out a few scenarios. We'll get to that on the next slide.

Select Stock Value

Fee	503.52	
Withdrawal Amount	24,672.24	
Selected Value	0.00	<input type="button" value="Refresh"/>
Cash	24,672.24	

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The next part of the form shows the current amounts. We haven't selected a value yet. We do see that the Fee has already been subtracted. We need to come up with 24,672.24 in stock. We'll do that on the next slide.

Select Stock

Name	Price per Share	Shares Held	Selected	
AFLAC Inc	45.8000	200.000000	<input type="text"/>	<input type="button" value="Lots"/>
Apple Computer	85.0500	300.000000	290	<input type="button" value="Lots"/>
First American Corp	42.2000	200.000000	<input type="text"/>	<input type="button" value="Lots"/>
IAC InterActiveCorp	37.5300	150.000000	<input type="text"/>	<input type="button" value="Lots"/>
Target Corp	57.2700	200.000000	<input type="text"/>	<input type="button" value="Lots"/>
Whole Food Market	46.6300	400.000000	<input type="text"/>	<input type="button" value="Lots"/>


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We need to come up with \$24,672.24 in stock. Our Apple stock has appreciated nicely so we'll transfer all of it to Sam. We can always adjust our portfolio later. We have to break out a calculator at this point. You have to divide 24,672 by 85.05. That's 290 and a fractional share. We'll transfer the 290 (blue highlight) shares of AAPL to Sam.

We'll now click Refresh. Ignore the "Lots" buttons. Some people like control over everything, and we provide that option. It's a lot of work communicating which lots you are transferring to a particular member.

Write the Check

Fee	503.52	
Withdrawal Amount	24,672.24	
Selected Value	24,664.50	<input type="button" value="Refresh"/>
Cash	7.74	

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This is the last step. You can see that we are transferring \$24,664.50 worth of AAPL ($\$85.05 \times 290$ shares) to Sam. This means we only need to write a check to Sam for \$7.74. There's enough cash on hand to do that, probably. Make sure you check your broker balance to be sure.

We are ready to click OK. NOW, WRITE THE CHECK for \$7.74. If your broker does not provide you with checks, withdraw \$7.74 from the broker, and then give the check to Sam Chase once you receive it. Be sure to tell the broker who the payee is, that is, Sam Chase in this example.

You need to instruct your broker to transfer the 290 shares of AAPL to Sam Chase. That varies from broker to broker, unfortunately, so please contact your broker to find out to do this.

The actual money doesn't get transferred from your brokerage account right away. It sits as a pending transaction in your Member Withdrawals account, which is a holding area so that the books add up properly, and your brokerage balance is always correct. When AccountSync™ picks up this transaction, you'll get an email like the one of the following slide.

Wait for AccountSync™

<u>Date</u> ▲	<u>Exec.</u>	<u>Type</u>	<u>Remark</u>	<u>Amount</u>
01/07/2007	account_sync	Identify Debit ▼	Check #0000333	(7.74)
01/03/2007	rodrick	Identify Debit account transfer	Rodrick Escobar	250.01
01/03/2007	rodrick	expense member withdrawal	Rose Caesar	250.02
01/03/2007	rodrick	payment	Sam Chase	250.03

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You got here by clicking on the link in the AccountSync email on the previous slide. You now have an Identify Debit entry on the Broker Account Detail page. Just like with Identify Credit, you select one of the choices that makes sense. In this case, you choose “account transfer” (NOT “member withdrawal”, that’s already been done!).

When you release your mouse, you’ll be brought to the Account Transfer page on the next slide.

Complete Transfer

Account Transfer

Transaction Date:

Source Account:

Target Account:

Amount:

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This is the Account Transfer page. You'll balance your Member Withdrawals account back to \$0 by completing this transfer. The amount, date, and Source Account, are filled in. You will need to select the Member Withdrawals Account, and then click OK.

This will complete the withdrawal. The stock transfer will take some time.