

# Retirement planning with MLPs

A COMMON question that I get from potential clients is, "Why do I need a registered investment adviser? I can buy stocks on my own." Well, retirement planning is more than just buying and selling stocks and bonds. The answer is that retirement involves not only investment planning, but it also involves tax planning. The best way to explain this crucial point involves one of the most popular investments for yield today – master limited partnerships, or MLPs.

MLPs invest in energy assets. They're similar to real estate investment trusts (REITs), except that they carry on an active business. This has allowed MLPs to constantly and consistently increase their payouts over the last several years. A trend which will likely continue.

There are three types of MLPs: upstream, midstream and downstream. Upstream involves exploring and developing oil and gas properties. Downstream focuses on processing and refining. Midstream refers to the companies in the middle that provide services to energy companies on either side and charge a fee for their services.

The tricky part of investing in MLPs is the way that they are taxed. An MLP pays out the income from its businesses to its owners. Income from an MLP is treated as a return of capital. MLP owners receive what is called a K-1, which is a detailed tax report showing the income and expenses of the business. Each owner is allocated a certain portion based on the number of units they own.

Because of the income MLPs generate,



Finance

By Don Freeman

and the way that they are taxed, they are great for retirement, but terrible for a retirement account. What do I mean by this?

By owning MLPs in your retirement account, you are actually missing out on a lot of the tax breaks you can get by owning the MLP. MLP investors not only get the income from the MLP, but they get expenses that they can write-off against all other income. This is handy for retirees looking to limit the income they have to report to Uncle Sam and lower their tax bill.

Most retirees fail to take taxes into consideration when planning for retirement. The more money they have to pay Uncle Sam, the less they have for retirement and to live on. I not only provide you with suitable investments, but I also help devise your tax plan. After all, what good is saving for retirement if the government is going to keep taking a good chunk of your money?

Now, let's look and see how some MLPs have done for my clients since the start of the year. Here is how you would have fared had you put US\$100,000 into these MLPs on January 1.

Not including fees, you would be sitting on US\$117,435.49, good for over 17 per cent return on principal. Along the way, you would have also collected a total of US\$2,791.39 in distributions. You got price appreciation and received an average yield of 5.58 per cent on your money. This is why MLPs are so attractive and why I recommend them for my clients.

Now, what are some of the risks going forward? One risk is that interest rates rise.

MLP Investments since Jan 1						
	Unit Total	Price	Cost	Current Price	Current Value	Distributions Received
PLAINS	490	51.00	\$24,990.00	\$58.32	\$28,576.80	\$617.40
TARGA	487	51.25	\$24,958.75	\$67.53	\$32,887.11	\$742.67
Enterprise Products	386	64.75	\$24,993.50	\$77.63	\$29,965.18	\$548.12
KINDER MORGAN	320	78.00	\$24,960.00	\$81.27	\$26,006.40	\$617.40

The table shows several MLP investments which have yielded Don Freeman's clients a 17 per cent return on principal since January 1. Graphic: Gazette Graphics

This would increase the yield on bonds and term deposits. Investors could sell some of their MLPs and shift the money towards other assets.

What about the price of oil? The good news is that MLPs are not affected by the price of oil or natural gas, especially the pipeline MLPs like Kinder Morgan. Kinder Morgan gets paid to pipe oil and natural gas regardless of their price. Kinder Morgan charges fees based on volume, not on the price of the underlying commodity.

MLPs are great long-term investments. The increase in US oil and natural gas production will continue to drive demand for

the businesses of upstream, midstream and downstream MLPs. As long as oil and gas keeps flowing, the MLPs will continue paying my clients and I and keep us happy long into our retirement here in the Land of Smiles.

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## Dusit Thani announces new director of sales and marketing

THE Dusit Thani Laguna Phuket has announced the appointment of Sanjeev Tandon as its new Director of Sales and Marketing.

An Indian national, Mr Tandon holds a master's degree in Management Studies with a specialization in marketing from the SP Jain Institute of Management and Research at Mumbai University, India.

He also comes to the role with extensive experience in key account management, revenue management and marketing communications and operations.

Mr Tandon brings 25 years of international experience in several senior sales and marketing management positions and has built up an impressive list of accomplishments with luxury hospitality brands in India, Saudi Arabia, the United Arab Emirates, Oman and Qatar.

Prior to joining the Dusit Thani Laguna Phuket, he was director of sales and marketing for the Mövenpick Hotel Al Khobar and Mövenpick Beach Resort Al Khobar.

In his new role, Mr Tandon is set to lead the sales and marketing team at the hotel, which features 252 deluxe rooms, suites and two-bedroom pool villas. The role also includes the overseeing the hotel's weddings, meetings and events business.

His main focus will be over-



Sanjeev Tandon has been appointed as Director of Sales and Marketing for Dusit Thani.

seeing the sales and marketing operations and taking overall responsibility for business development, business partnerships, sales execution, marketing and communications, as well as traditional and new media strategies.

"Our management team is delighted to welcome Sanjeev as a new family member. With his extensive experience, he will be an asset to drive Dusit Thani Laguna Phuket's sales and marketing efforts to achieve growth and expansion into new markets, and to continue our success in the important Phuket market," said the resort's General Manager Denis Thouvard.

– Phuket Gazette

## Lessons to be learned from Brazil

RESEARCH from the Grant Thornton International Business Report (IBR) has found that the enthusiasm Brazilian businesses held for hosting the 2014 FIFA World Cup plummeted over the past two years leading up to event. However, while few business leaders predicted increased investment or increased profits as a result of Brazil hosting the competition, there is hope that infrastructure improvements and the influx of tourists will provide enduring legacies.

Andrew McBean, Partner of Grant Thornton in Thailand and a specialist in the AEC said, "The big sporting events usually bring huge amounts of growth to the hosting country. For example it was estimated that the economic impact of the London Olympic games was 551 billion baht (9.9bn pounds) to the UK in 2012 alone. However, the withdrawal on April 17 by the Vietnamese Government from hosting the 2019 Asian Games was a reminder that very careful consideration and planning needs to be given to hosting such events in emerging markets. Such a study needs to assess both



Doubts are voiced regarding future use of the Amazon Arena in Manaus, Brazil. Photo: Portal da Copa-Governo do Brasil

economic and social impacts."

The IBR reveals that the proportion of Brazilian business leaders who believed hosting the World Cup would translate to faster economic growth fell from 80% in Q1-2012 to just 33% by Q1-2014. Similarly, just 11% of businesses planned to make extra investments for the tournament, compared to 23% in 2012. A further 19% of businesses expected their profits to rise, and 52% expected the tourism sector to see the biggest pick-up in activity.

More than two in five business leaders expected infrastructure investments – particularly those in the transport sector – to be the most enduring legacy of the games (42%), with a further quarter expecting a greater influx of tourists

(26%). However, almost a third believed stadium construction in their city disrupted daily life and just 40% believed the stadium will be well used once the tournament is over.

"The important thing after the tournament is finished is the asset management. Of key concern is how to manage and utilize these in the future. Like the Bird's Nest in Beijing and Cape Town's Green Park Stadium, it is hard to

see the Amazon Arena in Manaus being well used after the tournament. However, there are good examples to follow so that stadia do not fall into disuse, particularly that of the east of London following the 2012 Olympic Games. The event allowed this previously derelict part of the UK capital to be modernized and it has subsequently attracted significant commercial and residential investment," explained Mr McBean.

"Thailand has hosted a record four Asian Games with the most recent in 1998, however before submitting any further proposals, it is worth pausing and performing deep economic and social studies using updated models and experiences," added Mr McBean.

– Phuket Gazette