

Question posed to Bivio café

Could I ask someone in the café to publish a simple list of do's and don't (or stay away from) when it comes to investing in ETFs, REITS, Bonds, etc. for an investment club using Bivio accounting? Some of our members want to go beyond stocks.

Thanks

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ETFs

- ...ETF's (and equity) funds can have non-qualified dividends, and possibly non-dividend and capital gain distributions.
- You won't know any of this until February when you get the 1099 from the broker.
- Then you need to go back and change entries in Bivio to account for various types of income.
- This can affect the valuation of any withdrawals you processed.
- Many times the 1099's are corrected at a later date and you can receive it months later, requiring an amended return.
- Many times the December distributions are not received until later in January, but are taxable for the previous year.
- That can make doing the Bivio tax return difficult.
- No single statement can be made regarding accounting problems from ETF's as there are many different kinds. Some can be handled in bivio, some cannot.

REITS and MLPs

- Real Estate Investment Trusts and Master Limited Partnerships are a problem (for clubs) because of different types of distributions and multiple state K-1s which mean multiple state filings for the club.
-Celgene (is) analogous to a REIT or an MLP, which are unsuitable investments for clubs and, as the treasurer I pushed hard for the club's immediate sale.
- Typical investments and club life cycle events are challenging enough without adding manual tracking and transactions by the treasurer.

Bonds

- Do not invest in Bonds or tax-free bonds. Bonds can have OID, premium acquisition, amortization premiums, accrued interest paid, etc., which can make reporting in Bivio a nightmare.
- These amounts show on the 1099, but Bivio is not equipped to handle much of this.
- They cannot handle the percent of treasury bonds from the federal money market fund (where your cash is sitting) so that the state return will show this as a subtraction and put it on the state K-1.
- Bivio has a lot of limitations when it comes to producing a tax return.
- Even bond funds will require some manual adjustments.

Some considerations (from a Treasurer)

- Speaking as a treasurer who has had people leave simultaneously, or in quick succession, pass away, or just depart in a snit, over my tenures of treasuring [sic], there are multiple ways for club accounting to get complicated, fast.
- Add delays over cooperation with a broker account number for stock transfers and issues can compound.
- Layering complicated stock accounting over that fabric of people issues unnecessarily complicates things.
- My \$0.02 on club purpose, but it is education first. Club members can always buy any investment they wish in their own portfolio, but leave the MLPs and REITs off the club portfolio.

Tax considerations (from Bivio)

- Bivio provides a very powerful partnership accounting and tax preparation program at a very very low price point. It is designed to handle a specific group of tax reporting issues.
- It allows you to have an investment club and learn to invest in publicly traded common stock, keep the accounting and do the tax reporting for your club.
- Each investment type brings with it its own set of tax reporting issues. It is important that you know what they are and whether they are within the scope of the services provided by Bivio before you buy them.
- Bivio is glad to answer questions about specific tickers if you send them to support.

Closing comments (from Bivio)

- If people want to invest in things other than stocks, they should do it in their own accounts, not in an investment club.
- If you need to use an outside accountant to prepare the club tax return, it will cost you a lot of money since the return is difficult to produce with the same results as Bivio. All items must be manually entered for each member for their K-1's.
- Make life easier and stick to stocks. You can trade options, but they can be difficult to reconcile to the brokerage statement at year end.
- For more information contact: support@bivio.com