

An Exclusive Report for the Clients and Friends of BluePointe Capital Management



# [No Longer Newcomers]

BluePointe Capital Management  
White Paper January 2011

How High Net-Worth Indian-Americans Are Solving  
the Financial Complexities of Inter-Cultural and  
Inter-Generational Challenges.

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# I- INTRODUCTION

No longer newcomers, Indian-Americans are experiencing a new set of modern-day financial concerns.

Successful Indian-American entrepreneurs are dealing with the same issues affecting nearly all Americans, such as how to maintain financial independence and enjoy a comfortable retirement while caring for aging parents and providing for children. There are also concerns unique to the diaspora, such as how to make a meaningful gift to an India-based charity, invest in the burgeoning

Indian economy in a lawful and efficient manner, and properly manage a cross-border estate.

In this report we note several financial challenges facing this dynamic community. Through interviews with numerous high net-worth Indian-Americans, we've identified a variety of concerns they share.

## Subject Profile

The majority of respondents for this report are clients of BluePointe Capital Management.<sup>1</sup>

Respondent Profile	
Average Age	Over 50
Net Worth	\$10-\$100 Million +
Sources of Wealth	Tech entrepreneurs, CEO's, VCs & Angel Investors
Current activities	Involved in start-ups and other business projects

<sup>1</sup> BluePointe Capital Management is a boutique, fee-only independent investment advisory firm focused on providing investment solutions to the Indian-American community.

## II- BACKGROUND

### The Way We Were

Like many immigrant groups that preceded them, Indian-Americans have concocted a recipe for success in the New World based on strong family structures, conservative moral values, a strong work ethic and a desire to succeed.

Unlike many other immigrant groups that have entered the United States, many Indians speak fluent English, have a technical and/or scientific education, and possess a clear understanding of free-market economics. Each of these ingredients has played a role in the group's rapid rise to success in America.

Indians are among the most highly educated of all ethnic groups in the US. Nearly 70 percent hold a bachelor's or more advanced degree,<sup>2</sup> versus just 28 percent nationally. About 40 percent of all Indians in the U.S. have earned a master's, doctorate or other professional degree—five times the national average.<sup>3</sup>

New Indian immigrants quickly put their educational backgrounds to work in the U.S. A joint Duke University–University of California, Berkeley study revealed that Indian immigrants founded more engineering and technology companies between 1995 and

2005 than did immigrants from the UK, China, Taiwan and Japan combined.<sup>4</sup> A separate University of California, Berkeley, study reported that one-third of Silicon Valley engineers are of Indian descent and 7 percent of Silicon Valley high-tech firms are led by Indian chief executive officers.

The largest influx of Indians to the U.S. took place during the technology boom between 1995 and 2000. Complaints arose that a “brain drain” of talented, ambitious individuals was hurting India during that time, but since then there has been a drop in rates of emigration from India to the U.S., largely attributed to India's growing economy and a simultaneous economic slowdown in the U.S.

<sup>2</sup> <http://www.census.gov/prod/2004pubs/censr-17.pdf>.

<sup>3</sup> The Indian American Center for Political Awareness.

<sup>4</sup> Assisi, Francis C. (2007-01-04). [“News & Analysis: Skilled Indian Immigrants Create Wealth for America.”](#)

**Takeaway:** *Many talented Indians have moved to the United States, but today many see better opportunities in their homeland.*

## Where Are We Going?

As mentioned earlier, some of the challenges facing successful high net-worth Indian-Americans are common among the high net-worth American population as well:

- Estate planning
- Business succession planning
- Long-term care planning
- Retirement planning

Other challenges are unique to the high net-worth Indian-American community:

- Cross-border estate planning, including inheritance in India
- India-based philanthropy
- Identifying reliable business service providers in the U.S. and abroad
- Taking care of aging parents in India and the U.S.
- International tax and income issues

Change is inevitable, so to help secure a bright and comfortable future, it's important to plan for change—whether expected or unexpected.

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## III- SURVEY RESULTS

### Your Answers

BluePointe Capital Management interviewed prominent Indian-Americans from a variety of backgrounds and occupations to describe some of their greatest concerns regarding their financial future. Here are some of the more insightful responses.

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1. *What significant changes have you seen in the high-net-worth Indian-American community?*

- With the predecessor generation preparing to retire, a new generation of Indian-origin entrepreneurs is emerging.
- An entrepreneur's age and experience level are less important than other factors when starting a new venture. Many new web 2.0 businesses have been started by a much younger generation.
- Parents do not want to depend on their children for financial support, and they express disappointment about becoming empty nesters. They are unsure about remaining in their "trophy" homes, and some would consider a retirement neighborhood if there were specific communities catering to Indian lifestyle.
- Many children do not share their parents' passion for their chosen business/profession and are seeking their own identities.

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**Takeaway:** *The community is experiencing issues resulting from the transition between the first-generation start-up executives and a new younger group of entrepreneurs*

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2. *How are Indian-American attitudes about wealth changing?*

- Thanks in large part to stock market volatility, many have moved from the wealth accumulation stage to the wealth preservation stage. They find it too difficult and stressful to try to predict the direction of the economy.
- Risk mitigation, income generation and tax minimization have become more important, especially for residents of high-tax states such as California, New York and New Jersey.
- Many wish to reduce or eliminate significant debt and would rather pay off their mortgages than invest in start-ups.
- Most consult with spouses about financial decisions before going ahead— "I'll talk to

my spouse and get back to you” has become a familiar refrain.

- Many are often underinsured or inadequately insured.

**Takeaway:** *Newfound financial conservatism may signify a shift in attitudes about money and wealth among high-net-worth Indian-Americans.*

### 3. What major financial challenges face high-net-worth Indian-Americans today?

- Due to the limited opportunities within the start-up environment, many entrepreneurial minded Indian-Americans find themselves stuck in the corporate grind.
- Many emerging entrepreneurs are attempting to “connect” their money, ambition and experience with new opportunities.
- Venture capitalists and angel investors have become more discriminating, which may be dampening the entrepreneurial success rate.
- Many wish to make a meaningful charitable gift to a village hospital or school in their home country.

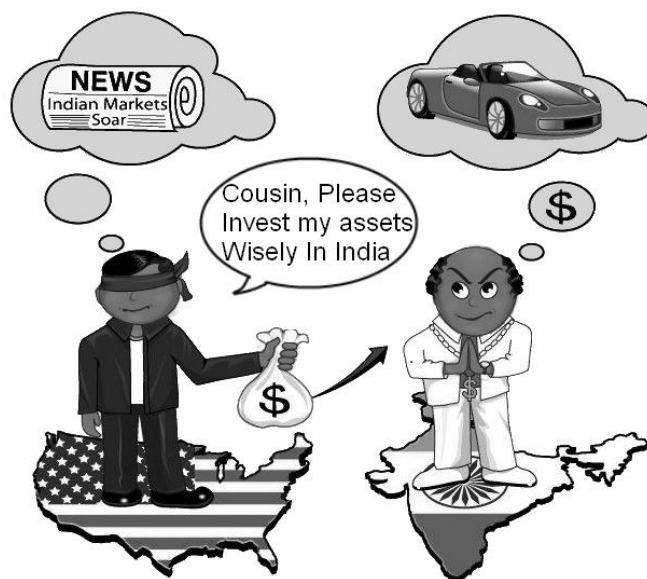
**Takeaway:** *While new entrepreneurs are establishing themselves in an increasingly challenging start-up environment, first-generation entrepreneurs are seeking ways to give back to their ancestral roots.*

### 4. Despite great interest in investing and managing investments in India, concerns remain. Which hurdles, perceived or otherwise, are keeping high-net-worth Indian-Americans from investing in India?

- Properly managing cross-border estate planning, inheritance, and trust and transparency issues
- Finding reliable and professional business service providers and partners
- Investing in India without repatriation, tax or legal entanglements
- Managing assets held in India
- Finding new investment ideas

**Takeaway:** *While potentially rewarding on several levels, investing in India can be a complicated and frustrating endeavor.*

### 5. Have you made any personal investments in India, or are you contemplating doing so in the near future? If yes, how have you managed these assets?



- While most respondents said yes to this question, they also said that trust is a big concern. As a result, management in most cases is delegated to a family member or trusted friend. This method is free or is done at a very minimal cost.
- Relying on friends and family, however, can often result in inconsistent and

unprofessional management. Record keeping and reliable communication can easily fall by the wayside when relying on those lacking professional experience, subsequently creating a great deal of frustration and resentment. Taxation, estate, inheritance, repatriation, record-keeping and cash-flow/income problems may result.

- While many initially choose to deal with such problems later, a firm that professionally advises on such affairs may be able to save its clients time, money and aggravation.

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**Takeaway:** *While friends and family are often entrusted with managing business concerns in India, they also often lack basic professionalism.*

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6. *What services can your financial advisor provide directly/indirectly for your cross-border investments?*

- Tax preparation, including proper tax treatment of assets held abroad, and tax-minimization recommendations
- Efficient liquidation of assets in India and subsequent repatriation of such proceeds to the U.S.
- General investment expertise, e.g., guidance on equities, fixed income, real estate and donor-advised funds
- Proper insurance coverage
- Succession planning as well as trust and estate planning
- Real estate transactions/management
- Charitable-giving/philanthropic expertise
- Access to a professional network of international lawyers, trust and estate experts, and insurance professionals

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**Takeaway:** *A financial advisory firm that addresses the needs of high-net-worth Indian-*

*Americans will offer clients value-added services.*

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7. *What qualities/characteristics should a financial advisor demonstrate in order to effectively advise Indian-Americans?*

- Easy accessibility
  - A high degree of trust and integrity
  - Independence/objectivity
  - Experience and reliability
  - Open and regular communication/direct feedback
- 

**Takeaway:** *Financial advisors serving high-net-worth Indian-Americans should provide sound financial advice and not push products.*

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*Summary: Indian-Americans are adjusting to a new paradigm. They are rethinking risk tolerance in the wake of the dot-com era and the collapsed subprime bubble while adapting to changes in wealth. They may be contemplating investment opportunities in India and attempting to sift through the many issues related to wealth management and international investing. While they have significant interest in investing in India, they also have a few concerns:*

- *Confusion among investors regarding rules and regulations in India*
  - *How can a PAN (permanent account number) card be acquired?*
- *Working with attorneys on issues such as global estate planning that incorporate assets held overseas*
- *Working with CPAs on tax matters that include gains and losses on investments held in India*

*Our impression is that many high net-worth Indian-Americans are working with financial professionals in an uncoordinated way, and some are even trying to sort through investment solutions alone. These issues appear to relate primarily to a lack of trust in financial professionals. Our recommendations are as follows:*

- When deciding on a wealth manager, choose someone with a history of relieving “pain points” specific to your situation. Be sure that person has a history of uniquely solving problems rather than focusing on generic investment solutions—a common flaw of many brokerage and insurance firms. Indian-Americans may have significantly appreciated assets and may need someone who can connect them to a network of experts in both the United States and India who understand the tax and estate implications of investments in both countries.
- Similarly, investors may need a professional who appreciates their cultural background and specializes in serving similarly positioned clients. For example, an advisor offering wealth management solutions to tech entrepreneurs in California’s Bay Area should have deep connections with successful mentors, angel investors, investment bankers, VCs, estate planners and other professionals. An advisor able to deliver such a network in the early

stages of a start-up could be very valuable to entrepreneurs in building their companies. Such expertise and specialization help build relationships based on confidence and trust, and can be particularly valuable should an entrepreneur experience a “liquidity event.”

- Additionally, investors should look for someone who is independent and offers unbiased and objective investment advice, ensuring that each party’s interests are properly aligned. The goal is to establish a long-term working relationship, so be sure that you are comfortable with your wealth manager.

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wealth **manager**,  
**choose** someone with  
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## IV- TYPES OF FINANCIAL ADVISORS

### Who Can You Turn To?

Many professionals, including stockbrokers, accountants, bank and insurance company representatives, offer financial services. These professional “advisors” often fall into two categories: investment generalists and product specialists.

**Investment generalists:** These individuals offer a broad range of investment products but do not specialize in a single product type or specialized service. They offer many different products but do not make consulting an essential part of their business model; rather, they are “transaction focused.”

**Product specialists:** These individuals focus exclusively on an investment-oriented product niche and frequently offer a single product type as a “solution.” They may offer such products as managed accounts, stocks or fixed-income alternatives, which can be especially problematic for those who need a variety of financial solutions. Like investment generalists, these advisors do not have a consultative orientation and tend to be transactional.

In contrast to investment generalists and product specialists, there are wealth managers:

**Wealth managers:** These individuals take a comprehensive approach to meeting your needs and use a highly consultative plan to construct integrated strategies for your specific problems. While many advisors call themselves wealth managers, the following are hallmarks of those who practice true wealth management:

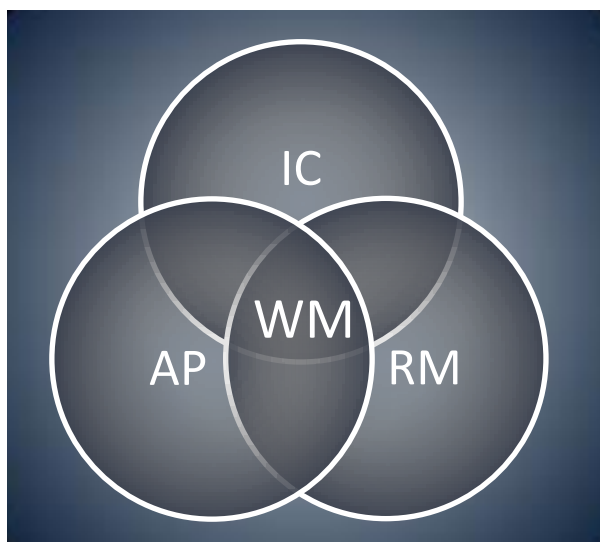
- **Consultative Process:** This targeted evaluation helps wealth managers gain a detailed understanding of clients’ overall life goals and their most important financial objectives.
- **Customized Choices:** Wealth managers take into account a range of interrelated financial services, including investment management, insurance, estate planning and retirement planning. Their solutions should meet a client’s specific needs.
- **Unique Strategies:** A wealth manager works with clients on an ongoing basis to identify their evolving needs while designing customized strategies to meet them.

## Selecting Your Wealth Manager

Many financial advisory firms claim to offer wealth management. In reality, most provide simple investment management and perhaps a few other services, such as college and/or estate planning. The challenge for those seeking real help to meet all of their financial planning needs is finding a firm that provides true wealth management.

Consider the following formula to define wealth management (WM):

$$WM = IC + AP + RM$$



**Investment Consulting (IC)** is the astute management of investments over time to reach financial goals. It requires the wealth manager to develop a deep understanding of

the client's most important challenges, design an investment plan that takes the client's time horizon and risk tolerance into account, and describe an approach that will maximize the probability of reaching the client's goals. It also requires the wealth manager to monitor the client's portfolio and financial life over time so that adjustments to the investment plan can be made as needed.

**Advanced Planning (AP)** goes beyond investments to look at all the other important aspects of a client's financial life. It consists of four parts: **wealth enhancement**, **wealth transfer**, **wealth protection** and **charitable giving**. According to some estimates, less than 10 percent of financial advisors help clients achieve these goals.

**Relationship Management (RM)** is the final element. True wealth managers focus on building relationships within three groups. The first and most obvious group is clients. To address their clients' needs effectively, wealth managers must foster solid fiduciary relationships with them. Second, wealth managers must manage a network of financial professionals—experts they can call on to address specific client needs. Finally, wealth managers must be able to work effectively with their clients' other professional advisors, such as attorneys and accountants.

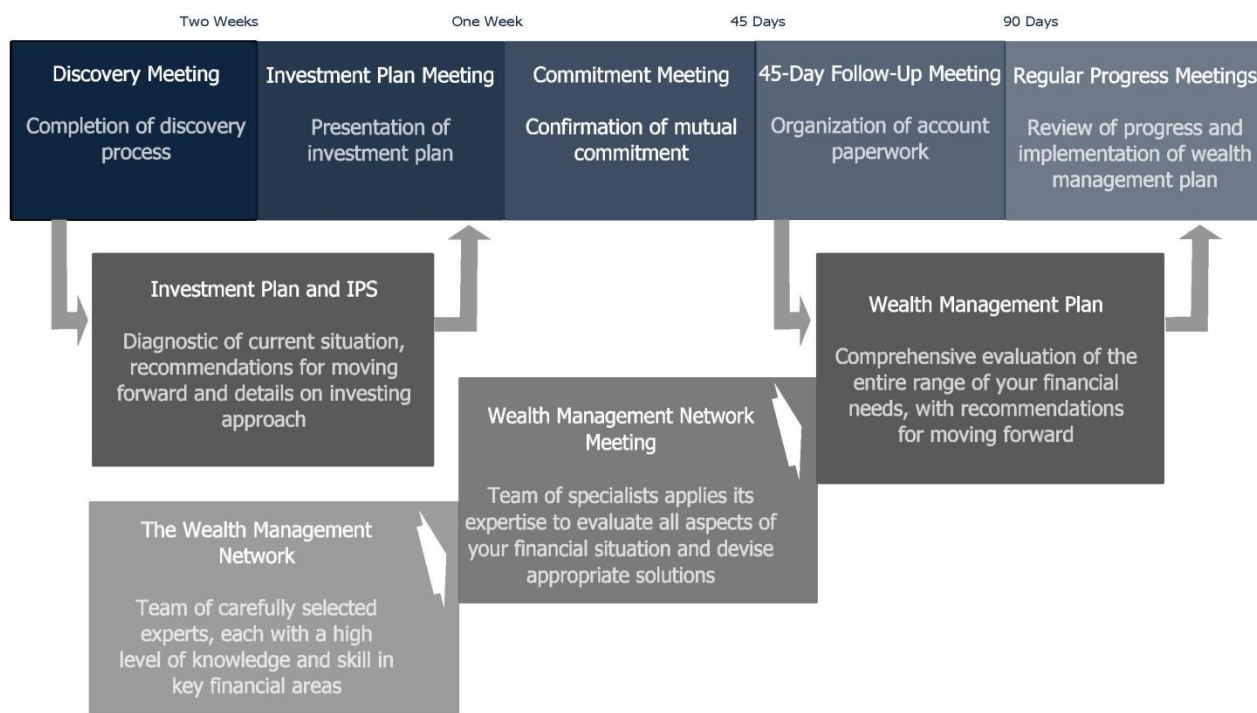
# V- THE BLUEPOINTE EXPERIENCE

## Your Personal CFO

Because wealth managers focus on a consultative process, you may find that they use a system different from those of other financial professionals.

The wealth management consultative process is a comprehensive framework that provides a wealth manager the means to seamlessly integrate the three distinct sections of Investment Consulting, Advanced Planning, and Relationship Management outlined above. The framework focuses on a procedure, during which the wealth manager is able to become familiar with the financial

landscape of the client. It provides the manager with insight on issues important to the client, (such as family relationships, values, community networks, and goals) to facilitate the construction of a balanced portfolio, tailored to the client’s needs. The following flowchart illustrates our approach to client service, including the focus and purpose of each advising session.



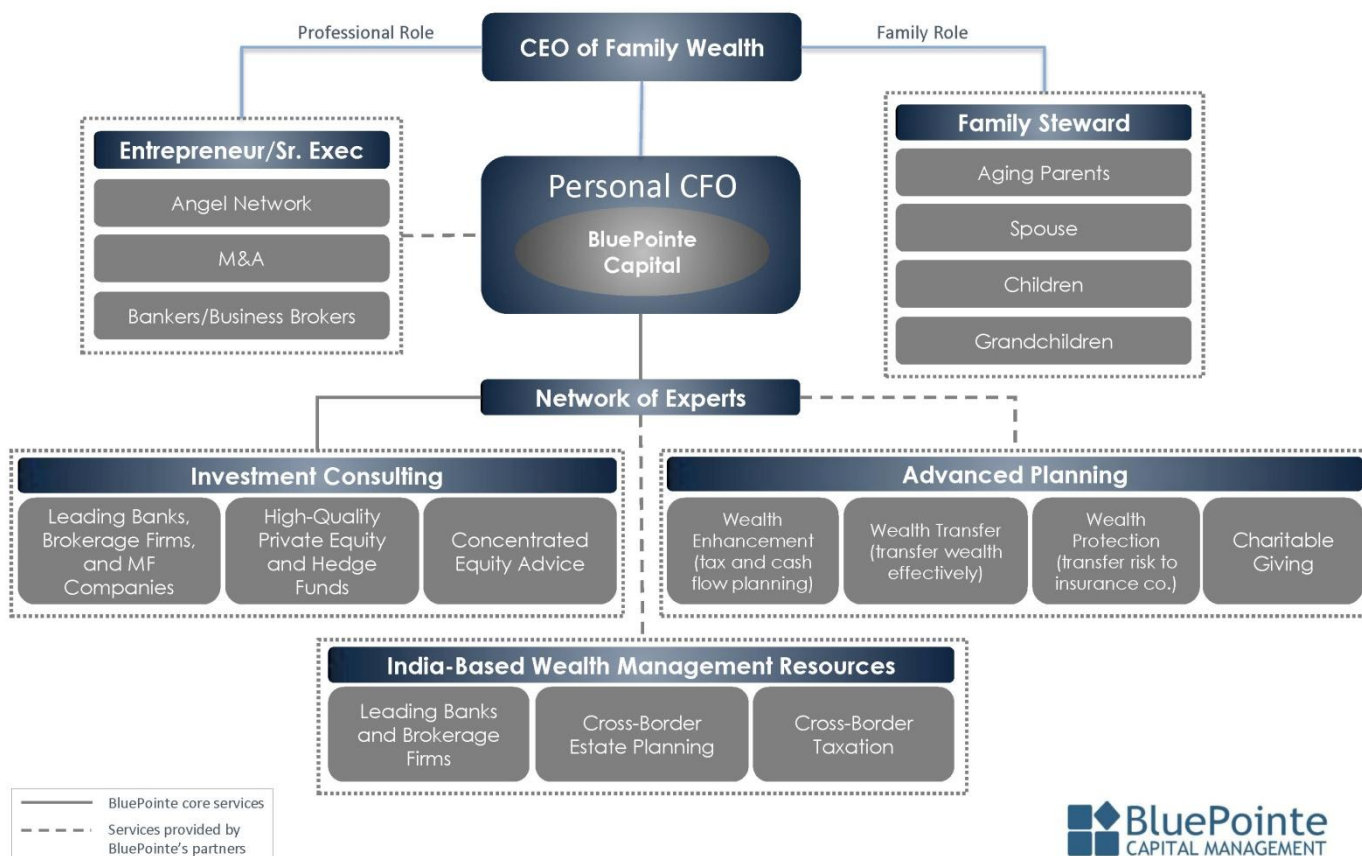
## Second-Opinion Service

Research indicates that more than 80 percent of investors are actively considering switching to a new financial advisor, thanks to all the disruption in the financial markets. Investors are unsure of what to do. Are they well-positioned with their current financial advisor? Does their advisor have the resources available to cater to their particular diaspora? Should they seek out a new

advisor? If so, how can they find the right one? For investors concerned about their financial future, a second opinion may help. BluePointe Capital Management offers a no-obligation, confidential, second-opinion portfolio-review service for potential new clients, as well as for friends, business associates and relatives of present clients. All reviews are objective and independent.

The following flowchart illustrates how we at BluePointe Capital see the role of a wealth management firm focused on advising high net-worth Indian investors based in the U.S. Our India-focused solution begins with a solid foundation in the U.S. and provides cross-border expertise to solve issues for clients with interests in India.

### BluePointe India-Focused Solution



## VI- CONCLUSION

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Indian-Americans must confront a variety of personal financial challenges and opportunities. Partnering with a wealth management firm that truly understands their clients' unique cultural and financial needs can put individuals on a more certain path toward achieving personal and family goals and securing assets for the future. High net-worth Indian-Americans planning for their financial future should feel confident that their wealth manager can address the challenges not only unique to the Indian-

American diaspora, but those that relate specifically to their family's personal financial goals. If successful investing was as simple as handing over a bag of cash to a relative in India in order to take advantage of the "latest opportunity," there would be no need for the implementation of a customized financial growth and preservation plan. True wealth management provides the framework for gaining a deep understanding and trust, which can ultimately provide clients a greater chance of achieving true financial security.

## ABOUT BLUEPOINTE

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BluePointe Capital Management is an SEC-registered independent advisory firm located in San Mateo, CA. We are the personal wealth manager for each of our clients and their primary resource for financial decision-making. We specialize in helping successful entrepreneurs and business professionals in the Bay Area develop a successful financial plan for their future. Our team of experts concentrates on the financial challenges facing top executives and explores solutions for issues such as generational wealth transfer and tax minimization, as well as hedging and monetization strategies for concentrated stock positions. We limit our practice to a small number of relationships so we can focus exclusively on each client and have a beneficial impact on their financial future. Our personalized planning and sophisticated investment management distinguish BluePointe as a leader in our industry, as we are truly committed to the financial well-being of our clients. We understand that people's financial goals are inextricably tied to their life goals, and we take great pride in our role as stewards of our clients' financial future.

*BluePointe is based in San Mateo, Calif.*

*You can learn more or arrange for a confidential discussion by visiting [www.bluepointecapital.com](http://www.bluepointecapital.com).*