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Your Money

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Public stock and bond markets got you down? Venture capital is starting to look good again.

VC and angel funding have rebounded strongly since 2008 and the financial crisis, and **Golden Seeds Fund 2 L.P.**, a vintage 2011 fund, is just one example. The fund is focused on making early-stage portfolio investments, such as Cognition Therapeutics Inc., a Pittsburgh life-sciences company, and is building a portfolio of 20-plus investments through 2013.

Golden Seeds is a network of angel investors wagering on start-ups at a time when small business needs financing more than ever. Angel investors are individuals or small groups that invest in start-ups, in return for convertible debt or a piece of ownership.

Golden Seeds specializes in women equity owners. Previous investments have included gDiapers, a disposable and 100 percent biodegradable alternative, and Jane Friedman's Open Road Integrated Media.

Friedman was previously chief executive officer of HarperCollins Publishers Worldwide before starting her e-book and publishing business.

"We're looking for the female Warren Buffett," said Peggy Wallace, a managing partner at Golden Seeds and former managing director at JPMorgan



Daniel A. White
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+ Associates

Chase & Co. Golden Seeds' second fund is raising \$25 million and is closing capital commitments by the end of 2011. The investment committee is made up of managing partners such as Jim Estill (early-stage investor in Research in Motion Ltd., maker of the BlackBerry), Golden Seeds founder Stephanie Hanbury-Brown, and Joan Zief, a managing director and 35-year veteran of Goldman Sachs Group Inc.

This kind of investing is definitely not for everyone. Similar to hedge funds, VC and angel investors must be accredited to participate in the funds, which means they must have a net worth of at least \$1 million, excluding primary residence, or \$200,000 in annual income.

Annual returns for angel investors whose companies were either part of a merger, acquisition, or initial public offering range from 24 percent to 36 percent, according to Bloomberg News. But remember,

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angel and VC deals are highly risky, and those returns are only on those that succeed.

Roth redux

If you have a Roth IRA worth less than when you originally converted, and paid income tax on phantom value that is no longer in your portfolio, you get a shot at a do-over. Investors can do a "recharacterization" of their Roth IRA conversion - essentially undoing it. The last day to file the tax paperwork (see the IRS website at www.irs.gov for details) is Monday.

Daniel White, a Philadelphia-based financial adviser, says the decision to reverse a Roth depends on the size of your loss and your market view.

"If you are bearish at this point, and think you won't recover the losses quickly, in that case it makes sense to recharacterize," White explained. "If you're bullish on the markets, keep it as a Roth."

Let's say your \$100,000 Roth has dropped to \$70,000. "You'll need almost a 50 per-

cent return to get back to even," White said.

"If you paid \$30,000 in tax, and the account has fallen by \$30,000 - you can change it back and file an amended return, so you don't owe tax on money you no longer have," he adds.

White converted his traditional IRA to a Roth IRA and is sticking with his decision. Conversions generally suit an intermediate to longer-term time frame, and market losses "can be made up with tax-free growth over time."

Research challenge

If you are an undergraduate or graduate student in finance, the CFA Institute has a Wall Street research contest for you. The CFA Institute Research Challenge is a global competition testing analytic, valuation, writing, and presentation skills, and local CFA societies host and launch teams of business and finance students from universities. Any student is eligible and can go on to meet investment gurus. Warren Buffett attended the 2011 regional finals.

The primary reward is mentoring by professional financial investors and the opportunity to compete for a world championship against a global contingent of teams. This year's competition begins Thursday at the Racquet Club of Philadelphia. For more information, visit the CFA online at <http://www.cfaphil.org/irc/> and for rules and deadlines visit <http://researchchallenge.org>.