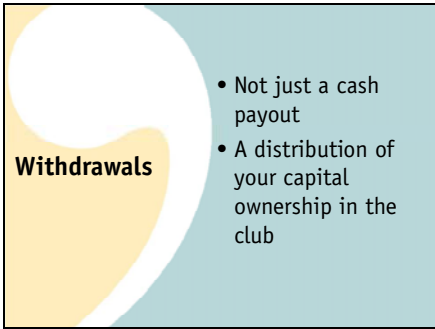


One of the more involved transactions you'll have to do occasionally as a club treasurer is to process a member full or partial withdrawal.



As we discussed last time when we talked about member payments, when a member withdraws assets, there is quite a bit of accounting bivio needs to do. Entering a withdrawal is more involved than just recording the amount someone receives.

A withdrawal is actually a distribution of member capital. Your club is a type of business called a partnership. There are tax implications to a withdrawing capital from a partnership. Just like when you purchase a stock, you actually have a basis for your investment in your club. When you withdraw money, there may be a capital gain or loss to report on your taxes

Name	Paid Since 04/03/2011	Total Paid	Tax Basis	Units Since 04/03/2011	Units	Market Value	Percent
Eight, Member	75.12	768.56	780.53	1.571262	68.048852	942.05	15.7%
Shawn, Member	25.00	326.60	346.61	1.807322	69.575842	688.84	11.4%
Five, Member	0.00	475.94	496.32	0.800000	46.900660	651.76	10.8%
Five, Member	0.00	399.41	366.32	0.800000	50.211374	489.50	8.1%
Frederick, Laurie	25.03	399.63	611.23	1.898954	58.033665	776.40	12.9%
Seven, Member	24.18	601.30	629.77	1.874138	66.998024	787.91	13.1%
Six, Member	25.00	651.08	676.76	1.861138	61.861382	726.73	12.0%
Two, Member	25.02	656.42	670.21	1.867791	61.833829	726.52	12.0%
Two, Member	25.11	206.77	205.90	1.889588	16.714451	232.28	3.9%
	<b>225.52</b>	<b>4,468.15</b>	<b>4,772.25</b>	<b>16.782291</b>	<b>632.854528</b>	<b>6,615.33</b>	<b>100.0%</b>

You can find out what your

tax basis is at any time, on the member status report. If you withdrew all your money from the club on the date of the report you would have a capital gain or loss equal to the difference between this column plus any income and expenses that have been allocated to you for the current year and the

Current market value of your share of the club shown in this column. If you withdraw less than than the amount of your tax basis in a partial withdrawal, you will not owe any immediate taxes.

**Withdrawals**

- Amount owed
- Units redeemed
- Capital account adjustments
- Tax reporting

For this reason, withdrawals need to be entered in a specific way so that your club records get updated correctly. These things will happen when a withdrawal is entered.

The amount the withdrawing member is owed will be calculated.

The number of club units or shares that the member is cashing in will be removed from your club records.

The proper additions and subtractions from the members capital account will be made .

Correct tax reporting will be provided. The member will need this information to fill out his personal taxes correctly.

Accounting Administration Communications  
Accounts Investments Members Reports Taxes

Member Summary for 05/31/2010

Name	Units	Market Value	Percent	Actions
Trotter, Bill	44,082,176	745,44	1.6%	Account, New, Withdrawals
Winters, Steve	555,844,425	9,399,27	19.8%	Account, New, Withdrawals
Diez	348,902,392	5,889,91	12.2%	Account, New, Withdrawals
Diaper	282,402,061	4,775,39	9.9%	Account, New, Withdrawals
Crump	285,050,820	4,822,18	10.0%	Account, New, Withdrawals
Shipe	591,492,218	10,002,05	20.8%	Account, New, Withdrawals
Shipe	731,438,138	12,368,53	26.0%	Account, New, Withdrawals
<b>Total</b>	<b>2,839,213,618</b>	<b>48,819,77</b>	<b>100.0%</b>	

ONE UNIT = \$ 16.90883

Fortunately you do not have to do all the accounting this involves.

All you need to do is make sure to enter withdrawals using the withdrawal form you will find it by selecting the withdrawal button on the Accounting>Members page. When you fill in the information requested on this form, bivio makes all the appropriate entries in your accounting. Don't just give a member a check. Until you've made a withdrawal entry, accounting-wise, he is still a member of your club and his ownership percentage is affecting everyone else's.

**You Cannot Process a Withdrawal Until**

- Partnership agreement?
- Accounts reconciled
- Pending Withdrawals
- Payment method
  - a) Stock
  - b) Cash
  - c) Both

Before you can fill in the form, you will need to know a few things.

You will need to know what your club partnership agreement says. There are certain parameters there that your club members have agreed you are going to use when someone withdraws assets from your club.

All your records need to be correct. You need to value what the member is owed. If your records are incorrect, the amount you pay him will be incorrect.

You will need an temporary account to record the withdrawal in so that the cash is not deleted from your brokerage account until the check is cashed. We suggest you call this account Pending Withdrawals.

You need to decide what assets to use to pay the withdrawing member. You can

Transfer appreciated stock,

give them cash or

do a combination of both.

**Partnership Agreement**

1. Withdrawal valuation date
2. Time frame
3. Payment Terms
  1. Fee?
  2. Cash or stock?
  3. Full versus partial withdrawals

Your partnership agreement should include wording describing what your club has agreed to as terms for paying withdrawals. It should cover:

Your withdrawal valuation date-on what date are you going to determine what is owed?

What is your time frame for paying the withdrawal? How much time can go by between when he tells you he'd like to withdraw and you need to pay him? How much time can pass between when you value his account and when you pay him?

What are your payment terms?

Does your club charge a withdrawal fee?

What kind of assets can you use to pay him with? Who will determine that and how will it be determined?

Do you have different rules that apply to Full versus partial withdrawals? Let's talk a little more about each of these things.

**Withdrawal Valuation Date**

Suggestion  
2 business days before  
second club meeting  
following receipt of notice  
to withdraw

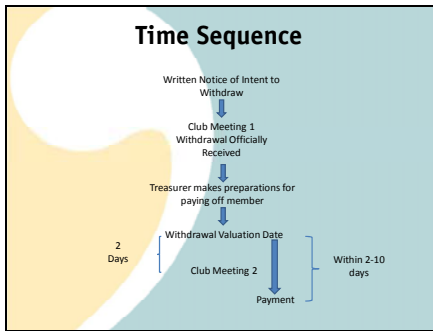
Withdrawal valuation  
date can be different  
than member payment  
valuation date

Your withdrawal valuation date is the date you will value the members account to determine what he is owed.

Our suggestion

Is that you value the account 2 business days before the second club meeting following receipt of the notice to withdraw (We'll show graphic depicting the timing on the next slide)

It is fine if your withdrawal valuation date is different than your member payment valuation date.



When it comes to the timing of making a withdrawal payout, here is a sample of the sequence of events we recommend you specify in your partnership agreement.

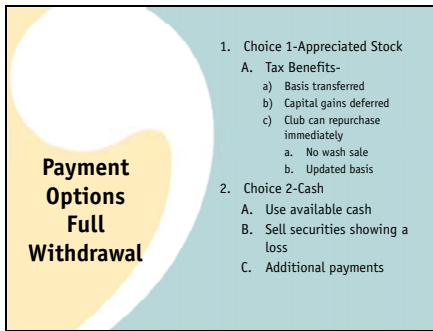
First, a member lets you know they would like to withdraw some or all of their funds. We'd recommend you require the request be in writing.

At the first club meeting following the receipt of this notice, it will be officially accepted. At that same meeting, club members will need to review the club assets and determine which ones will potentially be used to fund the withdrawal. They will determine whether to fund it with cash or stock or both. The actual value of what the member is owed is not determined until just before your next club meeting but the treasurer will need to perform the transactions prior to the meeting so he will need guidelines to make the final judgment. The built in delay in valuing a members account makes sure members do not try and "time" the market and create undo disruption in your club operations.

After the meeting, the treasurer must make the preparations necessary to pay off the member within the time frame specified. If stock is going to be transferred, he needs to make sure the member has an account at the club brokerage. If the club has decided stocks will be sold, he needs to place those orders. He also needs to make sure all the club accounting is up to date prior to the withdrawal valuation date.

We recommend the withdrawal valuation date be 2 days prior to the next scheduled meeting. On the day after the withdrawal valuation date, stock prices will have been updated and the treasurer will have all the information he needs to enter the withdrawal and transfer assets to the member. He should proceed with this process.

The member should receive his assets within 2 to 10 days of the withdrawal valuation date.



How do you decide whether to pay a member with cash or stock or a combination? In the case of a full withdrawal, these are the things you should consider:

Our recommendation, if you have any significant Capital gains in any of your holdings is that your first choice be to transfer Appreciated Stock

The reason for this recommendation is that there are nice tax benefits when you make a full withdrawal from a partnership.

In accordance with the tax code, the withdrawing member's basis in the stock received is their tax basis in the club minus any cash received

This means any Capital gains they have on their withdrawal are deferred until the stock is sold. The remaining club members also defer recognizing the capital gain on the stock being transferred. Deferring taxes is generally desirable

If your club still wants to hold the stock, you can repurchase it immediately

There are no wash sale limitations

And the club will have a stepped up basis in the new shares. Don't transfer stock in which the club has a loss. It is in the club's best interest to sell the stock so that all members can recognize the loss. Losses can be used to offset capital gains and, possibly even some of your personal ordinary income.

If you do not have appreciated stocks or you don't have enough to pay what you owe the member, your second choice for payment is Cash. You can either:

Use Available Cash

Sell Securities Showing a Loss

Or members can make additional Payments to increase cash assets

### Reconcile Your Club Accounts

- Cash
- Number of shares of stock
- Member payments
- Expenses
- Income received
- Investment transactions entered correctly
- Stock prices up to date

Once you've determined how you plan to pay the withdrawing member, it's time to take action.

We talked about the reconciliation process in the Monthly Treasurer Tasks presentation. It is very important that your club records are reconciled and up to date prior to making a determination of what a departing member is owed. Once you have paid him, it is not very easy to correct a mistake.

Do not go any further unless you are sure all these things are correct.

Your cash balance in bivio agrees with your financial statements

The number of shares of stock in bivio agrees with what your financial statements show

All your member payment entries are up to date

You've recorded all your expenses prior to the valuation date

All the income you've received has been entered correctly.

All your investment transactions have been entered correctly.

And your stock prices are up to date. Note that stock prices are updated late each evening. You cannot determine correctly what a member is owed by looking at a valuation report until the day after the valuation date.

### Create a Pending Withdrawals Account

Name	Last Updated	Cash Balance	Actions
Withdrawing Member's Name	08/28/2018	0.00	View Transactions
To: Withdrawals	04/27/2018	629.07	View Transactions
		<b>629.07</b>	

Sometimes, when you write a member a withdrawal check, they do not cash it right away. In order to be able to track this situation and still reconcile your brokerage account cash each month,

we recommend you use a temporary account to record the withdrawal transaction. We suggest you name this account "Pending Withdrawals" so that you will know what it is when it shows up on your valuation report.

Name	Units	Market Value	Percent	Actions
Investment	44,082,576	525.44	1.5%	View Transactions
Member's Name	555,884,626	9,299.27	19.6%	View Transactions
Cash	348,963,792	5,899.91	12.3%	View Transactions
Income	282,462,041	4,275.29	9.0%	View Transactions
Grants	255,055,620	4,820.18	10.0%	View Transactions
Other	591,493,218	10,002.05	20.8%	View Transactions
Other	771,478,524	11,268.92	23.4%	View Transactions
<b>Total</b>	<b>2,839,213,618</b>	<b>46,618.77</b>	<b>100.0%</b>	

Once you've determined how you're going to pay the member and the valuation date has passed, you have everything you need to enter the withdrawal.

As I showed earlier, the withdrawal form is accessed from a button on the "Accounting", "Members" screen.



Here's the form you fill in.

First, you identify the withdrawing member.

Then, you enter the date you will deliver his payment to him. The transaction date is the date the member is actually withdrawn from your club.

The valuation date is the date we've been discussing on which you determine the amount you owe him.

Here's where you specify that you will use the Pending Withdrawals account to record the withdrawal until the check given the member has cleared the brokerage account. That will allow the units to be removed from the club assets but the brokerage cash will agree with the brokerage statement until the check clears.

You specify whether you are entering a full or partial withdrawal.

Here's where you enter any fees your club charges. The only fee this club charges is the stock transaction fees associated with the withdrawal. They sold 2 stocks and had \$20.01 in commissions.

This example is a cash withdrawal. If you're transferring stock plus cash, you'd select Stock here. If you do that, a page opens up where you can select the shares being transferred.

The transfer valuation date is only needed if stock is being transferred. In that case, we'd recommend that you use the same date you used as a valuation date.

Don't forget to click OK when you're ready to process the withdrawal.



After you've entered the withdrawal,

you'll see the Pending Withdrawals Account has a negative balance

the cash balance in your brokerage account is unchanged.





When your withdrawing member finally does cash the check and it clears the brokerage account, you will get an AccountSync email that will tell you you have an unidentified Debit. Identify it as a transfer transaction from

your brokerage to the

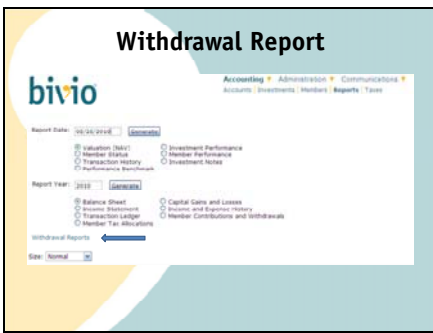
Pending withdrawals account.



When you're done with this,

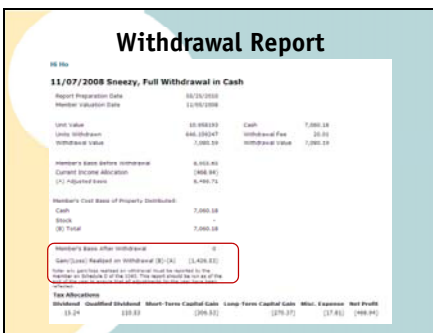
you will see that the temporary, Pending Withdrawals account is now back to a zero balance

and the cash amount has been removed from your brokerage account.



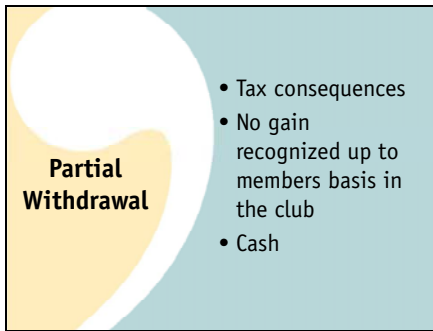
For each withdrawal, a withdrawal report is prepared.

You get to it on the Accounting>Reports page.



This is what the report looks like. You need to give a copy of it to your member when you send him his check. He will also receive a K-1 when you do your club taxes. He will have information from both forms that he will need to fill out his personal taxes.

This Gain or Loss will be reported on his personal Schedule D. It will be reported as Disposal of Partnership Interest. Date of Acquisition is the first date the member contributed to the club. Date of disposal is the Withdrawal Transaction Date.

A graphic with a light blue background and a yellow and white abstract shape on the left. The text 'Partial Withdrawal' is in bold black font. To the right is a bulleted list.

**Partial Withdrawal**

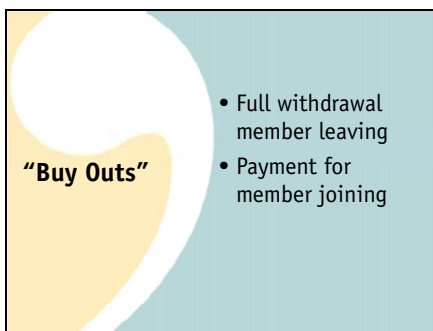
- Tax consequences
- No gain recognized up to members basis in the club
- Cash

Just briefly, if you are paying a partial withdrawal versus a full withdrawal,

the tax consequences to the withdrawing member will be different.

A nice tax feature of a partnership is that a member receiving a partial withdrawal does not have to recognize any capital gain until his withdrawal amount exceeds the value of his basis in the club.

We'd recommend that you pay partial withdrawals in cash. Cost basis in stock received in a partial withdrawal is not determined in the same way as it is in a full withdrawal. Because of this, it is much more complicated to determine whether distributing stock in a partial withdrawal is advantageous to the member or the club.

A graphic with a light blue background and a yellow and white abstract shape on the left. The text '"Buy Outs"' is in bold black font. To the right is a bulleted list.

**"Buy Outs"**

- Full withdrawal member leaving
- Payment for member joining

Sometimes clubs ask what is involved with having one member "buy out" another one.

This will actually involve making two separate transactions. You'll enter a full withdrawal for the member who is leaving the club.

Then, you'll enter a member payment for the member joining the club. If you use the same valuation date for both transactions, the new member will receive the same number of units that the withdrawing member had.

It's a lot of material to process, but that gives you a good overview of the items you'll need to consider and process when you have a withdrawal.