

A FRESH PAIR OF EYES

Weekly Edition - 8/25/2013



DISRUPTORS

SEAN STEIN SMITH - MBA, CPA, CMA

Industries, no matter what their specialty, tend to have a certain cycle. There are entrants into the industry as it develops, and over time these entrants compete with each other until only the best survive. Over time, these entities become entrenched in their industries

This is a well-known concept, but it really has not yet taken hold in the lending/finance arena. This is due to several factors. Banking and lending institutions have the capital and people necessary to comply with all of the regulations that go along with banking, as well as the investment expertise to make sound decisions.

The rise of peer-to-peer lending, as well as sovereign wealth funds, has begun to turn this model on its head. Much like how Amazon and Netflix are revolutionizing entertainment, this could be the start of a change in the lending/investment market – exciting times indeed!

I am proud to announce that this week I am officially a licensed CMA. Additionally, I have been accepted in to a DBA program, with coursework beginning in October, and have a new book "A Fresh Pair of Eyes - Personal Financial Planning" due out in September

Here the link to my weekly podcast - The Weekly Roundup
8/24/2013

http://ssteinsmith.podomatic.com/entry/2013-08-24T11_40_04-07_00

Contact - A Fresh Pair of Eyes

Feel free to reach out with your comments/suggestions or questions.

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INVESTING TIP/DEFINITION

SEAN STEIN SMITH - MBA, CPA, CMA

Squeezing out the Middle

The term "middle man" is probably close to, if not the most, hated term that a logistics, operations, or financial professional can hear. The mental image that appear is of an obstacle that costs the firm time, money, and potentially clients, who can find better service for a lower price elsewhere. The quest to eliminate the middle man has taken on many phases, the most recent of which include both Wal-Mart and Amazon. Both firms "democratized" the shopping process, streamlined operations, and enabled consumers to purchase a wider variety of products at lower prices than ever before.

The same type of process might very well be happening in the lending industry. Sovereign Wealth Funds are playing a more aggressive role in the investment community, as they hire their own investment staff and begin directly managing their own investments, as opposed to relying on traditional intermediaries. On the other side of the spectrum, peer-to-peer and micro-lending services have sprung up to fill the void left by traditional institutions since the financial crises of 2007 and 2008.

Norway, Saudi Arabia, the UAE, China, Russia, and Singapore are just a few of the nations that are taking a more direct approach to their SWF investments. Lending Club and Prosper are two of the largest and most widely used peer-to-peer lending organizations: Lending Club has received a \$125- million investment from Google, and Prosper was cited in Kiplinger's as one the "best ways to earn interest" in 2013.

With these diversifications and new entrants in the investment and lending community lead to better services and lower fees, such as in other industries? Only time will tell, but it will definitely be interesting to watch!

Why do nations have an SWF?

Why do nations have a SWF? Usually it has to do with two reasons: reserves and diversification. Countries that have account surpluses (such as export leaders like China), launch an SWF to put their excess foreign reserves. These foreign reserves (notably euros and dollars) are then invested into the SWF, which makes investments abroad. Diversification is another reason why nations launch SWFs. Nations that rely heavily on oil exports, the UAE for example, establish a SWF to invest in other assets to help shield the economy from oil-related risks.

Fresh Pair of Eyes Definition

Sovereign Wealth Fund – A Sovereign Wealth Fund (SWF) is funded by country's reserves, and these specific reserves are set aside for investment purposes that will benefit both the economy and the citizens of the nation.

Peer to Peer Lending?

Also known as P2P lending, this concept is relatively simple to understand. Instead of using traditional financial intermediaries, loan seekers and long providers interact directly. While they do not use traditional lending institutions, many P2P lenders do use credit-checking services and lending platforms, and are subject to the usual consumer protection, banking rules, and usury laws relevant to the state in which they are headquartered. Nevertheless, some regulators are concerned that both lenders and investors do not understand all the risks involved.

What do you think?

Will disruptors lead to improvements or to more problems in the financial industry?

Let us know what you think, and it might become the topic of a blog post or follow up newsletter article.

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THE WEEK AHEAD

Sean Stein Smith - MBA, CPA, CMA

It is always good to recap and analyze what happened during the past week, which is what I strive to do via the weekly roundup podcast (link to it is above). In addition to analyzing what did happen, it is equally important to look forward, to try to anticipate how the upcoming events of the week ahead could impact you and your money. That is the point of this column, which is broken down into domestic events, as well as the international events that could be of importance to your investments.

Excel Tip – PDF it

You have been working on a presentation for the last two weeks in Excel – the tables, pie charts, and color coded data are all finally formatted correctly and look great. After showing it to your boss, you receive permission to print it out and send it to your boss's boss. When you are all set to print, you remember that your boss's boss hates handing out "Excel-looking files" to clients – they like glossy PDFs. What do you do?

After a brief panic attack, simply go to the File tab, select the Save As option, and save your files as PDF. You can print them out on the glossy paper your boss's boss is so fond of, and deliver a great product. Simple!

Budget Tip – Automate

With so much in the world today being automated, why not automate your savings? You can set up your direct deposit to deposit your paychecks directly to your checking account, so why not use some technology to help yourself save? Many banks will allow you to set up a recurring transfer of funds from your checking account into a savings account. It would work like this: your check goes directly into your checking account like always, but then your bank automatically transfers a portion of it into your savings account. Automated and consistent!

What do you think?

Let me know if these tips were helpful

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Domestic

Let us start out discussion with the news and economic activity that are on the agenda for the U.S. this week..

The data deluge for this week really begins on Tuesday morning, when the Case-Shiller 20-City Index is released. This, and the pending home sales data that is also released this week, will impact the homebuilders and the firms that do business with them. This will also be an interesting time to further analyze the impact that taper talk is having on both the housing market and housing industry.

A few corporate trends to keep an eye on this week are the energy companies (some of which were rattled by the continuing violence in Egypt), and the tech industry as a whole. Both seem to be undergoing major structural changes - this might create lucrative opportunities and is certainly worth keeping an eye on.

Of course, there will be corporate news announced during the week as well, so keep your eyes open and check out the blog @ <http://ssteinsmith.com/> for daily analysis!

International

As I explained in my podcast, the link to which is provided above, the taper talk that dominated the U.S. news this week sent the international markets into turmoil. Hot money that had been chasing returns in international markets has begun to exit as quickly as it poured in, and the cheap liquidity that has fueled the emerging market boom since the 2007-2008 recession is drying up.

This is definitely a story to keep watch over this week, as these events and ramifications could certainly have an impact on your money and investments.



THE WEEKLY EDITION

Feedback is Always Welcome!

Feedback is the key to continuous improvement, so if there are any topics, themes, or stories you would like covered in the weekly newsletter, or if there is something you wish to know more about, please send an email to afreshpairefeyes88@gmail.com.

Thanks again for reading!

Sean

A Fresh Pair of Eyes Making Sense of Finance and Accounting

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If you like the newsletter, you might also enjoy the book. "A Fresh Pair of Eyes - Finance for the Young Investor" is available on both Amazon and in the Kindle Store.

http://www.amazon.com/Fresh-Pair-Eyes-Finance-Investor/dp/1490583637/ref=sr_1_1?ie=UTF8&qid=1375640883&sr=8-1&keywords=sean+stein+smith

