

ÆGIS



Addressing threats that affect your bottom line

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1. Asset Location and Due Diligence — Keeping the small investor off the net

From time to time we get inquiries from people about how to hide their money so it is not visible to the government. These people are not criminals and are not trying to evade paying taxes. Rather, they are distrustful of government, and wish to hide their money from everyone.

In the past, hiding your money was possible, albeit onerous. You could take your money, in cash, abroad, and open an account in one of the many places that tended to be a bit chary about sharing information. For good or ill, the ability to do this pretty much ended fairly soon after 9/11. Now, you have a limit on the amount of cash that can be taken abroad (\$10,000.00 per family member), and if you are caught taking more you will have a lot of explaining to do, and will likely forfeit ALL the money. In addition, information is largely shared among banks internationally on government demand, and you can no longer walk into a public bank in Europe and open an account without scrutiny: The EU *Revised Money Laundering Directive of 2001* is no more casual than our own *International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001*. Under present IRS rules, if you have a **non**-interest-bearing account with less than \$10,000 offshore, there is no reporting requirement to the government. So, while it is true that your account overseas *might* not be noticed because nobody cares, it will be available when somebody does care!

You can still move money offshore via electronic funds transfer, but that will create the immediate permanent electronic record that you were trying to avoid. For some – mostly businesses or the very wealthy – the advantages of doing active business offshore may make sense in terms of when and where taxes are paid. However, for those without a lot of money to move, and who will not be overseeing their investment on a daily basis, it is likely to be a losing proposition. This is particularly true regarding Americans, for whom income is taxable independent of the jurisdiction in which it is earned.

Let us imagine that you had \$100,000 to invest, and you gave it to a reliable broker like Stewart Singer of *Janney Montgomery Scott* (+1-800-567-8044) – a plug for a broker used successfully by a number of people we know – to invest in what we might describe as a portfolio of watched and diversified mutual funds (a particularly good strategy for those without enough money for a real funds manager, and who will not themselves keep careful watch on their investments). And say that by mid-year you had earned \$6,000 for re-investment, on which you would have to pay taxes at the end of the year.

Now assume that you had an account containing \$100,000 overseas on which, what with finance charges and lower revenues, you earned less. You are, of course, still obligated to declare this income, and must pay taxes on the earnings. Is the illusion of obscurity worth the loss of revenue? And is the lack of account insurance and protections often seen in offshore venues that cater to small investors worth the risk? We don't think so.

What about other benefits that a small investor might see? For most, the benefits are illusory. Most folks don't do anything that would lead them to expect that someone would try to seize their assets. This means that the cost of having funds abroad and less accessible is not worth the price. But if you do suspect your assets might be seized, it *might* be worthwhile, keeping in mind that courts have cheerfully tossed folks into jail until their "safe" funds were repatriated (**ÆGIS** September 1999).

We don't expect that the American economy is going to collapse in our lifetime. But if you believe it will, and that the collapse of the dollar will not affect other currencies not linked too directly to the dollar (which, in practical terms, really means you will be investing in euros or Swiss francs), an offshore account is the only way to have funds invested in these currencies.

What about offshore asset protection trusts, where the income is kept in the trust, and not distributed? U.S. taxes are *not* deferred. You will have to speak with your tax accountant about this, but our take is that for the small non-corporate player who will not be watching the investments carefully, setting up a trust overseas will probably have no tax advantage over doing it here at home.

Two remaining strategies have survived 9/11. Offshore private annuities and offshore life insurance give the medium-to-high net worth person asset protection for part of their U.S. wealth. Although the money is not truly hidden, it is nonetheless well protected by the laws of the offshore country as long as no fraud was involved. Both offshore annuities and offshore life insurance, like offshore trusts, are tax neutral, so the IRS likes them, and they remain excellent estate planning tools. You need a pro to guide you, since, like trusts, they are not do-it-yourself projects.

The bottom line is that offshore accounts are an extremely valuable tool, but, as with most tools, they are not for everyone in every situation.

2. OPSEC, Economic Espionage, and Competitive Intelligence — OPSEC and the surprise birthday party

If you want to see OPSEC in action – and a well-executed OPSEC program, at that – watch a parent plan a surprise party for their child.

Here the threat is clear: The child, who won't be surprised if they know about the party.

The vulnerability is also clear: It is hard to hide anything from a bright, inquisitive child who is the focus of your life.

The information that you need to hide is also clear: The list of guests (any of whom might blab), the party favors, the cake, and any other actual clue as to what is being planned.

The risk is clear: You will lose the pleasure of seeing your child excited and surprised by all the unexpected attention.

And, astonishingly, while we in business suffer greatly at putting together the countermeasures needed to null-out business vulnerabilities, parents don't have all that much of a problem hiding the party from their kids, no matter how many of their friends will be involved.

It is this last point that is the interesting one. As parents we know what we need to do, and what we need to do is generally not all that high-tech. In fact, it generally requires only small changes to be effective. In business, as it turns out, many of the countermeasures developed turn out to be equally low-tech, inexpensive, and effective.

Granted that in business the stakes may be higher, and identifying the threats and vulnerabilities more difficult, but in the end, if you think of OPSEC as what you do to keep your children unaware of their impending surprises, you will be in the right mindset for keeping your adversaries from finding out what they want to know.

3. Executive Protection — Secure communications while traveling

Secure communications while traveling is not markedly more difficult than communications security while at home.

Electronic communications

If you are communicating electronically, you merely have to encrypt whatever you send. We use PGP, which is available commercially at <http://www.pgp.com/>, and for non-commercial use at

<http://web.mit.edu/network/pgp.html>, and at <http://www.pgpi.org/> for those outside the U.S. who can't download from the U.S. sites.

PGP has plug-ins for many e-mail programs. We use The Bat! (<http://www.ritlabs.com/en/products/thebat/>) which allows encryption and decryption with the click of a button. For attachments, such as pictures or Word documents or Acrobat documents, we simply use Windows Explorer to find the original we want to send, click on the object with the right button, choose PGP followed either by Encrypt, or Encrypt and Sign. This will turn picture.jpg (you should use innocuous, non-revelatory names) into the encrypted picture.jpg.pgp. We then attach the encrypted file to the document and off it goes. The addition of encryption adds a few seconds to the process.

If you use Web based e-mail, you write your messages, copy them, encrypt them, and paste them into the e-mail. Again, it adds only a few seconds.

Landline conversations

Landline conversations are equally easy to secure, with a few caveats. We use Privatel encryptors from L-3 corporation (http://www.l3com.com/cs-east/infosec/privatel/ie_infosec_privatel.html). The Privatel is inexpensive – each unit costs \$595 – and, once you match the Privatel to the phone you are using, is trivial to use. You simply call another Privatel user, press a button, and the call goes secure.

The caveats are that:

- If the lines are horrible you may not be able to make a connection, or the call might go non-secure from time to time. It is not uncommon to have occasions where we would talk for five minutes and the call would then drop to non-secure. We just push the button again and have another go at it.
- If you are in a room that is bugged, your half of the conversation will of course be picked-up.
- Some countries – China comes to mind – don't want you to have encrypted conversations, and will take your encryptor away from you, and never give it back.

GSM conversations

Not only have relatively few encrypted cell phones been available in the history of mobile calls (General Dynamics made one that was good until it was rendered obsolete by GSM 850), there are NO encrypted quad-band

GSM handsets available. This should come as no surprise, considering how few quad-band terminals are made.

Because of this we have to deal with the problem in some other way. What we do is to buy pre-paid SIM cards. (Telestial, at <http://www.telestial.com/>, says they carry cards from “Over 250 carriers in 130 countries.”) By leaving home with your pre-paid SIM already in your handset, you arrive in-country with a phone able to make calls immediately, yet with no apparent connection to you. While these conversations can certainly be heard by the service provider, the likelihood of your SIM being singled out is so slim that, for commercial purposes, this method of communication can be considered to be reasonably secure.

SatCom

There are places that in theory have GSM service but in practice do not. In some sub-Saharan countries, for example, connectivity is iffy at best. In this case your best bet is an Inmarsat system, using a Privatel for encryption. If this is something that you need, let us know and we will direct you to an appropriate supplier.

4. Technical Issues — BlackBerry 7100t GSM worldphone

In our constant quest to find adequate GSM handsets for the international business traveler, we looked at the BlackBerry 7100. The BlackBerry 7100t meets our criteria for an international business GSM terminal: It has all four bands and no camera.

We chose the 7100t from T-Mobile because T-Mobile is an international company which recognizes that its customers travel abroad, and will send you the unlock code and walk you through how to use it. Cingular, on the other hand, has traditionally refused to give out unlock codes. While you can still get a non-T-Mobile 7100 device unlocked by third-party providers, we have seen prices as high as \$100 for the service.

We chose the 7100t over other available BlackBerry GSM terminals because of its size and shape. Compared to our favorite-but-obsolete tri-band Nokia 6310i, the BlackBerry is roughly a quarter of an inch wider, but half an inch shorter, which makes it still comfortable for us to stick in a trouser pocket.

The phone works very well. The radio seems stable and reasonably sensitive, and the frequency reselection seems very quick, which is good since you can't select particular frequencies to scan. It worked with our Nokia HS-3W Bluetooth handset, although other Bluetooth functions, like beaming data,

are not implemented. As with most modern handsets, the battery life is less than you need if you are chatty, so we recommend carrying a second battery. There is an 1800 MaH battery available.

The calendar and address book functions are excellent, which is important if you want to carry a phone/PDA rather than a phone and a PDA. BlackBerry designed the 7100 for the corporate user who had Microsoft Outlook installed, and therefore provides no software, such as Palm provides, for manipulating data on the handset. As with any handheld device, without software on your laptop you have to do a lot of excruciating typee typee typee to get information into the device.

The 7100 is a complex device, and requires a clear manual. The actual manual, available online, appears to have been written by the engineers who developed the device, and assumes you are as intimately familiar with it as are they. Thus, the manual doesn't include an annotated picture of the device, with little notes telling what is where. We had to call the support desk – one of many, many such calls – to find out where the on-off switch was (it is the button on the top, by the bye).

As a typical example of the manual's approach, you can have missed calls, or even all calls, appear in the message list. How do you select which calls will be shown? The manual says, "To set whether call logs appear in the messages list, in the phone options, click Call Logging." There seem to be several ways to reach the phone option, so what you actually need to do is go to Applications/Call log/Options/Call Logging, or Send then click the trackball and select Options, Call Logging. Fortunately, the BlackBerry Users Group (<http://www.ibbug.org/>) has a lot of good and easily accessible information, hints, and tips, and is well worth looking-at.

The telephone features are a bit, er, unsophisticated. If you are used to having different rings for different users, or other niceties, you are out of luck. If you need to generate touchtones from the address book during a call, as you will need to do if you make international calls using a calling card service, plan on writing the number down first. On the other hand, their BBClassicPhone ringtone is really loud, which is good.

The software available for the PC side of the house is also, er, unsophisticated. If, for example, you use Oxygen Phone Manager II (<http://www.opm-2.com/OPM2/>), which will allow you to access virtually every feature of your Nokia (Phonebook, Calendar, To-do list, Call Register, Notes, Profiles, Logos, Melodies, SMS, FM stations, Gallery, Java applications and games, MMS,

WAP and GPRS), you will be sorely disappointed with the third-party software available for the BlackBerry.

There is no third-party application similar to OPM2 for the BlackBerry, and, as best as we could see, no combination of third-party applications that will allow all this kind of access.

Another potential issue is the USB connection to the device, which is used both to charge the 7100 and for data transfer. On our first 7100 the jack came loose and pulled out of the terminal after a few weeks of usage. It hasn't happened on our replacement, so this might have been a fluke, rather than a design flaw.

In theory the BlackBerry is designed as a data device, yet the BlackBerry oddly uses GPRS exclusively, as opposed to faster EDGE, which means that using it to access the Internet is as torturously slow as with any other GPRS device. Note that if you want data with this device you **must** – at least on T-Mobile – use a special BlackBerry data plan. It is not designed to work with a standard data plan, according to T-Mobile.

In practice, the BlackBerry was really designed to allow e-mail to be pushed to the device. Since e-mail comes in relatively sporadically, GPRS is not a major disadvantage for that use. We activated the e-mail service for a day, and turned it off when it was clear that it worked. For the individual user, who doesn't want to have to look for mail in several places, you will have the mail pulled to the BlackBerry e-mail server (and deleted from yours) and pushed to the device. You can set it up so that when you delete a message from the device it is deleted from the server. An oddity is that the BlackBerry demands use of Outlook, you cannot access the mail using Outlook. You must step backward to clunky webmail.

Most handset providers allow you to generate characters using the same letters that are attached to numbers in a conventional telephone. This makes sense since we have spent our lives associating those numbers and letters with whatever finger we use to push telephone buttons. BlackBerry has chosen to put a mini-keyboard on their terminals, so expect a LONG period of confusion while typing, compared to a standard handset.

A nice feature is that if you use the 7100 in icon mode (little pictures are shown instead of lists), you can hide those features you don't want. In our case, we hid the un-needed e-mail, call log, IM-via-GPRS, browser, and turn-wireless-off icons, leaving us with only those we actually needed

If you already have a PDA with which you are happy and a dual-or tri-band mobile device you want to replace with a camera-free quad-band device, you might be better served with replacing the handset with one of the available camera-free quad-band handsets.

If you are looking for a camera-free quad-band GSM terminal that contains a PDA, the 7100t is well worth considering, though it has a SAR of 0.91 (we would prefer it be under 0.5). But, if you have become accustomed to accessing your old handset for text messaging and other features via your laptop, we recommend you keep the old handset around to use to with your laptop. At least until someone comes up with a piece of software that allows you to access the full BlackBerry feature set.

5. Real Stories from the Field — Helpful hints for the occasional traveler

Some readers are neither very wealthy nor traveling on their company's generous dime. If this includes you, we have some helpful hints.

Mobile phone hints

For a start, using your cellular phone abroad can be very costly. As an example, on a recent trip to Turkey, all calls (local and to the U.S.) made on our American phone cost \$1.99 a minute. Calls on our Turkish SIM (from Telesial, http://www.telesial.com/products/turkey_sim.htm) cost between a penny and half a buck a minute within Turkey, and a buck a minute back to the U.S. Incoming calls are free, so if you need to call to the U.S., you should get a callback service. With a callback service you phone a number in the U.S., let it ring once, and hang up. It will then call you back (a free incoming call from your perspective) and ask for the number you want in the U.S. You will pay thirty-three cents a minute using the callback service.

In order to make use of a local SIM you obviously need to have an appropriate **UNLOCKED** handset. If your service provider won't unlock your handset, get it unlocked by a third party (or change service providers), or get an unlocked second phone that has the appropriate frequencies. In Europe and Asia (excepting Japan and South Korea, which only have 3G) this means a 900/1800 MHz GSM device. In Latin America and the Caribbean all four frequencies are used, with some countries using one frequency, some using two frequencies, some using three frequencies, and some even throwing all caution to the wind and using all four frequencies!

If you don't want to leave a message on your voicemail telling people to call your overseas phone number, people will call you on your U.S. handset. For

this to work you need to have international roaming activated AND WORKING on your U.S. handset. You may think you have it, but it may either not be enabled or incorrectly enabled. When you arrive overseas and discover that your handset doesn't work, you need to call the non-800 number for the international roaming group of your service provider, which you should get before skipping the country. These folks deal with these problems every day, and should be able get your phone working quickly if something is wrong with the setup of your handset on their end.

Credit card hints

By the same token, you may think you can use your credit card abroad, but we can assure you that presenting your American Express or Visa card, and having it not work (both of which have happened to us), can be a problem. To avoid this you need to call your credit card company before leaving and tell them that while you are in the U.S. today, you will mysteriously be somewhere else tomorrow. And, just in case, get the non-toll free number of the credit card company's fraud department.

Also, find out if someone is there to answer the phone 24 hours a day. We recently went to check out of our hotel in Asia. When they swiped our First Equity credit card, a "call the bank" showed up on their terminal. We made an international call to First Equity and got their "Hi, we're not in the office now, so call back during normal business hours" recording. Fortunately we had other credit card and sufficient cash.

Inoculation hints

Finally, keep in mind that some places have new and exciting microbes that you may not have previously encountered. Rather than make their intimate acquaintance, it is prudent to get all the inoculations you might need. While the likelihood of your catching anything is slight, it is prudent to have at least your tetanus, typhoid, polio, yellow fever, hepatitis A, hepatitis B, and rabies shots current. Hepatitis A and hepatitis B each require two shots, six months apart for Hep A, and one month apart for Hep B. If you will be traveling in a malarial area find out what you need to do, and do it.

Most other shots are for travel to specific areas: You probably don't need a meningococcal disease shot if you are not going to Mecca. Cholera shots don't work all that well (we have contracted cholera in spite of the shot) and aren't usually recommended today. And if they have dengue fever or plague there, you may wish to change your vacation plans....

6. Book and Product Reviews

What Clients Love

Harry Beckwith

Warner Books ISBN: 0-466-52755-6 304 pages \$21.95

<http://www.twbookmark.com/books/92/0446527556/index.html>

What Clients Love is a book that covers a wide variety of areas, including customer service, to sales and marketing, logos, writing thank-you notes by hand, and choosing receptionists, as well as a host of other issues that touch on customers, and what they might like or dislike, and why, in the end, customers make choices based more on comfort than on anything else.

One of the ways that we judge a book like *What Clients Love* is to note whether it contains information that we can use, or whether it contains information that makes us actually take some immediate action. With this book we found ourselves actually taking action as we read through it.

Because it covers such a wide range of customer-related issues, we aren't quite sure how to categorize Harry Beckwith's latest book. But we know that if you have a business, large or small, and have customers and prospects, Beckwith has something to say to you in this small volume. And that will help you change your company for the better.

The book is readable to an extreme, and broken out into little segments of a page or two or three. As you read these, you are likely to suddenly "get it" about something. And probably take some immediate action.

We don't encounter a lot of must-read books – *With Winning in Mind* by Lanny Bassham (not yet reviewed), *All You Need Is Love, and Other Lies about Marriage* by John W. Jacobs, M.D (May 2004), *Inside the Tornado* by Geoffrey A. Moore, *Taking Sex Differences Seriously* (November 2004) by Steven E. Rhoads, and *Secrets and Lies* (May 2001) and *Beyond Fear* (September 2003) by Bruce Schneier make our short list.

What Clients Love is now added to that list. Get it. Read it. Use it.

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