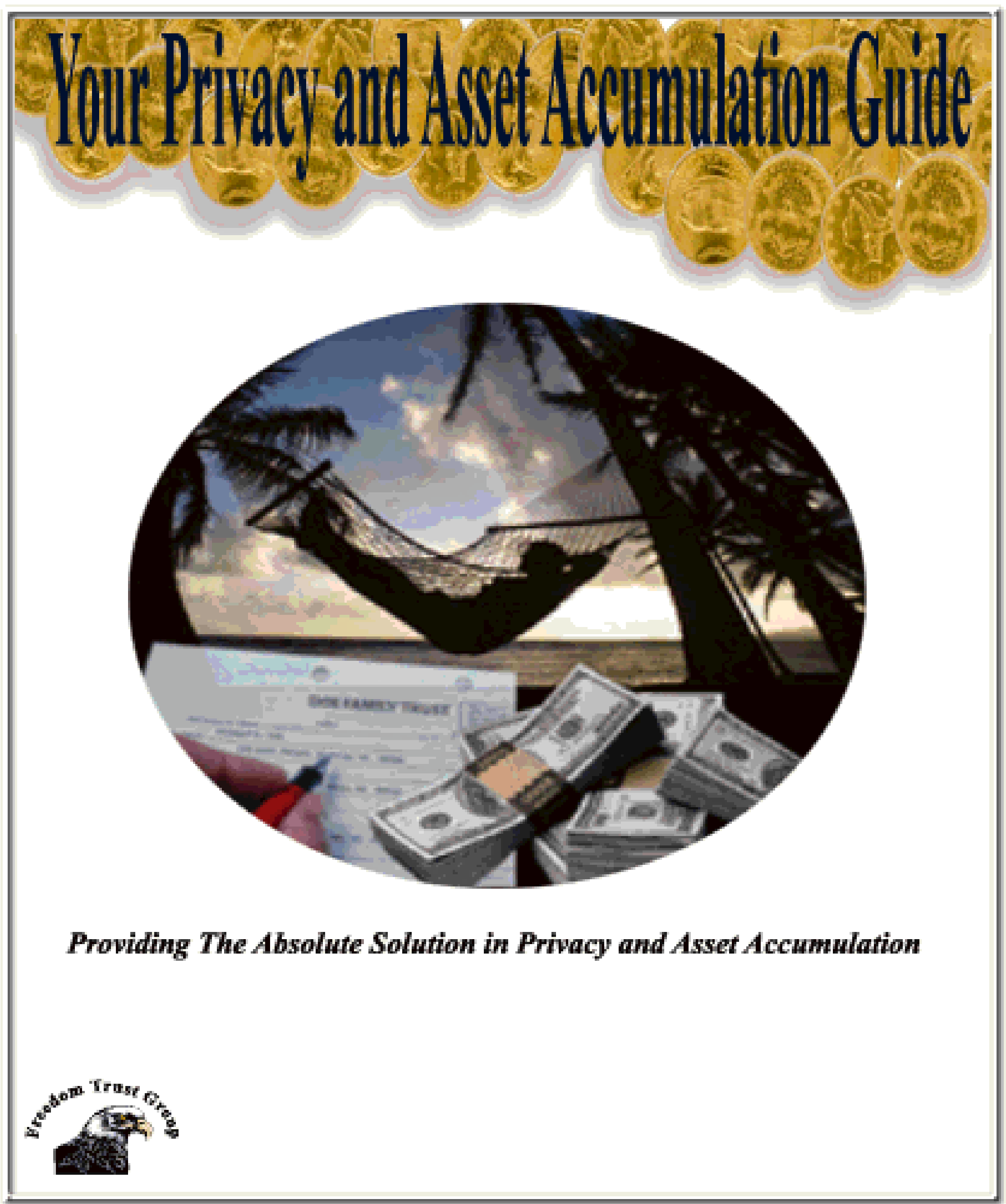

The Complete
Privacy Protection Guide

Never has there been a more critical need to act to protect your financial well being than now.

The material included within this guide contain everything you need to understand Domestic and OffShore trusts, IBC's and OffShore Banking, so that you will have:

- A practical way to protect your assets from abusive lawsuits;
- A practical way to shrink the burden of income and estate taxes; and
- A practical way to safeguard your family's financial privacy.

THE GROWING PROBLEM - FOUR MAIN HAZARDS TO FINANCIAL SAFETY

Over the last 80 years or so, it gradually has become more and more difficult for Americans to keep what they earn. Today's rules mean that what is yours is yours - until the tax collector or someone else finds a way to take it from you. Here are the four main hazards.

1. The Constant Drain

Income from your investments isn't yours alone. The U.S. government claims up to 39% as tax - even though you put up all the capital and you take all the risk. And when you sell, you lose 28% of your profit to capital gain tax. (*You actually lose more than 28%, since inflation adds to your taxable profit but not to your real profit.*)

2. The Coup de Grace - Against You

Your entire estate - everything you have accumulated in a lifetime of paying income tax - is taxed again at rates up to 55%. And with the generation-skipping tax, property left to your grandchildren can be taxed at rates up to 80%.

Estate tax is the ugliest tax of all. It may force a grieving family to liquidate a business or real estate holdings at fire-sale prices. It can quickly turn a $6 million estate into a $2 million estate - or less.

3. Malicious Lawsuits

What isn't lost to taxes is exposed 24 hours a day to the threat of imaginative lawsuits - lawsuits from reckless government agencies and lawsuits from individuals hoping for a winning ticket in the litigation lottery. An average of 43,000 lawsuits are filed every day in the U.S. The wealth you've accumulated through decades of hard work can be snatched away at the bang of a judge's gavel.

And some government agencies don't even bother with a lawsuit. They seize property on their own initiative, and dare you to sue them. The IRS, for example, can declare a "jeopardy assessment" at any time and start grabbing your assets. There is no court proceeding. You get no hearing, no right of appeal and no warning. Since 1985 federal seizures have taken over $2.5 billion from U.S. citizens. Billions more have been seized by runaway agencies of state and local governments.

The grounds for a government seizure or a catastrophic lawsuit can seem ludicrous - until you become a target.

4. Good-bye To Privacy

Financial privacy has become a rare commodity. The enforcement of today's tax laws is so merciless in its demand for information that honest people are left with few secrets. And even those details may show up in your morning newspaper if you ever are forced to defend against a lawsuit. Losing your privacy is

disagreeable in itself - and it worsens your exposure to lawsuits.

For many of us, the most strongly desired financial goal is peace of mind. We want the comforting knowledge that our lives will not be upset by sudden financial loss. But today, even among the very wealthy, these four hazards have reduced peace of mind to an all-time low.

Everything You Need

Please read all the materials carefully to decide whether you should establish a series of Trusts for yourself and your family. Everything you need to understand Trusts (*both Domestic and OffShore*) is in this book, and everything is fully explained. At the end of the book, you will find an order form for our 4-hour Trust video to further your Trust education.

Freedom Trust Group has been providing privacy and asset accumulation systems throughout the world since 1990. Constantly refining and improving our software since its inception.

While other Trust providers have only one general purpose Trust, with prices ranging from $500 to $10,000 per Trust *(some even higher)*. We offer a comprehensive software program that provides an unlimited number of five different types of Pure Trusts for a onetime low price of only $2495. The five Trusts on our program are written to serve a specific purpose.

They are:

- Management Trusts: Used for the operation of an existing or new startup business.
- Family Trusts: To manage your day-to-day personal affairs.
- Off-shore Trusts: For the ultimate in financial security and privacy.
- Holding Trusts: This Trust is like a vault. Holding property for complete protection.
- Banking Trusts: Handles all financial matters with banks and brokerage firms.

Unlike with other Trusts, you have the ability to change the documents to suit your own personal wants or needs. All programs come with full samples, instructions and certificates. We also offer complete offshore services. Information on going OffShore can be found through the table of contents that follows.

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A fine of **$500 per violation** will be imposed.

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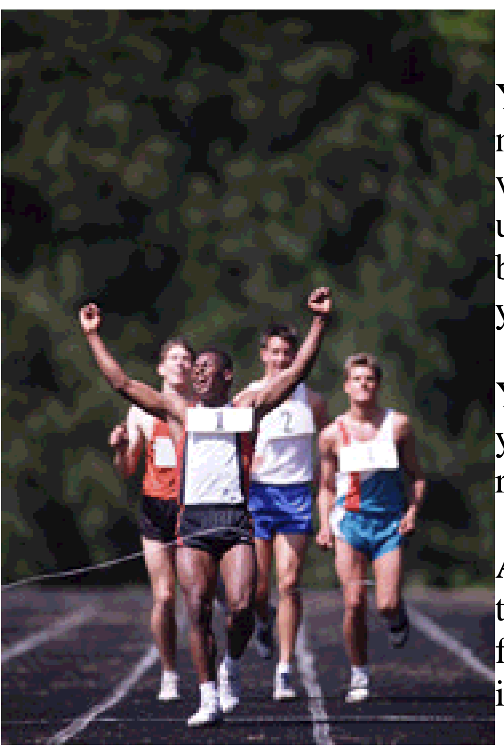
Financial privacy means that you decide who learns the details of your financial life.

The desire for such privacy is largely a personal matter. You may not think it's important. Or you may see it as the best protection of all - since what others don't notice will never be taken from you. Or you may see privacy as a source of comfort - just as most people feel more comfortable with the drapes closed in the evening.

If you do value privacy, you will find a that Trusts will assist you in establishing a zone of privacy for your financial life.

A would-be litigant might discover that you have "connection" with a Trust - probably by tracing your transfers of money and investments. But he won't be able to touch the contents of the Trust to get to you. To him, it will be an impenetrable black box. When your Domestic Trusts are in conjunction with OffShore Trusts and IBC's using OffShore Banking-you create a financial fortress.



At the End of The Day

You'll be less concerned when you read about the U.S. government's new spending plans and its need for more revenue, because you have a vehicle for protecting investment earnings. You'll no longer carry the uncomfortable thought that your entire financial life lies open to view by U.S. government agencies and others, since part of it - as much as you want - resides in the zone of privacy.

You will be free of worry over future threats of ruinous lawsuits. Part of your wealth will be beyond the reach of such litigation and beyond the reach of seizure.

And you will be less anxious about the problems the world may present to your children and grandchildren. You know they will have a financial fortress in a zone of privacy to turn to in times of trouble - an international "Red Cross" dedicated to their well-being.

Protect Your Family and Your Assets

In 1976, Nelson Rockefeller sought a Presidential appointment. He was asked by Congress how much money he made last year.

***"$650 million,"* he replied.**
Then they asked how much he paid in taxes...
***"Nothing,"* he answered.**

Now, you can put his secret to work reducing your taxes, protecting your assets, dramatically enhancing your personal and financial privacy, and increasing your wealth-with amazing ease.

Imagine having your bank accounts seized. Just like the more two and half a million seized in the U.S. last year. Or a frivolous lawsuit wipes you out. Your home, business, Gone! Sound farfetched? Then consider this… Thirty-nine thousand new lawsuits are filed daily And it's now a federal crime to deposit $9,000 in cash in your bank account two days in a row. Each year, 25,000 new regulations are imposed on U.S. citizens. If you have assets-you're at risk. But now you can protect yourself.

Until recently, only a super-wealthy few have enjoyed this kind of ultimate protection. The mega-rich families of the world -- Carnegie, Rockefeller, Ford, Kennedy, Hunt, Mellon, and Getty -- ALL use this little known and incredibly powerful secret to build and protect their wealth... and now you can too.

The following is a shocking -- but true -- story.

> It was 1969. Angry and distraught parents had just buried their lovely and talented 28-year-old daughter. She'd tragically drowned in a car that went off a bridge in Chappaquiddick Island, Mass. That car's driver was the hard-drinking patriarch of one of America's wealthiest and most powerful families.
>
> They tried to sue him. Much to their surprise, they discovered that this man owned NOTHING. It turns out he was the manager for about 150 trusts -- through which he maintained absolute control of all his worldly assets.
>
> So, the family decided to sue whoever owned the car. They were shocked to find out that the car was also owned by a Trust, which now had as its total assets... one waterlogged, wrecked Oldsmobile.

He was *untouchable*. The lawsuits went nowhere.

There's no better way to acquire and protect wealth than by the effective use of Trusts.

Now You Can Enjoy The Awesome Power Of Pure Trusts

Have you felt frustrated with consfiscatory tax rates? Angry about the routine disrespect for your privacy? Worried about getting sued? You are not alone.

(The danger you face from frivolous lawsuits is real. A blind man stepped on a woman's toe and she sued the guide dog training school for $160,000. Crazy. It's an epidemic -- 39,000 new ones are filed everyday! And multimillion dollar payoffs are up 4,000% since 1974.)

Now, you can inexpensively and effectively design Trusts that specifically meet your personal needs... Privacy. Liability Protection. Tax reduction.

If you have...

ASSETS you want to protect
TAXES you prefer to lawfully reduce or avoid
PRIVACY you need to gain
CHILDREN whose future you would like to insure
LIABILITY you desire to limit...

...Then you need Trusts to achieve all of these goals...

Lawfully Stop Government Property Seizures

The U.S. Government has seized BILLIONS of dollars in assets from citizens who thought they were protected by "due process of law" The government is stomping on our property rights. And our right to privacy.

- An Alabama dentist, Richard Lowe, found this out the hard way. The U.S. government seized $2.6 million -- his life savings -- because he transferred it from one account to another with a series of checks. There was no crime involved -- just a simple failure to notify the IRS of the transaction.

The government never claimed the funds were generated illegally. They didn't have to. It's perfectly legal for prosecutors to seize your legally earned after tax income. All you have to do is violate one of their hundreds of thousands of regulations.

After they seized his money, Dr. Lowe couldn't pay his taxes. So they placed liens on his remaining property. He had his lawyer hire a PR firm to tell his side of the story. So the prosecutors charged him with conspiracy!

- Dr. Lowe could have avoided this travesty if -- he had known the regulations and followed them... or if he had lawfully transferred his money to a suitable offshore Trust. There his assets would have been unavailable for seizure. (*O.J. Simpson knows these secrets too*.)

Trusts are unquestionably the best form of asset protection available today.

THE PROBLEM

A SUIT ORIENTED SOCIETY AND A SYSTEM FULL OF PITFALLS AND DEVASTATING TRENDS

The problem of liability has grown to mammoth proportions. It is a monster out of control, destroying businesses, families, and all those who are unprotected that stand in its way. Buying liability insurance used to be a simple matter for the business owner, but now obtaining liability insurance has become a problem so intense that many business and professional people either cannot afford insurance, or cannot find an insurance company which will assume their liability at any cost.

Small businesses are coming under attack more and more. It seems that just opening your doors to the public is a high-risk venture in today's climate. The liability crisis seems to know no bounds. It affects almost every kind of business. It seems that if one is successful and turns a profit, there will most assuredly follow a lawsuit that will attempt to attach those profits.

Many small business operators have come to share the frustration of a roller skating rink operator who, after trying in vain to replace her liability insurance policy, was heard to say. "I'll just operate without insurance, and if anyone sues me, I'll hand them the keys to this place and walk away." Although that may seem like a possible solution to her problem, the truth is that not only are her business assets vulnerable, but as operator of the business, her personal assets are also at risk.

Everyone knows how destructive liens and foreclosures have been to families who never thought it could happen to them, and how adverse judgments from questionable lawsuits and bankruptcies occur on a daily basis. Do you know that even if you put all your assets in the name of your spouse and children, the courts are now letting your creditors seize the assets in your spouse's and children's names? Do you know that, as a director or officer of a corporation, you can lose all your own personal assets if the corporation is sued?

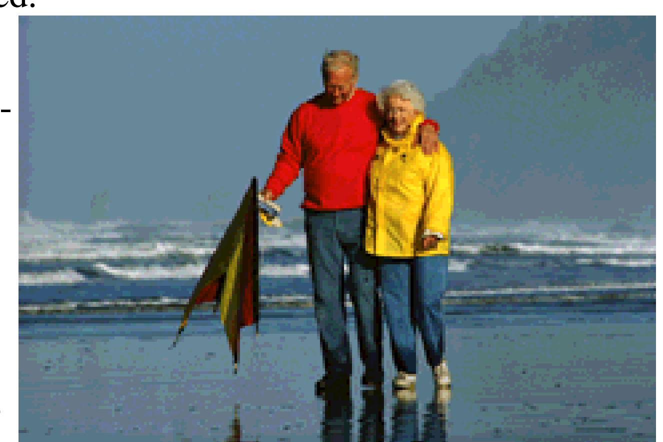
THE PROBATE TRAP

Every day heirs lose an average of 25% to 35% of their inheritances to probate costs and death taxes. Under present-day law, all property owned by a deceased must enter into the probate system before any property can pass to the heirs.

An article in Business Week Magazine realistically appraised the problem concerning wills and probate. "Named in a will?" it, asked. "It can take years for you to collect." The story continued, "If you suddenly discover that you are the beneficiary of an estate, don't be too fast to order your yacht. These days it can take years for rightful heirs to collect their legacies. Legal and court costs, as well as taxes and debts can sometimes shrink an estate to a pittance.

Don't try to hasten things along by pressuring the executor or his attorney. No matter how efficient they are in assembling the assets of an estate, claimants get a crack at the estate before you can collect a

penny. Creditors have from four months to a year, depending on state law, to make their claims. Then the federal and state governments take their slices. Within nine months of the person's death, the executor is required to file federal estate tax forms. But the IRS can take another year to audit the return, and state tax agencies can take a few months before they too are satisfied."



Reader's Digest noted in an article titled, *"The Mess in Our Probate Courts"*. "Inflated fees, paralyzing delays, patronage - these are only some of the many ugly abuses fostered by our inefficient probate system. The high cost of dying is not the funeral. It's the legal and administrative costs of getting the deceased's estate and lifetime earnings through the probate courts. This legal institution, intended originally to help the average family, has become a means of exacting an onerous ransom from the bereaved." One legal expert alleges that 35% of all wills are broken. The way the present system is set up almost invites abuse.

Stories of estates being completely wiped out while going through probate are not uncommon. Robert Kennedy, while he was Attorney General of the United States, called probate, "a political toll booth exacting tribute from widows and orphans." All of these devastating realities lead people to ask how they can lawfully minimize the possibility of losing their homes, retirement pensions, savings, or other valuable assets. Yet the brutal truth is that it happens every day! Families and individuals work hard to accumulate assets, but fail to plan for the protection of those assets. Financial difficulties arise, and families and individuals find themselves wiped out, more times than not, with little warning.

It is neither immoral, unethical, nor unlawful to provide maximum protection from creditors by putting assets into Trust. In fact, it is more like an obligation to yourself and your family to protect and preserve what God has given to you.

The answer is to learn how to do it yourself, through the use of Trusts.

THE SOLUTION

DEPLOY AND DISPERSE ASSETS THROUGH THE USE OF A SYSTEM OF PURE TRUSTS

You can provide continuing benefits to your heirs for many generations and provide peace of mind, security, and privacy for your financial affairs. Listen to what the law books have to say about the advantages of properly structured Trusts. The following is quoted directly from Volume 76 American Jurisprudence 2d, Section 1, entitled "Trusts":

"*Perhaps the most amazing part of the Anglo-American Law is the legal institution known as the Trust. The Trust is a comprehensive institution: It is as flexible and elastic as a contract, since it can be employed with minimum formalities and utilized for any purpose which does not contravene statutes or public policy.*"

Originating in the civil law courts, and subsequently expanding in the courts of chancery, the Trust has been employed by attorneys as an effective legal device in nearly every field of human activity. As aptly stated by one court, "the Trust device has been used for many different business purposes in recent years, and we are certain that astute attorneys will discover new uses for the Trust in the future." Of particular practical significance is the availability of the Trust, as a means of separating the benefit from the burden of ownership.

A PURE TRUST CAN PROVIDE THE FOLLOWING BENEFITS

Liability Protection

The full title to your assets will pass to the Trustees of the Trust organization. The assets cannot be attached because of judgments and liens, which may later be placed against you.

Estate Planning

Because assets transferred to a Trust organization are no longer in your personal estate, you can avoid expensive probate costs, as well as estate and inheritance taxes. In addition, the Trust organization is not affected by your death, so you have the peace of mind of knowing that your heirs will not be fighting over those assets upon your death.

Privacy

Walt Disney understood the importance of privacy. The land where Disney World is now built was acquired through Trusts. The anonymity given by the Trusts allowed him to save untold dollars in acquisition costs over what prices would have been if people had known that Disney was going to build there. With a Pure Trust your assets are no longer in your name but in the Trust name; therefore, there is no public record of personal ownership. Additionally, the Trustees have a fiduciary responsibility to keep the business of the Trust organization private. The United States Constitution and a number of Supreme Court decisions ensure the privacy of the books and records of the Pure Trust.

Tax Reduction

"Anyone may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the treasury; there is not even a patriotic duty to increase one's taxes." Judge Learned Hand in Helvering v. Gregory, 69 F.2d 810 (1934).

In a Supreme Court case, Justice George Sutherland stated: "The legal right of a taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means, which the law permits, cannot be doubted." Gregory v. Helvering, 239 U.S. 465, 469 (1934).

As the distinguished judges above stated, it is your right to legally avoid any tax possible. The Pure Trust is an excellent vehicle for legally doing so. In Weeks v Sibley, (D.C.) 269 F. 155, the court stated, "A Pure Trust is not illegal if formed for the express purpose of avoiding taxation." In Volume 47A of Corpus Juris Secundum, Section 394, under the title "Use of Trust for tax avoidance," it states: "The fact that under the Code, a Trust is a separate taxable entity has given rise to the use of Trusts by individual taxpayers to avoid or mitigate the income tax burden on themselves or their beneficiaries."

The 1985 Federal Tax Guide stated the following. "U.S. taxpayers may also use tax havens for tax planning reasons. Some transactions conducted through tax havens have a beneficial tax result for U.S. taxpayers that is completely within the letter of the U.S. tax laws."

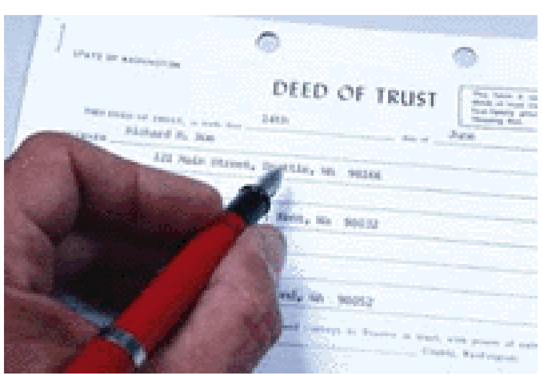
TRUSTS: WHAT ARE THEY?

Black's Law Dictionary defines a Trust as "A right of property, real or personal, held by one party for the benefit of another." That's simple enough: however, there are many different types of Trusts in use today, for a variety of reasons.

The Pure Trust is created under the common law right of contract as guaranteed in Article l, Section 10 of the U.S. Constitution. In Schumann-Heink v. Fulsome, 159 NE 250, 58 AIR 485, the court refers to this when they state the following, referring to common-law Trusts; "(T)hey are created under the common law of contracts and do not depend upon any statute." The Pure Trust's legitimacy has been certified time and time again by the Supreme Court of the United States.

The Pure Trust, is the ultimate in privacy and confidentiality. In terms we all understand, Trusts protect you from:

l. LAWSUITS
2. PROBATE
3. INVASIONS OF YOUR FINANCIAL PRIVACY
4. ESTATE TAXES



Asset Protection Systems cannot be altered in any way by:

l. DEATH
2. INSANITY
3. INCAPACITY
4. BANKRUPTCY
5. and it is not subject to THIRD PARTY LIABILITY.

Trusts can render your assets JUDGMENT proof!

WHY MUST THE PURE TRUST BE IRREVOCABLE?

So that there is no question as to your still owning the Pure Trust property, the Pure Trust must be irrevocable. A revocable Trust is one in which the Settlor can change his mind and cancel the whole transaction, thereby taking back all assets placed into the Trust. Unfortunately, a revocable Trust provides no protection to the estate from future claims against the Settlor. For example, someone sued you for no reason, but due to inexperience, lack of knowledge on your part, or perhaps even incompetent legal advice, a judgment against you is obtained. If you had a revocable Trust, the judgment, regardless of how the judgment was obtained in the first place. Since the purpose of the pure Trust is to preserve and enlarge the estate, you would not want this type of attack to diminish the assets of the pure Trusts.

In addition, if you revoked the Trust and got the assets back, you have gained nothing in probate or income tax savings at all. Even if you die before the Trust expires, in some jurisdictions, the value of the revocable Trust estate is placed in your estate for probate and tax computations. Under federal law, the total value of a revocable Trust is placed in your estate for federal estate tax purposes.

To maximize the benefits of a trust, it should be irrevocable.

WHERE DO TRUSTS COME FROM?

The first known Trust was used by Plato for his university in Greece around 400 BC. Trusts were known in Roman law as well. In England, Trusts were used as early as the 11th century, and by the 15th century, were being enforced by the Courts of Chancery.

WHAT ABOUT HERE IN AMERICA?

The colonists brought Pure Trust organizations to America. The first Pure Trust of record was drafted in 1765, twenty-four years before the adoption of the Constitution, by the famous attorney and patriot, Patrick Henry, for Governor Robert Morris of the Virginia Colony, who was a prominent financier of the American Revolution. The Trust was named "The North American Land Company," and this Pure Trust is still in operation today, over 200 years later.

In 1804, William Bingham, a man reputed to be the richest American when the thirteen colonies won independence, started a Pure Trust for his vast estate. At one time, the Trust owned two million acres in Maine, which it sold about the time of the Civil War. Besides being a very large landowner, Bingham was a Senator from Pennsylvania of the Second United States Congress. The Trustees terminated the Trust in 1964, after some 160 years of operation, because of the multiplication of beneficiaries (*totaling 315*), and the sale of the last properties involved. Throughout the years, the income from property or proceeds from the sale of the land is distributed to the beneficiaries. It was not affected during its period of existence by the death of its creator, or by the death of a beneficiary, or by succeeding Trustees, probate, or death transfer taxes.

MORE PURE TRUST ORGANIZATIONS

Arnold Hoffman, then president of the Mesabi Iron Company, transferred the assets of the company to a Pure Trust. Announcing in the Wall Street Journal on March 13, l961, that the Commissioner of Internal Revenue had ruled that the Trust would not constitute an association of persons taxable as a corporation.

The Mesabi Trust owns the reserves of the famous Mesabi iron deposits, and its shares of beneficial interest are still traded daily on the New York Stock Exchange.

Another example of the Pure Trust used for a family estate is that of the Joseph Kennedy family. Joseph Kennedy, father of the late President John F. Kennedy, originally established a Pure Trust to own the Famous Chicago Merchandise Mart. The Kennedy family is known to maintain several other Pure Trusts for tax shelter purposes as well. One such Trust was reported in the March 22, l947 issue of The Chicago Tribune with the caption. "Kennedy Divides Merchandise Mart." This was a Trust agreement in which Kennedy's wife, Rose F. Kennedy, and a longtime associate, John L. Ford, joined as Trustees of the Trust to distribute the thirty million-dollar Chicago Merchandise Mart among members of the Kennedy family.

William Waldorf Astor created a fifty million-dollar Trust estate by a conveyance to Trustees recorded in New York on August 15, 1919. He saved his heirs several million dollars which otherwise would have gone for probate costs and death taxes, had the estate been distributed by the court instead of by the Trustees.

The Rockefeller family has used various kinds of Trusts as a means of maximizing privacy. Before his death in 1937, John D. Rockefeller tucked much of his fortune into about 70 Trusts for his descendants. The vast web of individual and group funds represents assets of considerably more than one billion dollars. It is believed that Nelson A. Rockefeller reduced his personal holdings by the creation of still more Trusts for his grandchildren and great-grandchildren. It has been reported that there are well over 100 and perhaps 250 individual Rockefeller Trusts by now.

Some persons who claim to have been close to the family of the Texas oil billionaire. H. L. Hunt, estimate that there may be as many as 200 Hunt Family Trusts now in existence. The death of H. L. Hunt did not affect any of these Trust estates, because the family correctly arranged its affairs.

In 1966, Ronald Reagan established a Trust, which has enabled him to receive sizable tax advantages over the years, while maintaining a magnificent living standard.

These are but a few of the many family estates that are preserved, generation after generation through the use of the Pure Trust organization. You too can take advantage of the same opportunities for yourself and your family.

Advantages of Pure Trusts for Privacy and Asset Accumulation

1. The Constitution for these united states of America, and Supreme Court decisions guarantee every aspect of the Pure Trust is lawful and proper.

2. The Pure Trust is inexpensive to establish and can be maintained by you, without an attorney, and involves minimal paperwork.

3. The Pure Trust is lawful in every state and can do business in more that one state at a time.

4. The Pure Trust is a lawful person and can own, buy and sell property and other assets. It can sue and be sued.

5. The Pure Trust can easily change title of your assets, but you may have use of and enjoy the property during your lifetime.

6. To avoid the question of true ownership of the assets, the Pure Trust is irrevocable.

7. The Pure Trust prevents any information about your assets, liabilities and heirs from becoming public.

8. The Pure Trust is ***NEVER*** subject to probate or estate taxes.

9. You can use the Pure Trust to control your tax liability.

10. The Pure Trust has most of the advantage of a Corporation with none of the disadvantages.

11. The Pure Trust can operate anywhere in the world as a lawful business.

12. The Pure Trust has no periodic or accounting to make to any state or government.

13. The Pure Trust has the same Constitutional guarantees as any individual, that is, the right to privacy, freedom from unwarranted search and seizure, to refrain from self-incrimination, and all other rights.

FREQUENTLY ASKED QUESTIONS ABOUT TRUSTS

The following is designed to answer most of the questions that you may have. It is not intended to answer every question, as everyone's situation will be different. The majority of answers in this section will be meant to pertain to the Family Trust only. However, when there is any difference in the way the Management version would be handled, we will point that out.

1. What is a Pure TRUST?

A PURE TRUST is one in which the three parties of the TRUST (*Settlor, First Trustee and Beneficiary*) are, in fact, three separate entities. Most of the time, if a person sets up a Pure Trust or some similar type of Trust, they are led to believe that one person can control AND hold possession of the assets of the Trust. That is not the case. That is considered to be a conflict of interest and can destroy the credibility of the TRUST. To keep with the form of a PURE TRUST, you must have three separate entities (either real or artificial) holding the three different positions.

2. Are the Trusts you provide, Pure TRUST?

Yes, most definitely! All are PURE Contractual TRUSTS called a "Declaration of Trust" They are based on Common Law and recognized by Statute as a Common Law instrument.

3. What is the difference between a Pure TRUST and a Living TRUST?

A Living Trust can be operated by the same person who benefits from the Trust structure. In a PURE TRUST, you can't do that. There has to be a minimum of three entities. The Settlor, the First Trustee and the Beneficiary. The TRUST is setup by the Settlor and the First Trustee for the benefit of the Beneficiary. If it was found that you actually still owned the assets that you were still controlling, anyone could pierce that veil. The whole scenario is as follows:

The Settlor passes property to the Trust organization by way of an "exchange" for Shares of Beneficial Interest called Trust Certificate Units. This allows the newly created Trust to escape having to pay a "gift" tax on receiving the initial assets. After that, anyone can donate, gift, will or sell assets to the TRUST. It is at that time, that you, the Trustee (or General Trust Manager), decide to transfer your possessions into the Trust organization.

Living Trusts *do not provide protection against lawsuit or government asset seizures*, neither does it have any tax saving benefits, since it is revocable and deemed a Grantor Trust under the Internal Revenue Code; thus, the Grantor is taxed personally on all the Trust's income. The Pure Trust is irrevocable. In a Pure Trust the Grantor completely relinquishes ownership; thus the Trust offers full liability protection and tax savings.

Living Trusts are governed by statute law in the state where they are set up. The Pure Trust is a contract and, as such, is governed by Common Law, and protected under the Constitution for the united states of America.

Most Living Trusts do not qualify as contracts for the following reasons:

- A. Usually there is not two different parties. One party is usually the Grantor and the Trustee. Therefore, there is no "contract" between two different parties in the sense of the constitutional meaning. Also the government generally recognizes husband and wife as one entity.
- B. Living Trusts are revocable; thus the Grantor never gives up control over the assets, and the Trust lacks consideration between the parties.

A Pure Trust qualifies as a contract for the following reasons:

- A. There is an offer and acceptance between two or more parties who are legal age and competent.
- B. There is a consideration paid between the parties, including a legal object.
- C. There is a termination date, but the Pure Trust can be renewed indefinitely.

4. What makes your TRUST such a powerful instrument?

The Pure Trust is a Common Law "identity" *(lawful person)*, based on the unlimited right to contract, established in Equity, and not dependent upon statutory jurisdiction.

The main reason they are so powerful, is that they are written under Common Law as a PURE TRUST. There is no other structure that exists in the Country that is more powerful and more flexible for business purposes, that is written under Common Law. Most states do have a Statute that will recognize a Common Law document.

5. Are the Trusts usable in any State or Country?

Yes. You can operate under the control of U.S. Common Law. If you wish to establish jurisdiction under any other State, Province or Country, simply change the situs address by appropriate Minute.

6. Do I become more vulnerable if I operate them in another State or Country from where the Trusts are situs?

No, not at all. The TRUST jurisdiction is what controls how the TRUST is treated. It's the same as when you sign a contract with a company and they tell you in the fine print that their State's law takes precedence over any legal matter that may develop. They are simply stating the jurisdictional properties of that contract. Remember, this TRUST is ALSO a contract.

7. Are the TRUSTS written under Common law or Statute law?

They are written under Common Law with no preference to jurisdiction of Statute Law. There are some Statutes mentioned that give it guidelines but no jurisdiction. The TRUSTS specifically mentions that certain Statutes are only applicable if they allow the TRUST to remain under the jurisdiction of Common Law.

8. Is it advantageous to have it established in certain states?

It makes no difference what state it is established in, as long as that state recognizes a Common Law document as being valid. Even if your state does not recognize a Common Law document as being a legitimate form of conducting business, doesn't mean the Trust is not valid. For a Common Law Contract to become valid, does not mean that it has to be recognized or approved by a statute. Look up the Statutes in your state. They should state something to the effect that a Common Law document is allowed to exist and function within that state. The Trust document we have establishes a "Declaration of Trust" which is a Contractual Agreement or a PURE TRUST.

9. What is the situs?

The "situs" is the dominating or controlling address that sets the jurisdiction of the TRUST. You can change the situs, if you wish the jurisdiction to be set in another State, Country or Territory.

10. May I change the situs?

Yes, you are free to move the situs to any location you choose. You must only document it through appropriate Minutes.

11. Can I change the mailing address?

Yes, you can change the mailing address to any address in any state or Country that you prefer. Just do so with the appropriate minutes. Some people prefer to only change the mailing address and leave the Situs address. That is okay, too.

12. Can the TRUST operate a business?

Yes, the Management version is obviously written to accept any new or existing business. The Family version, however, strictly prohibits any NEW business startups. Both Trusts are separate entities and can own and operate a business on their own.

The simplest way for a Trust to generate income is for the Trust to own business property and lease that property to individuals who use it in their business. This avoids the headaches of employer-employee confrontations, business-related taxes, business-related liabilities, and the like. However, if it is so desired, a Trust can operate the business itself, or several businesses for that matter.

If operating a business with a Trust structure is desired, it would be wisest for the primary Trust to set up a second Trust just for the purpose of running that business. The primary Trust could hold all of the certificate units of the second Trust. The reason for a second Trust is the same as for setting up a Corporation to run a business, i.e.; it limits the liability of those operating the business to the assets of that business. The primary Trust would be liable for the debts and the liabilities of that business. For the same reasons, if more than one business is desired, there should be a Trust for each business. There is no limit to where a Trust can conduct its business. It can do business in any and all states regardless of its domicile.

13. What is the main difference between the Family, Banking and the Management versions of the Trusts?

The main difference being that the Banking version can help you to deal with some peculiar banking policies. This means The Banking Trust allows you to go to your favorite bank and open an account in the Trust name. The Management Trust is for handling your personal business and to act as an intermediary between your Banking and your Family Trust. The Family Trust is for managing your

personal assets (Home, car, daily purchases etc....) which can then be placed in Holding Trusts.

14. How Can I Protect my business assets from financial disaster?

Set up a TRUST right away! No kidding! As long as you are not operating under the protection of a TRUST, you are so vulnerable to so many things, it's scary. Just a frivolous lawsuit alone could wipe out the best of independent entrepreneurs. Don't delay to long without doing something. GET PROTECTION! That's the bottom line!

15. What is required for the Banking TRUST to open an account?

Some people have been fortunate enough to be able to open the account without either a social security number or an EIN. You might be able to get by using a substitute form for W-8, which is for entities that don't have a social security number, or an EIN. More than likely, though, you'll need an EIN to open the bank account. Some banks will want to treat a Trust like a Corporation when they hear the word "Trust". For others, it makes no difference what kind it is, they will treat it like a business. Then again, if you look hard enough, you'll find the bank that treats all Trusts like a non-personal account. They won't need to look at the document at all. They'll just ask you to sign an "affidavit" stating that you are the Trustee and that you have the right to open this account. They may even state that you must have a "Successor-Trustee" named in the Trust, which your document suggests anyway. Our suggestion is to talk to the banks NOW. That way, once you find the ones that don't need to SEE your handiwork, you're free to put what you need in the document without fear of deceiving anyone. Plus, the money you'll save in filing fees alone will more than pay for this TRUST System.

16. What if I get sued? What happens to the TRUST assets?

Nothing. Since you do not own the assets placed into the Trust, and they are instead owned by the Trust, any lawsuits against you cannot affect the Trust. However, if possible, *you must establish the Trust before you get into legal difficulties!*

The TRUST assets belong to the TRUST. Your assets belong to you. If someone sues you, they can not get what is owned by the TRUST. If you have already passed ownership of your assets to the TRUST, then no one can get at them if they are suing you, the individual.

17. Can Creditors of the Trustee get to TRUST property?

Again, if the TRUST holds ownership to certain assets, those assets belong to the TRUST and not to any of the Trustees, individually. The Pure Trust is never liable for the personal debts of Trustees. While the Trust holds title to the assets, you exercise complete, practical control over the assets.

18. Can the TRUST be sued?

Of course it can. It is a legal entity all by itself. The only liability the TRUST has is its assets. If the TRUST has limited assets, you have no worries. If it was to lose a lawsuit and have a judgment filed against it, the only thing they should be able to get is the current assets of *that* TRUST. The trick here is to limit how many assets you place into a given Trust. Persons with more assets should consider setting up more than one Trust. Since this Trust System would already be paid for, there are really no additional expenses for you to worry about in setting up two or ten more different Trusts. This Program gives you the authority to set up as many Trusts as you need, so long as they are for you only. You may not, however, use your Program to set up a Trust for someone else and you may not resell this information, either directly or indirectly. Remember this is a copyrighted computer program licensed to the purchaser only under the agreed license agreement.

19. Can the TRUST sue others as well?

Yes! If someone has wronged the well being of the TRUST, the TRUST can sue in court for damages it feels are justified. If I was to authorize a TRUST to sue someone, I would first transfer some of the assets OUT OF THE TRUST NAME in case they COUNTER SUED.

20. What if I should go bankrupt?

As a Trustee, you going bankrupt will have no effect on the assets of the TRUST because you do not own those assets. John King placed roughly $240 million in a Trust for his family, and later went bankrupt with over $40 million in creditor claims. The court ruled that his Trust did not have to pay any of the claims, and it kept the entire $240 million intact for his family. John King maintained a magnificent living standard throughout his bankruptcy.

21. What if I should get a divorce?

A divorce has no effect on the assets of the TRUST. Again, those assets are owned by a third entity, the TRUST, and not one of the parties involved in the divorce. One thing to note is that once assets are transferred to the TRUST, neither party has any marital rights to those assets in the event of a divorce. Trust property cannot properly be part of a property settlement.

If the divorce is a "friendly" one and both spouses want to keep the Trust, the Trust can continue in the same manner as it always did. If the two spouses do not want to remain co-managers of the same Trust, than another Trust can be created, and part of the property transferred into the second Trust. This way, each spouse would manage a separate Trust without interference from the other spouse. If no agreement can be reached, than the assets of the Trust can be transferred according to the separation agreement and each spouse can go his or her separate way.

If you feel there may be a problem with an upcoming divorce, it's best to resolve the custody problems first, before considering a TRUST for family matters.

22. Can the TRUST be used as an alternative to a prenuptial agreement?

Yes. The party that would be interested in protecting their interest, would form the TRUST and place their assets into it before committing to marriage. That way, no dispute can arise later because the assets did not belong to the individual the day they were married.

23. If a TRUST is so good, why doesn't everyone use one?

Trusts have been in use for centuries. The super rich use Trusts all the time to preserve their assets and let them accumulate. Of course they do not advertise their secrets: thus their strategies, for the most part, remain private and exclusive. Most attorneys will not inform you about Trusts either, because of their lucrative probate business. Norman Dacey, in his book, How to Avoid Probate, stated, "*I would put the proportion of attorneys who know about and recommend Trusts at less than 1%.*" Despite this effort of suppression, more and more people are becoming aware of Trusts and benefiting from their usage.

Truth is, not everybody can operate one. It takes a small degree of finesse and business savvy to understand and remain under the protection of a TRUST. The average person will not want to devote the time or the patience to grasp the knowledge and understanding they need in order to work through a TRUST. Sometimes, there are no clear-cut rules concerning Trusts. It may involve legal matters and rulings, etc. at times. It's clear, though, that those people who take more chances, end up with more in the end. It's like anything else worth having; The average person won't do it or take the time. Ever heard of the 80/20 rule? If you have, you know what I mean. If you haven't heard of the 80/20 rule, it basically means that 80% of the people are doing the "average" task at hand while the other 20% are taking risks and achieving the top incomes of the country. This rule can be applied to almost ANY scenario in this world. The fact is that the average person won't take the time, nor do they have a compelling reason to take the time to learn more about Trusts.

Now, obviously, you're not average or you wouldn't be reading this information. You've gone through considerable time and research to get this far in your understanding of Trusts and you're serious about wanting to understand all you can. YOU are the 20%. YOU are the EXCEPTION! Regardless of whether you pursue this program or not, you WILL become successful because you are part of the 20%.

24. Where does the TRUST get its name?

You are free to choose any name you wish. Most people use a name that partially describes what they are doing or they simply use a name of a city or location and add the extension "Holding Trust" or "Management Trust" "Family Trust" etc.... You MAY NOT, however, use one that sounds like a banking or lending institution. Common sense also tells you to stay away from names that could be confused with those that are already protected by a Trademark, Patent or Copyright.

25. Who places assets into the TRUST?

Anyone may, according to the bylaws, donate, will, sell to, or give to the TRUST, any assets they choose, once the Trust is already formed. This is how YOU transfer YOUR assets into the Trust. After the Trust is established by the Settlor and First Trustee, anyone can place additional assets into the Trust organization.

Now, there's a number of ways to accomplish this and we will describe a couple of obvious choices. The rest is up to your own creativity and experience.

- A. You can "gift" the assets into the Trust. This will probably mean that the Trust MAY be subject to a gift tax on those assets. It just depends on your filing preferences.
- B. You can "sell" the assets to the Trust for fair market value. If there is not enough money in the Trust to "purchase" these assets from you, the Trust can "borrow" the money from someone. They could even borrow from YOU, the Trustee or Trust Manager. By doing this, YOU would ALSO have the unique position of having a FIRST LIEN against ALL the Trust assets.

The rest of the ideas are up to you. Get creative. Use other Trusts to loan the money. Use other Trusts to hold the lien, etc. There are many scenarios possible.

26. Who can be the Trustee?

Anyone! Most people choose to be their own First Trustee. The one who contracts initially with the Settlor to donate assets to the TRUST organization for the benefit of the beneficiary(ies). This will give you some control over what happens to the Trust assets. If you choose not to be the First Trustee, you may contract with the appointed First Trustee for you to be the Trust Manager. The daily operational duties are usually delegated to the Trust Manager.

27. Who can be the Settlor?

The Settlor should be someone neutral, whether it be a friend, associate or partner. Someone, obviously, that you Trust considerably. Even though they won't have any day-to-day duties of maintaining the TRUST, they have the initial input as to who the beneficiaries should be. It is the Settlor's wishes that the Trust is contracted to carry out. The Settlor will be someone that signs the initial settlement papers (the original document) and then steps out of the picture for the most part. The Settlor gives up total ownership of the initial assets placed into the Trust (set up as $100 cash initially), and gives up any right to change the contract because it is an IRREVOCABLE Trust.

28. Who and what is the Protector?

The Protector protects the interest of the Beneficiary(ies). The Protector is the person who watches over the manner in which the Trust organization is administered. If for any reason the Protector does not think the Board of Trustees, or an individual Trustee, is operating for and in the best interest of the Trust Certificate Unit Holders, then the Protector can dismiss, fire, and terminate the Board of Trustees, or any individual Trustee, and appoint a new Trustee in their place. This decision is based upon the Protector's discretion. It must be in writing and recorded in the official record of the Trust organization.

29. Who and what is the 1st Secretary?

The 1st Secretary is the recording secretary for the Board of Trustees and the Trust Organization. The 1st Secretary records the minutes of the Board of Trustees meetings and does not have a vote on the Board. The most important aspect of the 1st Secretary's position in the Freedom Trust Group Asset Protection Systems, is the 1st Secretary's right of approval to the correctness of the minutes before entering them as part of the official record of the Trust organization. There is a place on the minutes for the 1st Secretary to sign showing approval and recording.

The 1st secretary position is usually filled by the General Trust Manager, but this position can be held by anyone. If the position is not held by the General Trust Manager then careful consideration must be made as to who will be the 1st Secretary, because of the right of approval to the correctness of the minutes.

30. Who can be the Beneficiary(ies)?

If it were me, I would set up my children as beneficiaries. If you don't have children, use a brother, sister, niece or nephew, etc. that you can work with directly to support the credibility of the TRUST. If you don't know who to place as beneficiary, use the same person that you would use as heir in your will even if it's a charity. There's got to be someone that you would want to leave everything to in the event of your death.

31. Can artificial entities hold the positions of Settlor, Trustee and/or Beneficiary?

Yes! Any legal entity such as a Corporation, Charitable Organization, Limited Partnership or even another Trust can hold the position of either the Settlor, Trustee or Beneficiary. This is a tactic used when a person wishes to create multiple layers of protection by establishing more than one Trust. They'll create a host of entities that are all connected in various ways.

32. What is a Grantor and do I need one for the TRUST?

You will not be using the title "Grantor" in this TRUST. A Grantor is someone that donates assets to a Trust and then still remains in control of them. Contrast that with this situation. We have a Settlor that donates the property or assets and then relinquishes control over to someone else. This is the procedure of a PURE TRUST.

33. What is a TRUST Certificate Unit and TCU Holder?

A Trust Certificate Unit (TCU) is a similar to a stock in that it represents beneficial interest to an asset or group of assets. A TRUST has one hundred (100) TCUs issued. No more and no less at any time. If there is one beneficiary, he/she will be issued 100 TCUs. There are generally four beneficiaries. The Settlor designates exactly how the TCUs are divided.

The TCUs are what the Settlor receives when he "transfers" his assets (the initial $100 cash) to the Trust. He exchanges his assets for TCUs. He then directs the issuance of the TCUs to the assigned Beneficiaries in a separate letter attached to the Trust document (included with the Trust System).

A Trust Certificate is a legal document, signed by the Trustee and held by a Beneficiary, which expresses the extent to which he is Beneficiary of a particular Trust.

Pure Trusts have One Hundred (100) Trust Certificate Units (TCU's), that may be divided to accommodate up to 400 beneficiaries. For example:

10 Trust Certificate Units - Your Church
40 Trust Certificate Units - Your Son
40 Trust Certificate Units - Your Daughter
5 1/4 Trust Certificate Units - Grandson #1
4 3/4 Trust Certificate Units - Grandson #2

Trust Certificate Unit Holders, (the Beneficiaries), have no vote or power in the operation of the Trust, but have the right to receive distributions of money or property from the Trust.

34. Who can and cannot, be a TRUST Certificate Unit Holder?

Cannot be TCU Holder:

Protector, Trustee or any officer thereof.

Can be TCU Holder:

Anyone or any organization you desire (Yes, a Trust can be a TCU holder.)

35. Is there a need for a will if everything is in a TRUST?

No, not really. The Trust Organization is all an estate needs to direct the proper distribution of profit and assets. There is no probate, no inheritance tax, no gift tax, no tax period. The TRUST is all an estate needs to direct the proper distribution of profit and assets. You've already transferred ownership of your assets to the TRUST. Now, it's just a matter of who controls those assets. The one thing you want to keep current is the SUCCESSOR-TRUSTEE that will take over the control of the assets upon YOUR death. The Trust will remain intact and undisturbed, but control will pass to someone else that YOU designate NOW, at the time of setting up the Trust.

36. How do my heirs take over upon my death?

If your heirs are the beneficiary of the TRUST, there is no change needed. The Successor- Trustee takes over the control of the assets and they conduct business as usual. If your heirs were not the beneficiaries at the time of your death, and would like to be afterwards, the present beneficiaries need to relinquish their position and have it cleared by the Trustees. If your heirs simply want to CONTROL the assets like you did before your death, you need to make sure their name is established as "Successor Trustee" in the appropriate Minutes. That way, in the event of your death, they automatically take over your position as First Trustee.

37. Is this considered *my* TRUST?

PLEASE, DON'T EVER SAY THAT!!! You are in control of the TRUST if you are the First Trustee but it is NOT YOUR TRUST! It is not the Beneficiaries' Trust either. The whole purpose of the TRUST is to set something up for the benefit of the Beneficiaries. You can say that you "manage a Family Trust" or you "manage a Business Trust", but you should never imply or say that it is YOUR TRUST. In fact, it is not the Beneficiaries' assets either until they are distributed to them upon termination of the Trust or some early distribution as allowed in the Trust Indenture and Bylaws.

You have to be VERY CAREFUL with the wording you choose when dealing with a Trust because there are many people trying to trip you up, mainly the IRS. They may ask questions as to who owns the Trust. NO ONE OWNS THE TRUST! The Trust is a separate entity set up for the benefit of the Beneficiaries who do not have a vested interest in the assets yet. Only the Board of Trustees has a vested interest in the assets, and yet, the assets DO NOT FORM A PART OF THEIR OWN ESTATE! It is totally separate!

38. Do I still own the assets in the TRUST?

No. You will have transferred ownership of the assets to the TRUST, which is "controlled" by you. Your "use" of the assets (i.e. cars, house, etc.) can be considered as partial payment for your services as First Trustee. In fact, you should adopt a Minute that says exactly that. Once you transfer your assets into the Trust, you should adopt an appropriate Minute that gives the First Trustee limited use of those assets as partial payment for his services.

39. Does the TRUST pay for my personal things?

No. The Trust is established to take care of the Beneficiaries. You can spend Trust assets on them without any problem. However, if you want to pay for things for yourself with Trust assets, you must first earn a salary or commission fee. Then you can cash the check and buy what you need. Or you can simply make a Trust check payable to "cash" and cash it. Then you can buy what you need. Just be careful not to pay directly, to yourself, with TRUST funds, without proper documentation, for things that go "on" or "in" you. That's the best rule of thumb to use.

40. Does the TRUST need an EIN?

If you don't need an EIN, don't apply for one. In business dealings, it may be a little tough to avoid, though. You'll have things like payroll accounts, resale numbers and checking accounts that you'll need the EIN for. Actually, there's a plus side to the Trust having it's own EIN. It clearly establishes the TRUST as a separate entity. Just always pay very close attention to how your daily business activities affect the TRUST assets and their relationship toward the IRS. A Banking or Management Trust would be the ones requiring an EIN Number.

41. How do I keep minutes for the TRUST?

It is very simple. You document any transaction that takes place, i.e. selling an automobile, buying a piece of real estate, opening a business, etc. You don't have to detail every aspect of each day's activity when running a business. Just the major decisions that are made with assets, debts, etc. Did you apply for a loan, buy new equipment, etc.?

42. Can I form more than one TRUST with Freedom Trust Group's Asset Protection System?

Yes, you may form as many Trusts as you wish, ***for yourself only***. This helps when dividing up assets to limit one's liability from exposure. Persons who have more than one home or automobile usually elect to put each one into a different TRUST. If they should become involved in a lawsuit from a homeowner's accident (someone gets hurt on their property), or if they are involved in a car accident, the most they stand to lose is what is in that particular TRUST.

You may not, however, use your Trust Software to set up a Trust for someone else.

43. How do I transfer ownership of automobiles and houses to the TRUST?

Automobiles are a little different in each State. However, the basics are that you don't want to show a sale to the TRUST (to save on the minimum sales tax imposed by most states). Most States will get you for a minimum amount of sales tax, regardless of the sale price. What you want to do is go to the office that handles vehicle registrations and "add" another owner's name to the title (the name of the Trust you created). Then, about 30-45 days later (you're just waiting for all the paperwork to go through at the State

office.), go down there again and "remove" an owner's name (your name) from the same title (leaving the TRUST as sole owner). This seems to work best. The actual procedure may vary from State to State.

For homes and other real property, the procedure is basically the same with one exception. You may be able to add the TRUST name to the deed but you won't be able to remove your personal name from the actual "note". If the property is paid for, this won't be a problem. Actually it's not a problem either way. As long as the TRUST shows ownership. You can "quit claim" your ownership to the TRUST and still remain liable for the "note". That's fine because everyone would understand that YOU made the contract with the bank for the "note" and the TRUST did not.

44. How do I list my insurance for the cars and house?

As long as the items are owned by the TRUST, the insurance company will not have a problem listing the TRUST as policyholder. Remember, this is NOT some mysterious thing you are doing. It is only unfamiliar to you at the moment. You have to start thinking of this TRUST as a living and breathing entity. It is very real and has almost as many rights as you do. Just pretend it's a living being and you'll understand its role more easily.

45. Does a Trust have to be recorded?

Generally, a Trust is not registered with any jurisdiction. A Trust is a private arrangement. Normally, there is no filing requirement for accounting reports to any agency. On the contrary, there is no access provided to the activities of the Trustee except as arranged by the parties or through the courts, and that is not easy. The only time when recording of the Trust is necessary is when the Trust is holding real or Chattel property, such as a house, car or boat. Things that require a deed or title that is recorded. The general rule of thumb is that if the item going into the Trust requires filing then the Trust should be recorded as well. A holding Trust is generally used for this operation.

46. What about income taxes? Does the TRUST pay income taxes?

This is a discussion that could take days and still not answer everybody's questions as a whole. Individual tax situations vary from TRUST to TRUST just as they do from one person to another. There are basically two main choices to make:

1. You can file a 1041 form every year with the IRS like a statutory Trust (It is NOT a statutory Trust).
2. You can claim the status of an Unincorporated Business Trust Organization, which it is, and not file the voluntary assessment each year with the IRS. In the Constitution, you are granted the God-given right to contract with another person for business without being taxed on a "right" (Only "privileges" can be taxed anyway, "rights" cannot). Since wages earned are not considered "income," you would not be "liable" for any taxation.

We makes no claims whatsoever as to how YOU should handle your tax situation for yourself or for any Trust. That is something you need to discuss with your tax advisors.

47. Doesn’t the IRS attack Trusts?

The Internal Revenue Service is a collection agency for the Federal Reserve Bank, and the International bankers. As a collection agency, it attempts to collect as much as possible from so called taxpayers. The IRS constantly tries to discourage people from doing anything that will save their tax dollars. The more you pay, the better it is for the IRS. However, there is nothing immoral or illegal about paying as little as the law allows you to pay in taxes.

A Judge highly respected for his legal opinions and often quoted, Judge Learned Hand, had this to say, in the case of Helvering v. Gregory, 69F.2d 809: "*Anyone may arrange his affairs so that his taxes shall be as low as possible; he is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one’s taxes. Over and over again the Courts have said that there is nothing sinister in so arranging affairs as to keep taxes as low as possible. Everyone does it, rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands*."

48. How can I protect my family from financial disaster?

By acting now! Timely action, *before you have a problem* is the most important ingredient for successful asset protection planning. There are some things that can be done if a problem already exists: however, depending upon the problem, the longer you put off doing something, the options become more and more limited.

49. How many Trusts will I have with Freedom Trust Group's Asset Protection Systems?

You have up to five different types of Trust: Family, Management, Offshore, Banking and Holding. You may write an unlimited amount of all five Trusts.

50. What about Property that is Encumbered?

To create protection for property: that is presently encumbered. Encumber it to your benefit, with another mortgage or Trust Deed from another Trust (which you control or benefit from). Further encumbering of the property may be done through a third Party or another "Trust Estate" for which you are the General Manager.

Make the total encumbrance on each property within its current market value. Then, in reality there is no beneficial interest or equity left in the property and no incentive for a bank or the IRS to try and auction the property . All encumbrances must be paid off first.

51. What About Refinancing?

Real Property can easily be refinanced while it is in an IRREVOCABLE TRUST. Lending institutions do it all the time either *refinance it while in Trust. or take out of Trust for two days. refinance it and put it back into the Trust Estate. The lending Institutions are aware that this is being done.*

IN A TRUST AN INDIVIDUAL GIVES UP OWNERSHIP BUT *RETAINS CONTROL*!

The richest and most economically sophisticated people in America own absolutely nothing but control vast amounts of wealth and property through Common Law Pure Trusts!

A Trust is defined as "**a right of property** held by one party for the benefit of another." Americans have the unlimited freedom to hold, transfer, sell, give away or dispose of their property in any manner they desire. It is neither immoral, unethical nor unlawful to provide your property with maximum protection against potential creditors. In fact, you have a moral obligation to yourself and your family to preserve what you have worked a lifetime to obtain. The **PURE TRUST provides** a lawful method of relinquishing ownership, and its inherent liabilities, while maintaining use or control of the property. This is accomplished by transferring the property into properly created and executed Pure Trusts, in exchange for valuable consideration, such as Trust Certificates.

A Pure Trust is "created" and given life, through Contract of Trust. This contract is referred to as the "**INSTRUMENT.**" The Pure Trust is a **"JURISTIC PERSON"** which is a "person recognized by law." Both Trusts and corporations are juristic persons. People are "natural persons." A Contract of Pure Trust is formed by a **"CREATOR"** (The "EXCHANGER") then exchanges property for **"TRUST CERTIFICATES"** Which have **CONTINGENT FUTURE VALUE.** These certificates may either be retained by the exchanger or issued to Trust Certificate Holders of the Exchanger's choice. A Pure Trust is controlled by one or more Trustees, "for the benefit of one or an unlimited number of **"BENEFICIARIES"** The **"CORPUS"** of a Trust consists of all property held within the Trust. The **BENEFICIARIES** of the Trust are the **"TRUST CERTIFICATES HOLDERS."** A beneficiary has no control of the Trust, and the Trustees can only act in the best interests of the beneficiaries.

The "Trust Estate" is **IRREVOCABLE**. This is not as intimidating as it sounds. You can still do anything with the assets of the "Trust Estate" that you could if you were a sole proprietorship. You can buy, sell or transfer property into and out of the Trust Estate. You merely cannot demand that a property be titled back in your own name. (*neither can the creditor!*) Transferring property into a Contract of

Trust is as simple as transferring it to your best friend. The Pure Trust has been one of the best-kept secrets of the richest families in America for centuries! Not only does it provide the ultimate asset protection, it provides significant tax benefits.

"A PURE TRUST IS NOT ILLEGAL IF FORMED FOR THE EXPRESS PURPOSE OF AVOIDING TAXATION."
Weeks v. Sibley D.C. 269 F.155 Edwards v. Commissioner, 415 f2d 578. 582 10th Cir. (1969)

DEPARTMENT OF TREASURY, IRS, HANDBOOK FOR SPECIAL AGENTS §412; *Tax Avoidance Distinguished from Evasion "Avoidance of taxes is not a criminal offense. Any attempt to reduce, avoid, minimize, or alleviate taxes by legitimate means is permissible...."*

*" Anyone may arrange his affairs so that his taxes shall be as low as possible: he is not bound to choose that pattern which best pays the Treasury. There is **NOT EVEN A PATRIOTIC DUTY TO INCREASE ONES TAXES... NOBODY OWES ANY PUBLIC DUTY TO PAY MORE THAN THE LAW DEMANDS**."*
HELVERING V. GREGORY. 69F. 2 D 809

How to Answer Questions Regarding a "Trust Estate"

If the IRS, a creditor, an attorney or anyone should have any inquiries about the "Trust Estate". DO NOT divulge any information. A Trust is treated as an individual in law, and not a corporation that receives its power from a legislative body. You are, therefore, protected with all Constitutional Rights including but not limited to, the 5th Amendment of the Constitution for the United States which guarantees that people cannot be forced to testify against themselves.

You can say, "I *am not the owner. the owner is on public record, contact them if you have any questions. If you have any further questions of me. put them in writing and sign it."* DO NOT say anymore. even if you are threatened DO NOT BE INTIMIDATED. A creditor or the IRS, cannot break a trust. Only a properly constituted article III Judge can, if fraud or criminal intent can be shown.

If one is to enjoy the benefits of a "*Trust Estate*", then, NEVER say (or even think), "I *have a Trust" or "My property was transferred to my Trust".* The words "*have*" and "*my*" implies ownership and possession. Remember, you manage, control or benefit from the property, but you do not "*own*" it. This alleviates all the multiple potential liabilities that come from "*ownership*", but still leaves you with the benefits!

REMEMBER: YOU ARE NOT THE OWNER OF A "TRUST ESTATE."
YOU ARE, MERELY A MANAGER,
THE TRUSTEE OR A TRUST CERTIFICATE HOLDER!

HOW TO TRANSFER INTO A "TRUST ESTATE"

Transferring or exchanging assets into a "*Trust Estate*" is as simple as transferring property to another individual or to a business. In reality, you are merely **exchanging** property for Trust Certificates (with no immediately determinable fair market value) or you can sell or gift the asset to the Trust.

Nature of Holding of Title

IMPORTANT NOTE: *Although the name the Title is transferred to is the name of the "Trust Estate." In law, for the transfer to be legal, the property is actually transferred to the "Trustee(s)," doing business as, the "Trust Estate" (The Trustee's name does not, however, appear on the Title). It is not necessary to register a DBA or Fictitious Name Statement. The Contract of Trust defines the nature of the transfer of Title. Simply put, the name of the "Trust Estate" is a "fictitious name" of the Trustee(s).*

Transferring (Exchanging) IRAs. Stocks. Bonds, Annuities. etc....

Stocks and bonds can be held by you as an **assignee** for the "*Trust Estate*". You can also exchange such assets as IRA's and tax deferred annuities for Capital Certificates without first cashing them out and paying the taxes. Use the Minutes of the "Trust Estate" to accomplish the exchange. County recording is not necessary.

Transferring (Exchanging) a non-encumbered Vehicle

It there is no lien on a vehicle. take the title and registration to the Motor Vehicle Department and transfer the vehicle into the "Trust Estate name". You make the transfer in the same manner as if you were selling your vehicle to a business. Just have the General Manager or Trustee sign on behalf of the "Trust Estate." Typically, the cost for this is minimal. Some states require verification of insurance at the time of registration. If you have acquired considerable equity in the vehicle. A "Trust Estate" may file a lien to protect that equity (i.e. A Common Law Lien or a Mechanic's Lien against the vehicles)

A "Trust Estate" is actually recognized as an individual in law, and NOT a **separate artificial entity** such as a corporation. This is why the "Trust Estate" has endowed Constitutional Rights but the Corporation does not. The protection of the trust property is provided by infringable Contractual divisions of titles, rights, benefits and contractual restrictions, protections and immunities.

Transferring Insurance

For **car insurance,** *request the agent to insure the General Managers as the driver of a vehicle. Just as if he or she were driving a car which is rented.* This should eliminate having to secure commercial insurance. For life insurance, *advise the insurance agent to change the beneficiary, on personal polices to the "Trust Estate."*

Transferring (Exchanging) Real Property

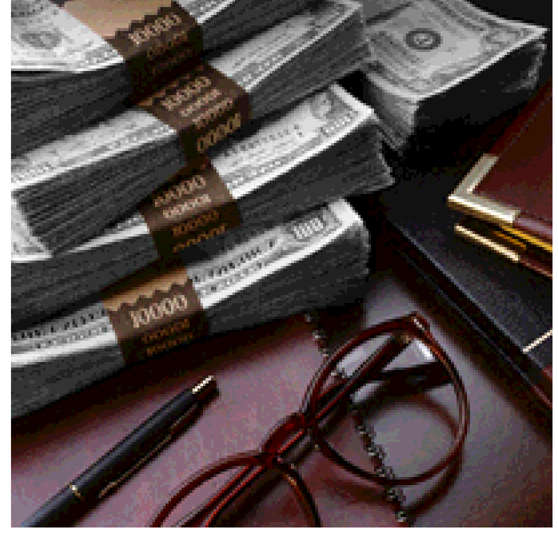
In order to exchange the title of a home and other real property from an individual owner to a "Trust Estate", fill out and sign a deed. There are two forms. one of which is a **Quick Claim Deed.** which is the simplest but lowest form of transfer. There is also a **Warranty Deed,** which is the only deed that holds the highest assurance of title.

Fill in the appropriate information on the form, have it notarized by signing it before a notary public. A deed needs only to be signed by the Exchanger. The one exchanging the property. It does not have to be signed by the Trustee. The one to whom the property is being granted (*the "Trust Estate*"). Record the deed by taking it to the office of the County Clerk, County Recorder or whatever office records property transfers in the county. There Maybe a minimal filing fee required to be paid in advance. You may either have the new Title mailed to the Trustee or personally pick it up.

Some offices of the County Recorder may require an Affidavit of Property Value Form or something similar to be filled out. The reason they give for needing this information. is that the assessors use the data to develop tables and schedules for the uniform evaluation of properties based on fair market value. This form typically allows for an exemption of the filing fee, which maybe just a few dollars. It should not be necessary to fill out the form at all. *all that is needed, is to read the document, find the section that relates to the fact that this is a "transfer of title" from a person to a Trustee. With only nominal consideration therefore (or similar wording) and indicate that reference number on the face of the deed before filing.*

How to Establish a Bank Account for the "Trust Estate"

A separate bank checking account may be opened and retained for the "Trust Estate"' This will afford access to funds but will provide privacy. The assigned Trust Identification Number [TIN] may be used as an identification number instead of a Social Security number since the account does not belong to the individual. If the bank refuses to accept the assigned identification number, it may be necessary to obtain a "banking only" identification number. File the SS-4 only as a last resort.



It would be best to select a bank where the General Manager or Trustee does not have an existing account. The Social Security number may be on file and a bank clerk may inadvertently connect the Contractual Business Organization with the Social Security number of the General Manager.

You may want to interview the bank before opening an account. Ask to speak to the Manager. Ask him or her if their bank opens noninterest bearing Trust Accounts. If they question you, state that it's a family trust. If they open these types of accounts.(*most banks do*) make an appointment with this person. Ask what he or she needs you to bring with you. Walk into the bank with a friendly attitude. The typical opening amount is $100.00. Certain questions will likely be asked. Such as; "Is this your Trust?" The answer is "NO. I AM JUST THE GENERAL MANAGER (*or Trustee*) ."

If there is to be more than one signature, request that a signature card be taken so that the additional signers may sign it.

When asked for ID (*the bank needs to know that the person opening the account is in fact the person named in the Trust document*), show them a driver's license. A passport or another picture ID can also be used for identification. The bank may want your social security number for the purpose of verifying that

you do not have outstanding liabilities at other banks. Before you give them your number, get a commitment from them, that it will not be used in conjunction with the Trust Account.

Checks may be ordered at the choice of the General Manager. Do NOT have a personal name imprinted on the checks, just the "Trust Estate's" name. For purposes of continued privacy, use a post office box number as the mailing address (*private is best*), and do NOT have a phone number imprinted. Do NOT start with check #1. Start with a higher number such as 1000. It is also a good idea to have the words "General Manager" printed above or below the signature line of the checks. Most banks are very willing to accept money and open an account! Remember, bank clerks are instructed to follow certain procedures and may not be familiar with the procedures of opening this type of account. Show patience.

Do *NOT* Co-Mingle Funds

An attacking creditor may attempt to pierce the "Trust Estate" veil by trying to show that you, as an individual, and the "Trust Estate" are an alter ego. If you use the "Trust Estate" funds and associate them with an account in your personal name or pay personal bills from the account, that is also co-mingling. Co-mingling can be described by the following examples:

1. If you deposit any salary or paycheck made out in your name into the "Trust Estate", that is co-mingling. If you want the money to end up in the "Trust Estate." the check which you deposit should be made out in the name of the "Trust Estate." If you deposit a check from the "Trust Estate" into an account in your name, unless such check is your contracted salary as a General Manager or Trustee, that is co-mingling.

2. If you take cash out of the "Trust Estate" (*and it is not salary dividends, or a loan*) and spend it on yourself, that is co-mingling. It is suggested that you keep a set of accounting books showing what the cash was used for (*such as a loan*), for "Trust Estate" purposes. If you buy an object with funds from the "Trust Estate" (*and it is not salary, dividends or a loan*) and then you record personal title to that object (*such as an automobile or real estate*), that is co-mingling. However, if you buy an object from "Trust Estate" funds and record the object in the "Trust Estate" name, that is NOT co-mingling.

The main object is to treat the "Trust Estate" as a separate entity. For example, you would not give money to another person without expecting something in return. (*such as money or an IOU*) and you would not expect a third person to give you money without something in return.

Benefits of Pure Trusts

- **Perfectly** Legal
- **Inexpensive** to Manage
- Lawful to **Own, Buy & Sell** Anything
- **Easy to Exchange** Property
- Into used for **Business and Assets**
- **Simple Do it Yourself Process**
- Protection of **Retirement**
- **Liability Protection**
- **Estate Engineering**
- **Privacy**
- **No** Reporting Requirements
- Pays **Reduced Taxes**
- May **Operate Businesses**
- **Continues** after Death of Grantor

WHO CAN USE A PURE TRUST?

Any person or type of business, regardless of the nature, size or current form of organization, is eligible to operate a Pure Trust Organization.

For example: *The Fidelity Magellan Fund,* one of the largest mutual fiends in America, was reorganized in 1984 as a Pure Trust Organization:

Candidates for Pure Trusts

Short List

Any Self-employed Person	**Manufacturers**
Apartment Buildings	**Ministers**
Artist & Writers	**Multilevel Sales People**
Attorneys	**Opticians**
Chiropractors	**Professional Services**
Churches	**Property Owners/Managers**
Day Care Operators	**Agencies/Agents**
Dentists	**Recreational Businesses**
Doctors	**Restaurant Owners**
Franchise Operator	**Rental Property**
Health Practitioners	**Sole Proprietors**
Hotel/Motel Owners	**Shop Owners**
Independent Contractors	**Service Providers**
Insurance Brokers/Agents	**Sports & Gun Dealers**

Trust Hall of Fame

William Astor	Thomas Jefferson
George Bush	Joseph P. Kennedy
Andrew Carnegie	H. Ross Perot
Bill Clinton	Joseph Pulitzer
S. I. DuPont	Dan Quayle
Henry Ford	Ronald Reagan
Marshall Field	J. R. Reynolds
J. Paul Getty	John D. Rockefeller
Wm. Randolph Hearst	R. Rothschild
Patrick Henry	Sam Walton
H. L. Hunt	Cornelius Vanderbilt

THE 8 COMMANDMENTS
ABOUT YOUR RELATIONSHIP WITH A PURE TRUST

1. THOU SHALL NOT SAY, "I HAVE A TRUST," "MY TRUST," "MY COMPANY". A PURE TRUST OR L.L.C (Limited Liability Corporation). ARE NEITHER YOU, NOR YOURS. THEY ARE ENTITIES OF THEIR OWN, AND OPERATE INDEPENDENTLY FROM YOU.

2. THOU SHALL SAY, "I AM THE MANAGER OR TRUSTEE". "I HAVE BEEN APPOINTED TO DO THE FOLLOWING BY THE BOARD OF TRUSTEES." BASICALLY YOU MAY SAY ANYTHING THAT DOES NOT IMPLY OWNERSHIP OR TOTAL CONTROL.

- **3. THOU SHALL MAKE SURE** THAT THE RECORDS AT ALL TIMES REFLECT THAT YOU ACT AS AN AGENT FOR THE TRUST, OR AS A MANAGER OR TRUSTEE, AND THAT YOU, PERSONALLY, ARE SUBORDINATE TO SOMETHING OR SOMEONE OTHER THAN YOURSELF.

4. THOU SHALL KEEP GOOD AND ACCURATE RECORDS. IRS AUDITOR TOM HEALY WAS QUOTED AS SAYING. "THE REASON THAT THIS TYPE OF TRUST WORKS FOR CONCERNS LIKE THE ROCKEFELLER'S AND NOT FOR YOUR MAIN STREET BUSINESSMEN, IS BECAUSE THE ROCKEFELLER'S HAVE MANAGERS"

THE IMPORTANCE OF PROPER MANAGEMENT AND RECORDS CANNOT BE OVEREMPHASIZED!

5. **THE TRUST SHALL NOT** PAY FOR ANYTHING OUT OF ITS BANK ACCOUNT FOR ANYTHING THAT YOU PUT IN OR ON YOU. EXAMPLE: PERSONAL OR FAMILY CLOTHING, FOOD, GROCERIES, ETC. REMEMBER, YOU AND THE TRUST ARE SEPARATE ENTITIES. IF YOU DO NOT WANT IT TO BE DECLARED YOUR ALTER EGO, THEN YOU MUST NOT ACT AS IF IT IS YOU!

6. **THOU SHALL NOT** ANSWER ANY QUESTIONS FROM ANY GOVERNMENTAL AGENCY, STATE OR FEDERAL, ABOUT THE TRUST. FORWARD ALL QUESTIONS, AND PEOPLE WITH QUESTIONS, TO THE TRUSTEE, IN WRITING, AND NOT BY PHONE.

7 THOU SHALL REMEMBER THAT YOU DO NOT OWN THE ASSETS IN THE TRUST, BUT USE OR MANAGE THEM UNDER CONTACT WITH THE BOARD OF TRUSTEE.

8. **THOU SHALL ALSO REMEMBER** TO USE THE TRUST'S E.I.N. NUMBER FOR EVERYTHING, AND NEVER YOUR SOCIAL SECURITY NUMBER.

In our research we scrutinized hundreds of court decisions to find out what qualities made certain types of Trusts un-penetrable by judges, the IRS and other creditors. The Trusts have been structured after Contracts of Trust that have been challenged and tested to withstand the most intense scrutiny of the Courts, the IRS and Creditors and still remain intact. We researched all IRS Regulations regarding Trusts. We also thoroughly researched American Jurisprudence, the American Law Review plus volumes of other law books and documents on Trusts and Contracts of Trust.

The contract in Pure Trust Form comes under the realm of equity under Common Law. This is the type of asset protection that the wealthiest people in the world use. While Statutory Trusts rely upon statutes that can be changed at the whim or greed of the legislators, the contract of Pure Trust takes its protections from the Constitution, and any law contrary to it is NULL and VOID. There is NO higher earthly law.

Other Types of Trust Organizations

UNINCORPORATED BUSINESS ORGANIZATION (UBO) OR CONTRACTUAL COMPANY

A UBO combines the greatest benefits of a Sole Proprietorship, Partnership and Corporation, without the restrictions of either entity. The problem with a corporation is that, because it is a creation of the corporate State, it can be regulated and taxed by it. A Corporation is an "artificial entity," owing its existence to the charter power of the corporate state, and does NOT have "unalienable" Constitutional Rights. It only has very limited "*granted"* rights.

The tax burdens and regulatory requirements of a corporation are overwhelming. A Limited Liability Company is also a Statutory entity providing few benefits over a corporation. A sole Proprietorship or partnership leave the personal; assets of the principals exposed. A UBO is a creation of the Sovereign and has **no duty to the state** and CANNOT be regulated by it! It is a PRIVATE way for private Citizens

to do business without governmental red tape or interference.

FAMILY PRESERVATION ORGANIZATION

A separate Family Preservation Organization is an intelligent way to protect property as you accumulate it. *Dividing assets into different Trusts provides the maximum in asset protection.* Although, the assets in the Contract of Pure Trust are contractually non-attachable (*except in the case of crime or fraud*), multiple Contracts of Trusts provide an added layer of protection, especially for property that has potential of creating a liability. Remember, if in a worse case scenario a Trust is penetrated, nothing outside of that particular Contract of Trust can be taken. For that reason, property that may be particularly vulnerable to suits should be placed in separate Contracts of Trusts. Also, a UBO should always contain a minimum of assets (*i.e. a desk, a chair, and a typewriter*).

SAFE HAVEN TRUST

There should also be a Trust that is absolutely separate from you. In this Trust, rather than transferring property from your name into the name of the Trust, you merely purchase new property directly in the name of the Trust. Do not write checks from your personal account or accounts attached to you to this Trust. *(you can use the Banking Trust for that)* This will provide an extra safe haven for your assets.

PURE TRUST DEFINITIONS

Below, are some specific items that you may or may not have a need to deal with in working with Trusts. Most of the items are pretty self-explanatory and you should understand the reasoning behind each one.

No. of copies of document: Although most officers will want a copy for their records, it is really not necessary or required to provide all officers with their own copy of the TRUST document. There is only one copy that is considered to be the official "copy" and that one is always held by the Trust Officer for the First Trustee. That copy, along with all future Minutes that are recorded, should be always kept in a safe place. If stored electronically, always save a back-up copy off-site.

Situs Address: The Situs address is one that establishes what laws and jurisdiction prevails over the establishment of the Declaration of Trust. You may use your own mailing location, or some professionals prefer locations such as Belize or Cayman Islands, etc. You are always free to move the Situs of the TRUST. Because of the way the document is written, that would reestablish the governing rules for the TRUST to that new location. Depending on your particular situation and desires, that could be advantageous.

Mailing Address: The mailing address is assumed to be the Situs address unless specifically changed with an appropriate Minute. The mailing address does not have to be the same as the Situs address. For best results, you could consider leaving the Situs address as your mailing location and then draft a Minute, changing the mailing address if you find it necessary.

Name of Trust: The name of the TRUST is unimportant as long as it is established as a Declaration of Trust. Some people like to use a name with the suffix "Holding Trust", "Management Trust",etc.... Others prefer suffixes like "Foundation or Group", etc. You can not, however, make it appear as a

banking or traditional financial institution. Most people simply choose a name of a city, town, product or service as the basis of the TRUST name.

One thing to watch out for is you don't want to use the words "Corporation", "Company", "Partnership", etc. that would imply this is something other than a Declaration of Trust which is a Contractual Agreement organizing to do business. The proper terminology for the identification of this TRUST is a "Declaration of Trust". It is also known as an Unincorporated Trust Organization by Contract.

SETTLER, First Trustee and Beneficiary: There are three main parties to a TRUST. The SETTLOR, First Trustee and the Beneficiary(ies). The SETTLOR and the First Trustee contract amongst themselves to start the TRUST for the benefit of the third party, the Beneficiary. The SETTLOR is someone that is protecting the Beneficiary's interests, and wants to donate the initial $100.00 into the account of the TRUST. This $100.00 is a total gift by the SETTLOR and is now considered principal of the TRUST, until such time that it is paid out as income to the Beneficiary.

The SETTLOR decides who the Beneficiaries are and how the TRUST is structured, but beyond that, the First Trustee takes over day-to-day operations of the TRUST. The First Trustee now has the right to bring on additional Trustees, called Secondary Trustees, to help oversee the operation of the TRUST or to run specific aspects of it.

The Beneficiaries of the TRUST are the ultimate recipients of any and all income derived from the TRUST activities so be sure how you place people in this position. The easiest structure to setup is one where you become the First Trustee. A very close friend or coworker is signed on as the SETTLOR and your children become the beneficiaries. This is an example of how a Trust is generally setup, but you by no means have to follow this guideline.

One rule to watch out for. The three parties must be separate individuals or entities. You can not be the Beneficiary of a TRUST in which you are the First Trustee. That is a highly precarious situation. One in which you don't want to become involved. Everyone knows one or two individuals they can trust well enough to place assets in their care. The reasoning is that you want to CONTROL everything but not to OWN anything. Therefore, if you control the TRUST, which owns all of the assets, you control what was the assets you used to own. What is the difference in doing that and you owning your assets and controlling them? Nothing, except for now, you're judgment proof. No one can sue you and win something that is not yours, right?

One word about Grantor-Trustee. A SETTLOR is presumed to be giving the initial assets to the Beneficiaries. If it is shown that the SETTLOR still retains control of the assets, it will be judged that the SETTLOR is in fact a Grantor-Trustee. The income from the TRUST assets will then be taxable to the SETTLOR even while the assets remain in the possession of the TRUST. This is why we said it would be safe to choose a close friend to be the SETTLOR. The SETTLOR has initial desires and wishes to make a gift, but beyond that, they relinquish all control over that gift to the First Trustee. Also, a SETTLOR can not have any financial interest in any present or future endeavor that the TRUST embarks upon. Be careful who you choose for the SETTLOR position.

Secondary Trustees: Any Secondary Trustees must sign the Minute pertaining to their appointment.

Trust Certificate Unit Holders: The Beneficiaries are the Trust Certificate Unit Holders. Wherever you refer to and place beneficiaries in this document, always remember to list those names with the proper

number of T.C.U.s that are issued. There are always no more and no less than 100 T.C.U.s issued at any time. It is the Settlor's initial choice to divide these up in any way they want.

Signatures: Anywhere there is a space for a Witness' signature, you must find a witness to sign.

Declaration of Trust, Trust Indenture, Trust Bylaws and Meeting Minutes: These headings are pretty self-explanatory. The Declaration of Trust is the general guideline or set of rules that is established as the basis for the TRUST. The Trust Indenture is a more detailed version of the preceding information. The Trust Bylaws are the specific rules that govern the TRUST. They spell out some detailed do's and don'ts of what is allowed. The Meeting Minutes are the documentation of the day-to-day activities of the running of the TRUST.

First Secretary, Trust Manager: You may appoint a First Secretary. This title is placed here for those times when you can not or choose not to be listed as the First Trustee. You have a couple of options. One is to be signed on as the First Trustee or to take the position as General Trust Manager. You'll notice that if a Trust Manager is appointed, they take over day-to-day activities. Whereas, a First Secretary simply watches over everything and can literally veto anything they don't like.

The best position is still the First Trustee. As you'll read in the trust document, the First Trustee can not be terminated whereas the other positions can be. REMEMBER THIS!

Meetings: The Bylaws briefly mention the various meetings that would be called from time to time. These are required for a Trust to be legal. It is here that it is established that all meetings can be held anywhere in the World. This is a great benefit to have. Any restricted version of this clause would need to be addressed in a Minute.

Privacy: The Bylaws grants the Beneficiaries immunity from disclosure. Under no circumstances will a TRUST officer be allowed to disclose the identities of the Beneficiaries. Therefore, no non-officer shall be permitted to view any documents of this Trust Organization except for the "Declaration of Trust" and the "Trust Indenture" sections of the original formation agreement.

The Meeting Minutes grant you the privacy you need to conduct your business affairs the way you see fit. Any additions to the TRUST assets, beyond the initial $100.00, must be documented with appropriate Minutes. Therefore, anything this TRUST does from here on out, will be private and against the wishes of the SETTLER and the Board to be disclosed to anyone without just cause or demand.

Successor-Trustee: It is highly advisable to immediately find a Successor-Trustee. Don't delay this appointment very long. It could be crucial to the ongoing, uninterrupted nature of this Trust organization.

Additional Structures / Layers of Protection: Some astute business persons choose to add layers of protection by setting up additional Trusts. They'll use a combination of the Family and Management Programs to create an intermingled diversion of entities. Sometimes, these additional layers can provide the extra protection to totally render yourself judgement-proof.

Fraudulent Conveyance: The one thing to remember in a scenario of Fraudulent Conveyance is that the creditors will want to set-aside or disallow any transfer of assets which could have been used as collateral for a debt owed them. If you are going to transfer assets out of your possession, into a Trust, for reasons of avoiding present creditors, you will need to show that your "transfer" was an attempt to settle a debt with a creditor. It's not your fault there's not enough assets to go around to settle up with all the creditors.

If there were, you wouldn't be in this predicament, now would you?

You need to arrange to have another Trust to place a lien against your assets with a monetary value that will exceed the value of merchandise being transferred. This will clearly show that your transfer was in an attempt to clear a lien. Just be very careful who operates that other Trust and how their names are tied to the present operating Trust you are setting up. Those Trust officers should be totally different, if possible.

If you want total protection from disclosure of transfer information to any official authorities of ANY country, you'll want to set up an Offshore Trust. No matter what the reason for the transfer, places such as Belize will not allow any documents to be placed into the hands of inappropriate parties. Since this document is NOT recorded in any state, country or registrar, there is built-in protection from improper disclosure. The offshore Trust's situs can be directed to offshore if you wish. You will need to change the jurisdiction of the Trust in an appropriate Minute.

Multilayered Trusts: In creating multiple Trusts and multilayered Trusts, the main objective is to create a diversion of paperwork and closed doors for an outsider trying to pry into your affairs. Therefore you need to understand the simple basics of outlining these structures.

The easiest way to understand this is to think of each Trust as a real person. When drawing out your examples on paper, outlining the flow of funds, etc. use real person's names for your example Trusts to clearly understand their relationship with each other.

The easiest example to use for creating an information trail that eventually closes off is having a second Trust be the Beneficiary of the first Trust. Then you could have a third Trust be the Beneficiary of the second Trust and so on until you've created enough of a stair-step that prevents any information leaks from disclosing any identities that should remain discreet. The principal parties, whose identities you're trying to keep a secret would be placed as the Beneficiary of the last Trust in the chain.

Parent/Underlying Trusts: In the example of a Parent/Underlying Trust, the scenario is that one Trust is either the overall umbrella (*or Parent, if you will*) that is the parent/controlling entity over all the other Trusts. This works if one Trust wants to diversify and yet have some of the same officers running the subordinate Trusts. In this example, the Parent Trust could be the SETTLOR of the subordinate Trusts. You could use the same or some of the same Trustees for the Subordinate Trusts. This allows you to name different Beneficiaries for different business purposes.

An Underlying Trust is one that is named as Beneficiary of several Trusts. All the Trusts are created for the ultimate benefit of the one Trust. This can be used if someone has limited family and wants to diversify. All the diverse business activities will eventually benefit the one Beneficiary, who himself, operates as a Trust entity as well.

Brother/Sister Trusts: Brother/Sister Trusts are ones in which they share managing directors or Trustees. They may have different Settlor's and/or different Beneficiaries but essentially, these are the diverse Business Trusts that will eventually funnel down to an Underlying entity. They are also the diverse Trusts that may have the same SETTLOR as in the Parent Trust. These Trusts are usually the "working" Trusts that generate most of the revenues for either a Parent or Underlying entity. Since they may have some of the same directors/Trustees, be very careful as to how they relate to each other so that none of the Trust officers jeopardizes their fiduciary relationships with their respective Beneficiaries.

Fee Simple: Estate in which an owner and his heirs have unconditional power of disposition. (*The Pure Trust Organization holds the real and/or personal property in "fee simple".*)

Fiduciary Capacity: When the business which one transacts, or the money or property which one handles, is not his own or for his benefit, but for the benefit of another person. (*This term is similar to the word "trust", which is defined as Property which is held for the benefit of another I. The primary difference between these two terms is that Fiduciary capacity" refers to a transaction which one does for another, while "trust" is related to the holding of property for the benefit of another.*)

Indenture: A written contract or agreement. (*The Pure Trust document is the "indenture".*)

Inure: Resulting; to result.

Tenants in Common: Where two or more hold the same property under different names. (*The certificate Holders may hold the units as Tenants in commons.*)

A FEW COURT DECISIONS ON TRUSTS

1. CALDWELL Vs. HILL, 176 SE 383 (1934) - U.S. ADOPTED COMMON LAWS OF ENGLAND WITH THE CONSTITUTION.

2 ELLIOT Vs. FREEMAN, 220 U.S. 178 (1911) - A TRUST IS NOT DEPENDENT ON THE STATUTORY LAW.

3. BURNETT Vs. SMITH, 240 SE 1007 (1922) - A TRUST IS A LEGAL ENTITY.

4. SCHUMANN-HEINK Vs. FOLSOM, 159 NE 250 (1927) - IF IT IS FREE OF CONTROL BY TRUST CERTIFICATE UNIT HOLDERS, THEN IT IS A PURE TRUST

5. BERRY Vs. MCCOURT, 204 NE 2ND 235 (1965) - A PURE TRUST IS A CONTRACTUAL RELATIONSHIP IN TRUST FORM.

6. GOLDWATER Vs. OTTMAN, 292 P 624 (1930) - A BUSINESS TRUST IS LAWFUL WHEREVER CONTRACTS ARE LAWFUL.

7. BAKER Vs. STERN, 58 AIR 462 - A TRUST IS A VALID BUSINESS ORGANIZATION.

8. REEVES Vs. POWELL, 267 SW 328 - A TRUST IS A VALID BUSINESS ORGANIZATION.

9. EDWARDS Vs. CIR, 415 F. 2D 573 - A CONTRACT CANNOT BE SET ASIDE BECAUSE IT SAVES ON TAXES.

10. WILLIAM Vs. CITY OF MILTON, 102 NE 355 - CLASSIC OLD CASE ON TRUSTS

11. BARNETTE Vs. MCNULTY, 516 P. 2D 583, AND CARRILLO Vs. TAYLOR, 299 P. 2D 188 - ESSENTIAL ELEMENTS OF A TRUST ARE A COMPETENT SETTLOR AND TRUSTEE; CLEAR

AND UNEQUIVOCAL INTENT TO CREATE A TRUST; AN ASCERTAINABLE TRUST RES AND SUFFICIENTLY IDENTIFIABLE BENEFICIARIES.

12. BOWES Vs. CANNON, 116 P. 336 - IN ITS TECHNICAL LEGAL SENSE, A TRUST HAS BEEN DEFINED AS THE RIGHT TO THE BENEFICIAL ENJOYMENT OF PROPERTY, THE LEGAL TITLE TO WHICH IS VESTED IN ANOTHER.

13. GLEASON Vs. MCKAY, 124 MASS. 419; CLAGGETT Vs. KILBOURNE, 66 U.S. 346; COLEMAN Vs. MCKEE, 257 S.W. 733;CROKER Vs. MALLEY, 264 U.S. 144 AND COUNTER PART HECHT Vs. MALLEY, 265 U.S. 1

Notes & Quotes

"There is a clear distinction between an individual and a corporation, in that the latter has no right to refuse to submit its books and papers for an examination at the suit of the State....The individual may stand upon his constitutional rights as a Citizen. ***He is entitled to carry on his private business in his own way. His power to contract is unlimited. He owes no duty to the State or to his neighbors to divulge his business or to open his doors to investigation, so far as it may tend to incriminate him.... He owes no duty to the State since he receives nothing therefrom beyond the protection of his life and property....*** *His rights are such as existed by the Law of the Land, long antecedent to the organization of the State, and can only be taken from him by due process of the law and in accordance with the Constitution.* ***He owes nothing to the public so long as he does not trespass upon their rights.****"* *Supreme Court,* Hale vs. Henkle 201 U.S. 43 at 74

Since 1905 the case of Hale Vs. Henkle has been cited by the Supreme Court over 144 times, and by the lower Federal and State courts over 1,600 times.

It has never been reversed.

"The opinion of the court after serious deliberation is that this is a contract, the obligation of which can not be impaired without violating the constitution of the united States....*After the revolution, the Constitution of the United States imposed this additional limitation...that* ***the legislative of a State shall pass no 'law impairing the obligation of contract.'*** *It results from this opinion, that the acts of the legislative of New Hampshire are repugnant to the constitution of the United States."* Supreme Court, Dartmouth College vs. Woodward 17 us 518

Since 1819 the case of Dartmouth College vs. Woodward has been cited by the Supreme Court over 105 times, and by the lower Federal and State courts over 2,365 times.

It has never been reversed.

The Unites States adopted the Common Laws of England with the Constitution."

Caldwell. Hill 176 S.E. 383 (1934)

"Even Admiralty and maritime jurisdiction, when brought inland, is subject to the Common Law remedy, the same as Equity; and cannot supersede the sovereign citizens' God endowed/given unalienable/inalienable rights, and these same rights as secured in and under the Constitution of the United States of America."
Title 5 U.S.C., 559, cl.2; title 28 U.S.C. 2072; Miranda vs. Arizona 384 U.S. 436 at 491 (1966)

"No emergency justifies a violation of any Constitutional Provision."

No National emergency or Executive Order, including but not limited to, The Act of October 6th, 1917, as amended [12 USCS Sec, 95a] March 9, 1933, shall nullify any of the Constitutional Protections of this "Trust Estate". "No emergency justifies a violation of any Constitutional provision." 16 Am Jur 2nd Ed. 71, 72 "The prohibitions of the federal constitution are designed to apply to all branches of the national government and cannot be nullified by the executive and senate combined." Reid vs. Covert, ant, U.S. 1, 1 ~ Ed 2nd 1148 (1951)

"A Trust, for probate avoidance, is a lawful, irrevocable, separate legal entity." Shaw vs. Paine 12 Allen (Mass) 293, Harwood vs. Tracy 118 MA 631. 24 s.w. 214

"The Trustees of a Trust have all the powers necessary to carry out the obligations which they assume...Their books and records are not subject to review or supeona." Smith vs. Morse 2CA 524, Boyd vs. US 116 us 618, Silverthorne Lumber Company vs. U.S. 251 us 385

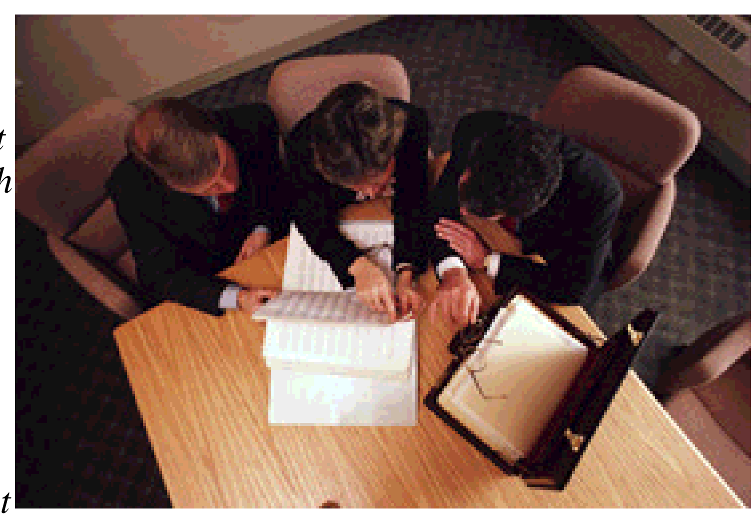
"Concerning privacy, a Trust organization, created under the United States Constitutional right to contract, can not be abridged...The agreement, when executed, creates a Federal organization not under the laws passed by any of the several legislatures."

U.S. vs. Carruthers 219 F2d 21, Waterman vs. McKenzie 138 us 252, Crocker vs. MacCloy 649 US Sup 39 270

"A Pure Trust is not subject to legislative control. The United States Supreme Court holds that the trust relationship comes under the realm of equity....based upon common law, and is not subject to legislative restrictions....As are corporations and other organizations created by legislative authority."
Elliot vs. Freeman 220 us 178

This "Trust Estate" is alien to the jurisdiction of, and not subject to the decisions of Article I, Executive or Legislative and Administrative Courts and Tribunals, Municipal Courts, Tax Courts, or any defacto court or tribunal and is not subject to the decisions of defacto judges or courts or tribunals created by the limited authority of **Article I, §8, Cl. 17.** and **Article IV, §3, Cl. 2** of the Constitution, or through corporate or emergency powers.

"*Legislation enacted by Congress applicable to the inferior federal courts in the exercise of power under Article III of the Constitution cannot be affected by legislation enacted by Congress under Article 18 clause 17 of the Constitution.*" **Title 11, D.C. Code at pg. 13.**



"*...the United States has no constitutional capacity to exercise municipal jurisdiction, sovereignty, or eminent domain within the limits of a state except in cases which it is expressly granted.*"
Pollard's lesee vs. Hagan. 44 U.S. 212 at 223, Article 1 §8 Cl. 17, constitution

"*It is a well established principle of law that all federal legislation applies only within the territorial jurisdiction of the United States unless a contrary intent appears.*" Foley Brothers v. Filardo, 336, U.S. 281

"...the United States Government is a Foreign corporation with respect to a state."
NY re: Merriam 36 N.E. 505 1441, S.CL 1973. 41 L Ed. 281

3A Am Jur 1420, Aliens and Citizens "*A person is born subject to the jurisdiction of the United States for purposes of acquiring citizenship at birth, if this birth occurs in a territory over which the United States is sovereign.*"

According to the supreme Court of these united states, "*The fact that a business Trust is not regarded as a legal entity **distinct from** its Trustees, it is a **true Trust**, may result in **this advantage** to the Trust, which a corporation does not possess: **The Trust of individuals...who are Citizens, and who, therefore, are entitled to certain rights and immunities such as those guaranteed by the privileges and immunities clause [Art. IV, §2. Cl. 1] of the Federal Constitution. which do not apply to corporations**.*"
-296 U.S. 344. 80 L ed. 263. 56 S Ct 289. 156 ALR

"*The terms "Common Law Trust"...is not descriptive of any particular characteristics of such organizations. The basis for the terminology, "Common Law Trust" is not that such organizations are the creatures of the common law, as distinguished from equity, but that they are created under the common law of contracts and do not depend upon any statute.*"**-Schumann-Heink vs. Folsom,** 328 111 321, 159 NE 250. 58 ALR 485. 156 ALR viii.

Burnet vs. Logan. 283 U.S. 404. ruled that, no tax is assessed on the conveyance of property to a Trust because it constitutes a tax-free trade and exchange for Trust Certificates, which have only a contingent future interest of indeterminable value. The tax is not evaded or avoided. It is merely deferred.

"If it is free of control by Certificate Holders, then it is a Pure Trust."
SchumAn-Heink v. Folsomn 159 N.E. 250

"*Trust property cannot be held under attachment nor sold upon execution, for the Trustee's personal debts*". -Clew vs. Jamison 182 U.S. 461,21 S. Ct.645

"This Constitution and the laws of the United States which shall be made in pursuance thereof...shall be the supreme law of the land; and the judges in every State shall be bound thereby...The Senators and representatives and members of the State legislatures, and all executive and judicial officers of the United States and the several States, shall be bound thereby..."Constitution for these united States, Article VI, §2, Cl. 1

"It may be said that the Constitution executes itself. This expression may be allowed; but with as much propriety. These may be said to be laws which the People have enacted themselves, and no laws of Congress can either take from, add to or confirm them. They are rights, privileges or immunities that are granted by the People, and are **beyond the powers of Congress or State Legislatures.** It may be laid down as a universal rule, **Admitting to no exception,** that when the Constitution has established a disability or immunity, a privilege or a Right, these are precisely as that instrument has fixed them, **and can neither be augmented nor curtailed by any act or law either of Congress or a State Legislature.** We are more particular in stating this because it has sometimes been forgotten both by Legislatures and Theoretical expositors of the Constitution." Bouvier's Law Dictionary. l870 pp 622-625

"*The general rule is that an unconstitutional statute, **though having the form and name of law, is in reality no law,** but is **wholly void** and **ineffective for any purpose,** since its unconstitutionality dates from the time of its enactment...In legal contemplation, it is as inoperative as if it had never been passed...Since an unconstitutional law is void, the general principles follow that it imposes no duties, confers no right, **creates no office,** bestows no power or authority on anyone, affords no protection and **justifies no acts performed under it...**A void act cannot be legally consistent with a valid one. An unconstitutional law cannot operate to supersede any existing valid law. **Indeed insofar as a statute runs counter to the fundamental law of the land, it is superseded thereby**. **No one is bound to obey an unconstitutional law** and no courts are bound to enforce it.*'

16 Am Jur 2d 177, late Am Jur 2d 256. Norton v. Shelby County. 118 U.S. 178

"*...A regulation which is inconsistent with the law is invalid...because a statute may not operate in derogation of the Constitution.*" Title 5 U.S.C. 301, 559 C1. 2

A PURE TRUST IS NON-STATUTORY. "*A Pure Trust is not subject to legislative control. The supreme court holds that the Trust is created under the realm of equity under the common law and is not subject to legislative restrictions as are corporations and other statutory entities created by legislative authority.*" Crocker v. MacCloy, 649 US Sup 39

"*All subjects over which the sovereign power of the state extends [i.e. corporations or other statutory entities] are objects of taxation [and regulations], but those over which it does not extend are exempt from taxation [and regulation]. This proposition may almost be pronounced as self-evident. The sovereignty of the state extends to everything **which exists by its authority or its permission.***"-McCulloch v. the state of Maryland, 4 Wheat, 316

"*The Pure Trust derives no power, benefit, or privilege from any statute.*"

-Crocker v. Malley, 264 U.S. 144, Gleason V. Mckay 134 Mass 419, Goldwater v. Oltman, 624

Elliot vs. Freeman 20 U.S. 178 ruled that a Pure Trust is not subject to legislative control. The U.S. Supreme Court Holds that Trust relationship comes under the realm of equity, based upon the common law and is not subject to legislative restrictions as are corporations and other organizations created by

legislative authority.

13 Am Jur 2d, pg. 379, Paragraph 51 "*One of the objectives of Business Trusts is to obtain for the Trust associates, most of the advantages of corporations, without the authority of any legislative act and with the freedom from the restrictions and regulations generally imposed by law upon corporations*."

Rights protected by the Bill of Rights shall include, but not limited to:

Article 1

(1) Freedom of Religion

(2) Freedom of Speech

(3) Freedom of the Press

(4) Freedom to peaceably assemble

(5) Freedom to petition the government for the redress of grievances

Article 2

1) Right to bear arms.

Article 3

(1) Freedom from housing solders without Citizens consent

Article 4

(1) Right to be secure in person, house and effects

(2) Right against unreasonable searches and seizures without a properly executed witnessed search warrant, **attesting probable cause and signed under oath by a [Article III] Judge and particularly describing the pace to be searched and persons or things to be seized**

Article 5

(1) Right **not** to be held to answer for a capital or infamous crime except by a "presentment" or "indictment" by a Grand Jury.

(2) Right **not** to be tried twice for the same crime

(3) Right **not** to be a witness against yourself

(4) Right **not** to be deprived of Life, Liberty or property without **DUE PROCESS** of the law

(5) Right against property being taken from a Citizen by the Government, without just compensation.

Article 6

(1) Right to a speedy and public trial; by an impartial jury in the state and district where the crime was committed.

(2) Right to be informed of the nature and cause of the accusation.

(3) Right to confront witnesses.

(4) Right to a defense counsel.

Article 7

(1) Right to a trial by Jury under the Rules of Common Law.

Article 8

(1) Right against excessive bail

(2) Right against cruel and unusual punishment.

Article 9

(1) The enumeration of certain Rights, in the Constitution, shall not be construed to deny or disparage others retained by the People.

Article 10

(1) Powers not delegated to the United States, by the Constitution, nor prohibited by the States, are Reserved to the States or to the People.

TRUST EXAMPLES

There are so many variables to consider that we can not possibly examine each combination that can be thought up. As ingenious as human imagination is, you are dealing with an unlimited number of combinations for each individual situation. Some of the main variables are; the individual(s) involved; the activity(ies) desired; the property (corpus); and so on. Even the individual(s) temperament and experiences as well as goals should be considered. The following is an example of how an individual or family can benefit from the use of Pure Trusts.

Paul is a family man with a house, two cars, a business and investments. For simplicity sake, we will look at Paul and his situation. We will examine four different views of arrangements and the benefits and pitfalls derived.

They are.......

1.) No Trusts
2.) One Trust
3.) A Simple Multiple Trust System
4.) A Complex Multiple Trust System

No Trusts

This is easy to examine. The umbilical cord of ownership is connected to Paul. Titles, deeds, certificates of ownership etc. all indicate the legal right to property. What would happen if the cord was cut? Bye bye Paul's legal rights with regards to the property. (*This would include his right to use the property as well as his right to the equitable interest*)

Paul is involved in a terrible auto accident with much property damage and loss of life. He has full coverage auto insurance but due to circumstances, not nearly enough to compensate all of the liability. The damaged party is seeking a huge settlement. It would mean Paul's house, other car, investments, and business are put in jeopardy. Everything Paul owns could be sold to satisfy the judgment against him. Even this may fall short of satisfying the judgment and there by put all of Paul's future earnings at risk of attachment.

In today's sue-happy environment, Paul is asking to be devastated if he has not provided at least some level of protection. Even a little protection is better then nothing at all. So let's look at what a little protection will offer and compare.

One Trust

Paul has been reading and studying all the Trust information he can find. He now understands the liability aspect of "the burden of ownership". He has investigated different Trust providers and decided to purchase a contract of Trust from ABC Trust Limited for $5,000. He transfers title of his house, cars, investments and business into the Trust.

Any liability created by Paul is only transferred to property that he owns now or may own in the future. Paul likes this idea and feels safe and confident. But on closer inspection, how much better off is he? Given the events in the scenario without any Trusts, the liability would shift from Paul to the car, and than from the car to all of the other property within the Trust. (*actually, Paul is still liable, but because he has no assets, he has nothing to satisfy a judgment with*) Remember, Paul severed the umbilical cord from himself to the assets and transferred it to the Trust. Now, the same car that created the liability is connected to the Trust, while at the same time, the Trust is connected (*via the umbilical cord*) to all of the other assets. Thus we can determine that the liability of ownership is much like a contagious disease. Just like someone with a virus entering a room full of people. Chances are the virus (*liability*) will spread to everyone (*corpus a.k.a. trust property*) in the room. Because of the transference of liability from one Trust asset to another, Paul will still lose the right to use the assets as well as the availability of the equitable interest. His failure to understand the concept of "transference of liability" is what ultimately separates Paul from the assets. What would have happened if Paul understood this concept?

A Simple Multiple Trust System

Paul's research has gone further than what the average person is exposed to. Somewhere along the line he picked up on "transference of liability" and decided to give himself and his family the protection that he now understood was available. Utilizing one Trust per asset, Paul set out to get five Trusts. (*one for the house, one each for two cars, one for the business and one for investments*) At $5,000 per Trust he decided not to go with ABC Trust Limited. My goodness, that would be $25,000! Paul decided for that kind of money he would shop around. He became aware of XYZ Trust Providers Inc. They were much more affordable at only $2,500 per Trust. Paul realized an immediate savings of $12,500 and did what every red blooded American would do in this situation, Yep, he bought that new boat he has always wanted. (*Oop's, now Paul needs six trusts. Total cost, $15,000*)

Now Paul was stepping high. He felt that the assets he had use of were adequately protected and to a certain degree, he was justified to feel that way. (*especially compared to someone with only one Trust, or someone without any Trusts at all*) After all, he reasoned that any liability caused by any one asset would not effect any of the other assets, Paul’s presumption was correct for almost every instance.

Given the previous scenario of the car accident: Would the house; business; other car; investments; and the boat come into jeopardy? NO! Why would they? They are owned by entirely different entities. Each Trust is a lawful entity in its own right. They are only responsible for their own liabilities. The Trust holding ownership of the car involved in the accident would no doubt get sued, and most likely lose. Everything that this Trust owned would be in jeopardy. But all this Trust owned was the car and auto insurance. The injured party that sued can not get more than is available. Can’t get the house, that’s owned by an entity that has nothing to do with this incident. The same with the other car, boat, business and investments. They have total separation from involvement.

Could a connection be made from previous ownership? That would depend on when then transfer of ownership took place. Assets transferred prior to the incident would certainly have a better chance to fair well. But if the assets are transferred *after* the incident, with the intent of avoiding the impending loss from litigation, that would be considered a fraudulent conveyance. That means, "Sorry Paul, you loose!" The asset would revert back to the party creating the liability, and then used to help satisfy the judgment.

Paul was wise enough to seek counsel and set up a pretty good barrier to assure the availability and use of the assets within a climate of a litigation happy society. Unfortunately this condition, also known as "Politics of Envy", is generally thought to emulate from the very same group of people that espouse the "Free Lunch" theory. When it comes to grabbing assets, Government is the biggest and most frequent offender.

Governments' purpose to exist was established for the protection of property rights as well as mutual defense. Somehow, that got lost in the shuffle. What is in existence now? Big Government! What do they want? They want to get bigger! How do they do that? Gather more assets. How do they attempt to do that beyond their ability to tax, inflate and borrow? Look no further than the often touted abusive practices of the Internal Revenue Service, or the many abuses of all of the other alphabet soup agencies grabbing assets under the guise of "Asset Forfeiture Laws" (*actually, not really law, but instead statutes, and there is a BIG difference*) established to assist "The War on Drugs".

With heavy concerns like this to deal with, Paul has to understand certain basic principles. Government exists by a charter and follows its own rules. If it doesn't, nobody else will either. Society breaks down and everything involving order grinds to a halt. Consider this. Can they take from you what is not yours? NO! Can they take assets without knowing from whom they belong? Again, NO! Will Trusts give protection against all forms of legal and lawful collateral attacks? They sure can! Why? Because they are contracts. Why is this so important? As stated in the Constitution for the United States • Article 1; Section 10 " No State shall....pass any........Law impairing the Obligation of Contracts" Without contracts you can not have commerce. Without commerce you can not have taxes. With out taxes Government has no way to exist. It is in the best interest of government to keep and safeguard contracts. ALL CONTRACTS. So now Paul asks; 'How can I become judgment proof and bullet proof?'

A Complex Trust System

The difference between a Simple Multiple Trust System and a Complex Multiple Trust System is there is interaction between Trusts in the Complex System. If for example you view the page titled "Asset Protection Systems Explained", You see how three holding Trusts are all functioning together to utilize the principle of separation of the three basic elements of ownership. This is accomplished only if you have a ready and affordable supply of contracts of Trusts available. You must understand that this is only a general or basic diagram. There are other interactions not shown, for example; each of the three holding Trusts would most likely operate with a banking Trust with a similar name. That's three banking Trusts. *e.g.*; Boat Holding Trust "A" and Boat Banking Trust "A" and so on. This helps to keep both functions and money contained only to that which it belongs. In that regard there is no co-mingling of either money or functions. Each entity operates independently, yet operates interdependently at the same time. People operate in a similar manor, so do Corporations.

Just how creative can you get with this style of interaction has no boundaries. There are other types of

interactions that we refer to as relationships. For example; Brother/Sister Trusts and Parenting Trusts. In one of the relationships, one Trust is the Trustee of another Trust. This is often used for layering Trusts to bury the identity of the person in control. You may also have a Trust as a Beneficiary of another Trust. This is used very effectively to reduce and/or eliminate taxes by disbursing assets to a series of offshore Trusts. (*This is discussed and diagramed at great length on the four-hour video "***All About Trusts***". An order form is located at the end of this guide.*)

Paul's assets are representative of what most people own. His assets, (*this will include his boat*) when properly distributed to trusts in a complex Trust system, may involve 27 or more Trusts. With the XYZ Trust Providers, Inc. bargain price of only $2,500 for each Trust, Paul could expect to Pay $67,500 (27 X $2,500). Holy smoke!! No wonder few people are willing to set up a Trust system that will work 100% of the time. Paul found the Schlock & Fufkus Trust Company selling Trusts for only $1,000 each. He would still have to fork out at least $27,000.

The Freedom Trust Group Asset Protection Software will allow Paul, for the rest of his life, to have an unlimited number of Contracts of Pure Trust, and for only $2495. He will have five different types of Trusts to choose from. As he adds assets he can create more Trust systems .

1. **Management Trusts**: Used for the operation of an existing or new startup business.
2. **Family Trusts**: To manage your day-to-day personal affairs.
3. **offshore Trusts:** For the ultimate in financial security and privacy.
4. **Holding Trusts**: This type of Trust is like a vault. It holding property for ultimate protection.
5. **Banking Trusts:** Handles all financial matters with regards to banks and brokerage firms.

By utilizing these five different types of Trusts for asset protection the possibilities are endless and are only limited by your imagination. The protection can be expanded even further by taking it offshore, which is discussed in length later in the guide.

Asset Protection Systems Explained

We live in tumultuous times, and in times of uncertainty such as these, people want four things;

- Safety
- Diversity
- Divisibility
- and Affordability.

Freedom Trust Group Asset Protection Systems offers all four.

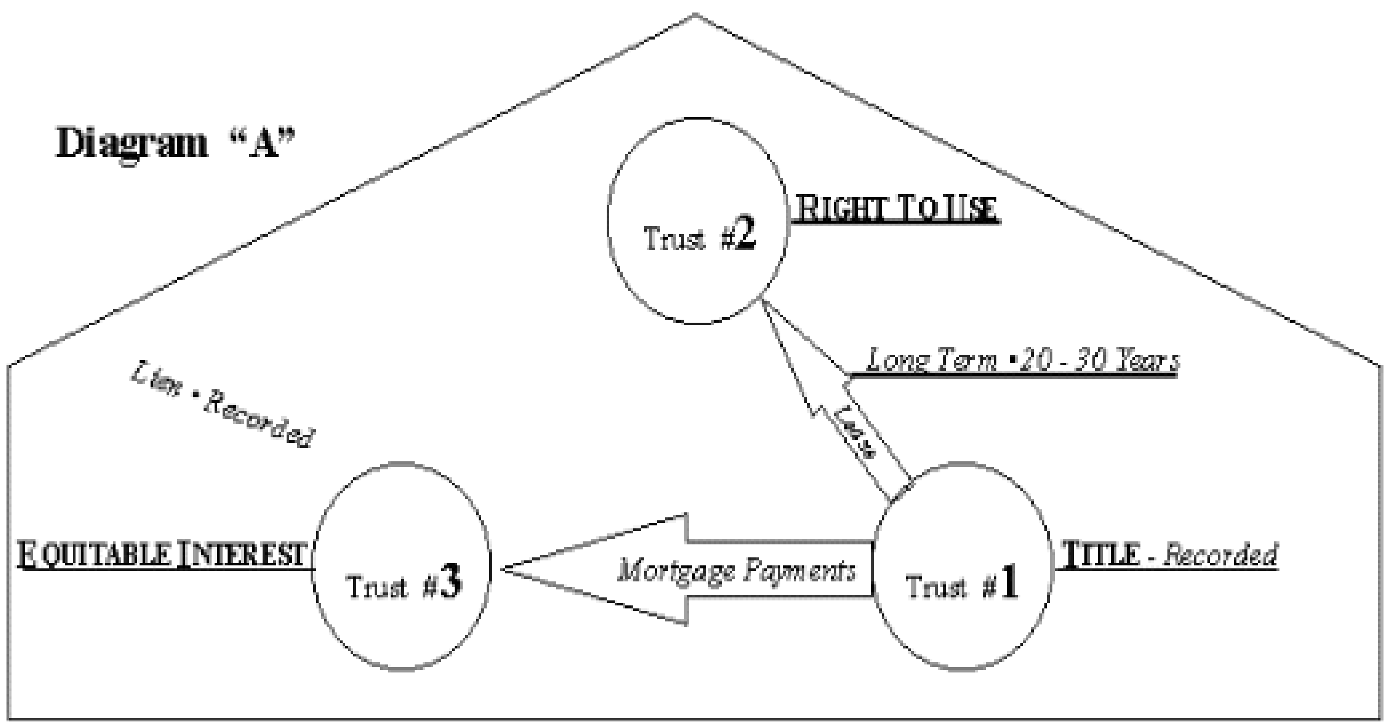
Let us examine and work within the perimeters of certain principles. Trusts have long been recognized as one of the safest ways for holding property. The property being held by a Trust is in essence owned by that Trust. Ownership is comprised of three basic elements:

1) **Lawful Ownership**; *usually indicated by an instrument tying a party to the legal right to property; e.g. deed, title, certificate of title/ownership, etc.*

2) **Right To Use**; *may be granted to another with or without granting privileges.*

3) **Equitable Interest**; *that portion of equity held [0% to 100%].*

By utilizing three Holding Trusts for each individual piece of property, property may be split into it's three basic components, there by defusing its liability and vulnerability.



The above illustration is the result of first separating the building from the Real Estate. All individual components are set up in a separate three Holding Trust system to allow greater divisibility which gives *more protection*. Real Estate is separated from buildings, swimming pools, spas, fencing, circular driveways, etc. A business would separate the management, banking, tools, fixtures, equipment, etc. We have heard of a grocer that followed this basic guideline. Every individual component of his business was separated from each other. When a woman sustained an injury from an old shelving unit which was held in a separate trust system, she was only able to receive a small settlement from the Trust system that held the title to the shelving unit. The insurance Company happily paid the claim that was far less than the woman's attorney had asked in the lawsuit. The woman also took possession of the shelving unit that triggered a claim by the grocer for his loss of the shelving unit. This was also covered by the insurance Company and as a consequence, the grocer received a new shelving unit. Because of the grocer's foresight to set up his business properly with Trust systems, everyone concerned with this matter was better off. The woman received a fair settlement for her claim, the grocer was relieved of liability plus he received a new shelving unit in place of his old one, and the insurance Company did not have to defend a major liability suit.

In diagram "A" we first note that the building is the only component or property being held in the three Trust system. The Real Estate is held in a separate three Trust system.

Trust #1 having **Lawful Ownership**; has the legal right to the property by way of an instrument; *deed, title, certificate of title etc.* that is documented by recording, filing, or noticing the public. This does not mean however that Trust #1 is using the property. Similar to a rental house or car, someone other than the lawful owner has been *granted* the right to use the property. This grant is in the form of a lease to

Trust #2. It would be wise to have as long a lease as law would permit, with options for renewals. This separation of ownership from use is the first major step for reliable protection.

Trust #2 having the **Right To Use;** would be like any other renter, having use of, but not responsibility for the property. All liability shifts back to Trust #1. All that is necessary to establish this relationship is a lease agreement between Trust #1 and Trust #2. Trust #2 should make payments to Trust #1 for rent, with canceled checks as more than ample proof of the legitimacy of this contractual relationship. Trust #2 may sub-grant the use of the property to another party in the form of a sublease, rental agreement or exchange (*care and maintenance in exchange for use*). This too should be documented with a lease or rental agreement or exchange agreement and have receipts and/or canceled checks where applicable.

Trust #3 having **Equitable Interest**; would be the mortgage holder. This relationship would be established by having mortgage documents drawn up to delineate the terms and conditions of a loan. It is important to remember to hypothecate the property for an added measure of safety. The relationship between Trust #1 and Trust #3 would be further substantiated by and protected with Trust #3 having a lien filed and recorded in the public record. Trust #1 would make mortgage payments to Trust #3 and it too would have canceled checks as more than ample proof of the legitimacy of this contractual relationship. There may be prior claims of equitable interests as is the case of a first mortgage being held by a bank, savings and loan, etc. In that event, Trust #3's lien would be subordinate to other lien holders ahead of it, yet remain just as valid.

Separate bank Trusts may be utilized for the various functions or combined into one all-inclusive clearing-house type of account. The variations of how to utilize options such as these are limited only by your imagination. The Diversity you have with the Freedom Trust Group Asset Protection Systems will offer you as many options to build what will safely suit your individual needs without having the burden of a limited budget. Other organization's sell one general purpose Trust, usually from the $500 range to $10,000 and higher. When you consider the advantages of having the ability to have an unlimited number of five specific purpose Trusts for one price, compared to one general purpose Trust for usually the same price or higher, the choice is clear. To write as many three Holding Trust systems for all of the property, and as many bank Trusts as you may require for your family, your business, your investments etc., would cost you a fortune if you were to get them on a per Trust basis, and we haven't even discussed systems for Family Trusts, Management or Business Trusts and Offshore Trusts. For the average price of one general purpose Trust, *you can have the advantage of unlimited capacity to protect your assets*.

An example of how the three Trust system protects your assets is illustrated in the following scenario. Just suppose the three Trust system in diagram "A" is for a piece of equipment used either by or in your business. *Imagine what this piece of equipment is and how it can create a liability.* The damaged party, seeking to get the largest award possible, hires an attorney that files a lawsuit. Your business is properly set up in Management or Business Trusts, but holds no assets to sell or attach. No economic gain can be attained. here. The attorney checks the public records to ascertain the ownership of the equipment. It is easily established that Holding Trust #1 has lawful ownership with the legal title. Holding Trust #1 has no other holdings other than the equipment that created the liability, and a small liability insurance policy. Upon further investigation, the attorney discovers there is a lien filed on the equipment, with a mortgage (*held by Holding Trust #3*) secured by the equipment and equal to the value of that piece of equipment. No economic gain can be attained here either. Even if the lawsuit were to be based on spite, and the damaged party were to prevail, they would not have the use of the equipment. The long-term lease (*to Holding Trust #2*) will remain in force. The only option available to the attorney would be to

take the insurance liability settlement.

The result: You maintain use of the equipment for your business; the damaged party gets reasonably compensated; the insurance Company avoids a major lawsuit and has only to pay a reasonable claim; and even the attorney can be reasonably compensated. This type of arrangement allows for a fairness and equity to all parties. Remember the main premise of this entire arrangement is.... "No State shall...pass any...Law impairing the Obligation of contracts." *Constitution for the united states of America • Article 1 Section 10*

Truth About Trusts

by Glen Halliday trustee

The trust is an excellent tool to protect assets, avoid probate, increase personal privacy, and minimize income taxes. However, trusts are under used and frequently misunderstood. This not surprising when you consider the scarcity of written material on the subject. According to *A Trustee's Handbook* (7th ed.) by Loring:

"In the late 1960s law schools set about the process of downgrading courses in the law of trusts from required to elective status, so that while almost all law schools have made courses on state regulation mandatory, only a few continue to afford the law of trusts the status it enjoyed at the turn of the century. In most law schools the law of trusts is now an afterthought, buried somewhere in an elective course on estate planing."

Likewise, in the preface of *Income Taxation Of Trusts, Estates, Grantors and Beneficiaries;* author Jeffrey Pennell states: "Unfortunately, when I first recommended to our curriculum committee that we add a course on this subject, there was simply no classroom text available."

Because trust literature is seldom published, it is virtually impossible to go to any single source to get all the reliable information about every benefit of trusts. Further, available information on trusts has been complicated to the point that the average person has almost no chance of understanding even the basic principles. However, the information is out there, if you know where to look. The basic principles of trusts and their management are relatively simple and proper operation of a trust is no more difficult, and often easier, than running your basic, small business.

There is no mystery surrounding trusts. It is true that they are less known than other types of business organizations, but they hardly uncommon. In 1993, there were approximately 1.6 million tax returns filed for partnerships, more than 2.5 million tax returns (form 1041) filed for trusts, and 4 million returns filed for corporations. In other words, trusts are more common than partnerships, and comparable in number to corporations. Further, the audit rate for trusts is roughly 20% that for corporations, partnerships and individuals.

Divided Titles

The fundamental idea of a trust is to divide the legal and equitable (possessory) title of the trust's assets. For example, suppose Mr. Smith owns and operates a business. Because he has both "legal" title (he owns the business) and "equitable" title (he actually works the business; he hasn't leased it to someone else), Mr. Smith alone is entitled to any benefits (profits) from the business. Likewise, Mr. Smith is

solely responsible for any liabilities and taxes his business may incur. With full title (legal and equitable) comes full benefits and full liabilities.

But suppose Mr. Smith leases his business to Ms. Brown. Now, while Mr. Smith still has his "legal" title to his business (he still owns it), Ms. Brown is operating the business under lease and therefore has "equitable" title. Because the title has been split ("legal" stays with Smith, "equitable" goes to Brown), so have the potential benefits and liabilities. If the business has a bad year, Mr. Smith is still guaranteed to be paid his lease money in full. If the business prospers, Ms. Brown receives all the benefits of the profits no matter how large. Mr. Smith will be liable to pay taxes on the income he receives from his lease. Ms. Brown will be liable to pay income taxes on any profit generated by the business. If someone falls on the business premises and breaks a hip, Ms. Brown (who has equitable title) or the business itself, will be liable. Mr. Smith (with legal title) will normally escape liability.

Essentially, by dividing the full title to his business, Mr. Smith has both guaranteed himself an acceptable income and limited his potential liability for business operations or mistakes.

Typically, trusts also divide full title into "legal" title to property (owned by the trust, itself), and "equitable" title (owned by the trust's designated beneficiaries). In general, the trust's division of title can result in significant gains to beneficiaries and minimized liabilities for grantors.

For example, instead of leasing his business to Ms. Brown, Mr. Smith might place his business into a trust and designate his children as beneficiaries. Mr. Smith could continue to manage the business as a trustee and receive a salary for his efforts, but the profits would be divided among his three children. Although each child might have to pay taxes on his share of the income from the trust, in a graduated income tax environment, the collective tax burden might be reduced and net income to the family increased. (i.e.. without a trust, if Smith's business generated a $600,000 annual profit, his corporate tax liability might be $250,000. However, if he placed his business in trust, and divided the $600,000 among his three children, then each child might receive $200,000 and owe $50,000 in taxes. Collectively, the three children would pay $150,000 in taxes on the same income that would've cost the corporation $250,000. That's a $100,000 net to the Smith family and good reason to use a trust.)

Additional benefits

Privacy. We live in the information age. Information that used to be confidential and private, is readily available on almost every aspect of a person's life. Privacy becomes an increasing problem. Trusts traditionally have enjoyed protected status in the area of privacy. Often times trust records are difficult, if not impossible, to subpoena.

In 1995, I followed a court case in Hawaii between the IRS and the owner of a car dealership. The individual's business and family financial holdings had previously been organized into trust. The trust was refusing to surrender financial records based on the precedent that trust's records are private and surrendering them could compromise the trust and thereby jeopardize the interests of the beneficiaries. The defense attorneys had done considerable preparation and presented various court cases that substantiated the privacy of trust records.

The IRS countered with the argument that in 1938 the common law had been "made statutory" and the cases that the defense used, no longer applied because we are under admiralty law. (I'd heard the "admiralty argument" several times, complete with the gold fringe of the flag. While it was possibly true,

I'd discounted its practicality in the "real world". You can imagine my surprise at hearing that from the IRS's attorneys.)

The Judge, allowed certain very limited concessions and the IRS was allowed to examine certain non-vital trust papers. The end result was that the IRS failed to find any fraudulent intent and the privacy of the trust was maintained. The judge ruled in favor of the trust and the case was dismissed. The case was subsequently appealed to the ninth circuit court of appeals and again the privacy of the trust was upheld, court of admiralty or not.

Wills

While better than nothing, most wills can't truly protect the surviving family members from the horrors of probate and the consfiscatory taxes. However, with a properly designed trust, probate doesn't exist. Probate is triggered by transfer of title of a decedent's assets. Assets held in trust are not subject to probate when a trustee dies. The assets do not belong to the trustee. His position is vacated and a successor is appointed to fill it.

Liability

A bankruptcy case involving Arizona Governor Symington is a perfect example of limiting liability and the trust's immunity from the actions of the trustees. Before he became governor, he personally guaranteed a development project that went bankrupt. When he was sued, his lawyers responded that all the Symington family's wealth was in trust and that the trust could not be forced to honor the governor's personal debts. The lawyers went on to say that they were dropping their defense and that no check would be written in the foreseeable future. Imagine a legal entity so strong the lawyers wouldn't even bother to defend it!

A properly administered trust is nearly impossible to penetrate to satisfy personal debts. The supreme court affirms the liability protections of the trust: "Further, the primary objective of a TRUST relationship is to obtain the advantages of corporations, but with the freedom from the burdens, restrictions, and regulations generally imposed upon them." (Ashworth v. Hagen Estates 165 Va 151, 181 SE 381)

Income tax

Income taxation of trusts and potential tax savings to the creator of the trust is not a matter of opinion, but fact. Trusts are recognized by the IRS and are issued tax ID numbers. The trust files its own tax return which is an IRS form 1041. Any lawsuits or back taxes charged against a trust business or property would be limited to seizing only those assets contained in the trust. If the IRS tried to collect back taxes on Mr. Smith's business, they might be able to seize the trust's business, but could not seize Mr. Smith's home (or car, or bank account) which were not assets of the trust.

For tax purposes, the IRS separates trusts into three categories: "Simple Trusts" (any trust where all the trust income is distributed annually); "Grantor Trusts" (since the IRS tries to define most trusts as Grantor Trusts, it follows that this classification is not necessarily to the trust's advantage); and, "Complex Trusts" (defined as a trust that is not a Simple Trust). Note that the IRS does not determine whether a trust is statutory or contractual, or impose any restrictions on who may create one they merely try to categorize trusts for tax purposes and process the correct tax forms once the trusts have been created.

Nevertheless, it's curious that the entire IRS definition of Complex Trusts consists of a description of what they are not. Blacks Law Dictionary is less mysterious and defines Complex Trusts as those where the trustees have complete discretion (power) over the administration of the trust assets. In fact, the Complex Trust has the greatest degree of flexibility and freedom from statutory encumbrance. without getting bogged down in definitions, note that it is possible to have two kinds of Complex Trusts: those formed under statutory law, and those formed by private contract. As we'll see, a Complex Trust established in contract-not statute-is the best way to form a trust.

Statutory vs. contractual

There are basically two classes of trusts. The first is a trust established in statute, by the legislature. Blacks Law Dictionary lists over 85 different types of statutory trusts including living trusts, discretionary trusts, pour over trusts etc...

Statutory trusts derive their existence from Congress and can be altered, amended or revoked by Congress. For example, Living Trusts, at best, protect the estate only up to $1.2 million. Worse, there's been an alarming trend for the past several years in which living trusts are often set aside by the courts and the estates probated anyway. As a result, the Living Trust estate is subjected to ruinous legal fees and taxes. Is it a mater of time until Living Trusts are set aside entirely? Remember, Congress created the Living trust. They are statutory. What Congress creates it can amend or revoke.

Have you ever heard the saying "ignorance of the law is no excuse"? In the realm of statute, you are liable for laws that you aren't even aware of. For example, you are driving down a road and the speed limit lowers and you don't see the sign. You continue on at your previous speed in blissful ignorance until you are caught on radar and given a ticket for speeding. You explain that you had no idea that you were exceeding the limit. It doesn't matter. You are liable whether you knew or not. That is pure liability. It doesn't matter what your intentions were. You didn't mean to break the law and you probably wouldn't have if you had known. It doesn't matter that there was no criminal intent or harm done. The simple fact is that you were in violation of the law and the price must be paid. The realm of statutory law is the realm of pure liability. If you choose to put yourself into that realm with a statutory trust you'd better have a good lawyer.

The second class of trust is established in contract. The very definition of a trust is a *contract* involving *three* parties: The first party (grantor) creates a trust and typically conveys property into that trust; the second party (trustee) administers that trust for the benefit of the third party (beneficiary). Trusts are typically formed by a contract between the grantor(s) and trustees. Beneficiaries play no active role in the trust's creation or administration.

The legal significance of contracts was of supreme importance to the framers of the Constitution. Article I Section 10 states: "No State shall.....Pass any Law impairing the Obligation of Contracts." The guaranteed right to contract is evidence of the People's sovereignty over government in that, once a lawful contract ("private" law) is entered into, even Congress cannot pass a subsequent law to revoke or "impair" an existing contract. This guarantee is far more important than most people imagine.

For example, suppose a farmer has a contract to receive payment for the crops that he delivers to market. If the contract is not honored and he's not paid for his crops, he'll have no incentive (or money) to produce crops the next year. Instead, he'll only produce enough to feed himself and his family. If no one could depend on contracts, there would be no incentive to produce anything. Production would halt

and factories would close. There would be nothing to sell, the stores would be empty and almost all commerce would cease.

The right to contract is crucial to the existence of free market and even personal freedom. As proof, consider those communist and socialist societies whose governments are able to "impair" the obligation of existing contracts. Although even the most repressive governments preserve some measure of the right to contract, to the extent that right is restricted, those societies are characterized by poverty and political oppression.

Even our courts affirm the right to enter into a contractual relationship (trust): "The United States Supreme Court holds that the (contract) TRUST relationship is based upon the common law, and is not subject to legislative restrictions as are corporations and other organizations created by legislative authority." *(Crocker v. MacCloy,* 649 US Supp 39 at 270) I.e., if Congress didn't create a contract, it can't lawfully alter, amend or revoke it.

Nevertheless, can Congress pass laws restricting the ability to utilize trusts? Yes, but not likely. Virtually all our elected officials use "Blind Trusts" a trust that is listed in a registry in Washington DC and *does not report the source of its income* (IRS 1041 Instruction book p.7). In light of the power and wealth of those who already use trusts, it is unlikely that legislation restricting trusts will become too severe in the foreseeable future.

When creating a trust, remember that since a trust is a contract (private law) which can be freely entered into, there is little or no need for *statutory* trusts of any kind. And as you'll see, *contractual* trusts offer far more advantages than statutory trusts. Therefore, the subject of trusts can be hugely simplified by ignoring statutory trusts and focusing entirely on contractual trusts.

Grantors

A trust begins with the Grantor who (typically) not only designs and creates the trust on paper, but also endows it with some of his valuable assets (land, businesses, money, etc.).

Once the trust is created and endowed with assets, the Grantor must disassociate himself from the management of the trust (and the assets he placed in the trust) or the IRS will cheerfully classify his creation as a "Grantor Trust" and tax him accordingly.

Trusts can be "revocable" or "irrevocable". If a trust is "revocable", the grantor has the legal power to take back whatever property he put in trust. This may seem like a safety feature in the event that a person changes his mind, but in reality it is a gaping hole in the trust’s armor. In the eyes of the courts and IRS, if the trust is revocable, the grantor technically still owns the property he placed in the trust. If he owns it, he can be taxed on it or even have it taken away from him in a judgment.

Therefore, to minimize IRS intrusions, it is vital that trusts be "irrevocable"; i.e., the grantor retains no residual or revisionary power over the trust and therefore cannot tell the trustees what to do or take back his property. The idea of permanently surrendering all control over your property to the management of others is a scary concept for some people, but it is a key principle and an essential attribute of the term "trust".

It is a simple matter to make a trust irrevocable. The grantor simply declares it "irrevocable" in the trust "indenture" (the document which created the trust) and it is legally so because when the grantor creates a

trust, he is literally *creating law.* (The people making law? What a radical concept -exactly what is meant by holding We The People as sovereign over our government.) If a trust finds itself in court for whatever reason the judge must use the trust "indenture" as the guide for how the trust is to be treated. Remember the Constitution's (Art. I Sect. 10) prohibition against impairing the obligation of contracts?

When assets are conveyed *irrevocably* into trust, the tax liability of the assets no longer attach to the grantor. While the tax deductions for individuals are disappearing one by one, deductions for trusts have remained almost perfectly preserved.

Therefore, why do so many competent professionals disagree on this point? It is because of the lack of familiarity with trusts and their potential. I repeat: the principles and laws pertaining to trusts are not complicated, they are just not widely known. Details pertaining to taxation of trusts are available from a variety of reliable sources. One of the sources I reference frequently is *Practitioners 1041 Deskbook,* Practitioners Publishing Co., Texas.

Trustees

There is a great deal of difference between being a grantor who places property into a trust, and a trustee, who manages assets for the trust. Some grantors go to great pains to create a trust and still retain control over the assets by making themselves "managers" or "protectors". They do this because they don't understand the concepts of trusteeship and irrevocability.

Assets conveyed *irrevocably* are "transferred" into trust just as if they were *sold. So* long as the grant is irrevocable, "[t]he settler (or grantor) may make himself sole trustee or one of several trustees." *(Trusts,* 6th ed., George T. Bogert) Therefore, the grantor may administer the trust as *trustee* without retaining any residual power or interest. The court agrees: "By declaration of trust, the legal title, possession and control of the trust estate passed irrevocably from the grantor as an individual to himself as a trustee. The effect is no different than if the trustee had been another person." *(Helvering v. St Louis Union Trust Co.* 296 US 39, ante, 29, 56 S Ct. 74, 100 A.L.R 1239)

If a trustee understands his role and administers the assets for the benefit of the beneficiaries, there is no danger of the trust failing for that reason. Trustees in a properly created complex trust have complete discretion and broad powers over the administration of the trust and its assets. Although trustees must follow the trust indenture as a general guide, no one can tell the trustees what to do. Trustees may even amend and add to the trust indenture.

The courts have ruled that in order for a contract trust to fail, the trustees must willingly and knowingly commit fraud. A trustee will not cause a trust to fail because he makes an administrative error. The courts recognize that the trustee's job is not to be a lawyer, but a custodian or steward over the assets. Historically there is a great deal of leeway given to trustees in the administration of their duties. Fraudulent intent must be proven. Intent is much harder to prove than a simple mistake because of oversight. Essentially, if a trustee makes a mistake he must correct it, and having done so is personally immune from any civil or criminal liability. Liability cannot be assessed to a trust because of the actions of a trustee. Similarly the trustee is not liable for the debts of a trust.

However, a problem will arise if the grantor also makes himself both a trustee and a beneficiary of the trust. It is a hard and fast rule of trusts that trustees cannot also be beneficiaries.

However, additional assets (like houses, cars, etc.) can be purchased by the trust and conveyed into the trust as trust property. This can be accomplished with no tax liability to the former grantor (now, trustee) who resides in the trust's house or drives the trust's car. Although there is some dispute among legal and accounting professionals, the trustee may occupy the house or drive the car at no charge or tax liability to himself. There are numerous letter rulings involving the IRS where the person occupying the house (equitable or possessory title) is not assessed income and the entity that owns the house (legal title) is allowed the deduction. The pivotal point is contract. The trustee or employee may occupy the residence if it is a condition of employment and stipulated in the employment contract. The same rules apply with respect to a car. In the absence of a contract the point is less defensible.

Complex Irrevocable Trusts

Trusts are powerful tools for estate planning and administering assets. By entering into a complex irrevocable trust you can elevate your family and business financial dealings to a higher plane and be ruled under a non-statutory set of laws. The benefits of trusts are available to anyone who freely elects to use them. A degree of privacy and protection from liability can be achieved that is otherwise unavailable. Probate can be totally avoided, income taxes reduced, and personal liability virtually eliminated.

It is reasonable and prudent for a person to reorganize his affairs so that he may enjoy better privacy, protection and an improved tax position. The courts have ruled specifically, that a person is not more or less patriotic because of the amount of taxes he may or may not pay. Additionally, a person may choose to organize his affairs, whether or not the resulting benefits or tax savings are incidental or by design.

Many of the benefits of trusts can be achieved using corporations and other statutory entities. However, the contract based complex irrevocable trust is clearly protected by the courts for various reasons. Given a choice, I would rather have the protection of the courts than to have to depend on my wits or luck to keep me out of harms way.

Trust Fever

By Alfred Adask

Recent, remarkable research by William Cooper (Veritas Magazine, POB 3390 St. Johns, Arizona 85936) indicates the Internal Revenue Service is really Puerto Rican Trust #62.

"Ah HA!" we shout. "That's the key! Those dastardly IRS bureaucrats are not true representatives of our lawful government they are foreign agents because they operate out of Puerto Rico!" But maybe the real significance of Cooper's research is not that the IRS is located in Puerto Rico, but that the IRS is a trust.

The majority of this article is pure speculation-and broad, unsubstantiated speculation at that. At times, it leaps from hunch to conclusion, but its purpose is only to explore an insight I find intriguing, exciting -and quite possibly wrong.

Further, this article is incomplete in that it presumes the reader has some personal knowledge of both trusts and "patriot law". Without some background information on trusts, readers may find this article incoherent. Without some knowledge of the various "patriot" theories (which try to make sense of our loss of Constitutional rights and freedoms), this article may seem absurd.

However, with a "little knowledge" of trusts and "patriot law", a few of you might find this article infectious. You, too, may be struck down with a dose of "trust fever".

The word "trust" is so innocent sounding and commonly used, that we read or hear it daily without noticing or attaching any significance to the term. For example, Robert Moffit reported in "Medicare Reform" *(Dallas Morning News; 11/ 24/96):*

"The Medicare *trust fund* . . . will post a $2 billion deficit this year.... [T]he longer we wait to save Medicare from bankruptcy -which will arrive for the hospitalization *trust fund* by 2001, according to the Medicare *trustees*-the worse the options become. Eventually, they will narrow down to two: (1) *impose* huge new payroll tax increases on all Americans or (2) withdraw Medicare *benefits* from many who need them.... If the hospitalization *trust fund* goes broke as scheduled in 2001, the average American household will *be forced* to pay $4,000 in new taxes over the next four years to bail it out.... If nothing is done, the total cost of Medicare Part B to the average household will be [another] $10,000 in taxes between 1996 and 2005."

The prospect of being "forced" to pay *another* $14,000 in taxes to support Medicare over the next nine years is hardly intriguing. However, I am fascinated by the realization that Medicare (like the IRS) is not only a *trust,* but also an entity which we may be *forced* to support. Is it possible that *trust* relationships include an inherent power to *somehow force* Americans to meet certain performance obligations (paying taxes?) not otherwise justified or allowed by our Constitution?

Social Security is also described as a "Trust Fund", and I've seen references to the "National Highway Trust". How many government "trusts" are there? Does government use "trusts" (like Medicare or perhaps the IRS) as a fundamental strategy to bypass constitutional law? Is it possible that the same trust structures which can be used to protect our *property* from government can also be used by government to ensnare our *persons?*

Hypotheses

The Constitutional movement is full of theories which try to explain the glaring contradictions between the Rights and Freedoms we are guaranteed by our Constitution, and the privileges and obligations we in fact receive. Like college girls who've been drugged on their dates and abused, we know we've been had -we just don't know exactly how.

Some students of government's unconstitutional behavior have determined the cause of our lament lies in the Social Security Number (SSN)—some say it's the Uniform Commercial Code (UCC) or the Birth Certificate. "FOOLS!" shouts the fellow from Ohio, "it's admiralty law!" "You stupid sons of....." mutters the West Coast guru, "it's *martial* law imposed at the end of the Civil War." "Nah:' say others -They got us with *adhesion contracts!"* Still more insist the problem stems from the national bankruptcy declared in the 1930's which makes us all, always, operate under bankruptcy law. There is always the time-honored 14th Amendment "citizenship" (or is it "Citizenship"?) and upper case ("JOHN W. DOE") versus capitalized ("John William Doe") name arguments to explain how we've been constitutionally deflowered by the randy corporate state.

All of these arguments and explanations have value, but none finally satisfy. One man may successfully use the "martial law" argument to fend off government, but was his success based on the strength of his legal argument? Or was his success based or his personal determination to cause such

endless, expensive litigation that the "system" declined to prosecute because he was more trouble than he was worth? The same questions apply to the "citizenship" arguments and all the rest. They all sound like they *should* work, and all seem to work some of the time, but none of them works all the time. And so the patriot search for silver bullets continues -often amid the smirks and guffaws of "licensed" lawyers, judges, and even other patriot researchers who view pet theories other than their own with contempt.

While I've yet to understand a patriot law theory that's completely right, I've yet to see one that doesn't contain at least a kernel of truth. Maybe the problem isn't that patriot theories are wrong so much as incomplete. Maybe the patriot community is analyzing the legal system much like that a bunch of blind Hindu's once analyzed an elephant: the blind man who felt the elephant's nose declared elephants were like hoses; the blind man who felt the tail declared elephants were like ropes; the blind man who felt a leg declared elephants were like posts. The problem wasn't that any one blind man was exactly wrong; the problem was that each blind man was trying to fit his evidence of elephants into his own limited knowledge of life. Having never seen the "big picture" of elephants, the blind men reached amusing but inaccurate conclusions.

Perhaps some people do the same.

I suspect the "big picture" in legal reform may be trusts. Most Americans dimly understand that "trusts" are some sort of boring accounting device used by the rich to protect their assets. Because most Americans are seldom solvent let alone rich, we understand trusts about as much as we understand horse polo. As a result of this "class unconsciousness", most Americans are as collectively "blind" to trusts as the Hindus were to elephants. But like the elephant, unseen trusts may be much larger, powerful, and fantastic than anything most Americans can normally "see" or imagine.

Improbable, but....

Yes, it sounds farfetched to suppose government uses trusts in a sinister manner to deprive us of our rights. However, there are "patriot" rumors of Supreme Court cases which declare that any individual who is merely *in a position* to accept a "benefit" is thereby obligated to meet certain performance criteria regardless of whether that individual ever actually received a dime's worth of tangible "benefit". If those rumors are true, it would mean anyone who has been designated as a trust beneficiary even if he has no idea he's been designated and has never received a single tangible trust "benefit" is still obligated to meet whatever performance criteria were mandated by the grantor and trustees who created the trust.

For example, suppose the rules of the Social Security Trust Fund specify that all beneficiaries must file and pay income tax. Then once you applied for a Social Security Number, you'd become a beneficiary of the Social Security Trust Fund and thereby obligate yourself to pay income tax even though you may never receive one dime's worth of Social Security payments.

For example:

> 1) In 1993, the IRS received 1.5 million tax returns from partnerships, 2.5 million from trusts, and 4 million from corporations; but,
>
> 2) There are almost no trust classes conducted in our nation's law schools or modern classroom.

In other words, although there's an enormous number of law school classes and texts on partnerships and corporations —trusts (which are comparable in number, hold much wealth, and should therefore be

the lawyers' natural prey) are virtually ignored. I find this institutionalized ignorance suspicious and more reason to suspect you and I may be the unwitting "beneficiaries" (*we enjoy all those government "benefits", remember?*) of government trusts which entangle us in administrative law without constitutional recourse.

Trust Features

Contracts. Trusts created with forms according to statutes are subject to government regulation. However, common law trusts can also be formed by private contracts and as such are largely exempt from government regulation.

Contracts are examples of "private law" in which We The People make our own (*limited*) laws to govern you, me, or whoever signs our contracts. This contractual power is superior to the Constitution and protected as such in Artic*le 1, Sect. 10 of the Constitution* ("No State shall....pass any....law impairing the Obligation of Contracts"). Given that common law trusts can be superior to the Constitution, they are in some regards "above the law". As such, trusts are not only powerful but potentially dangerous.

Three parties. Another essential feature of trusts is that they always involve at least three parties: grantors, trustees, and beneficiaries. The contracting parties who create the trust are typically the grantors and/or trustees. They sign a contract called an "indenture" under which the grantor conveys legal title to some property into the trust which the trustees agree to manage for the "benefit" of the beneficiaries (*children, for example*). Hence the essence of a trust is that a mature grantor "trusts" his trustees to manage property for the "best interests" of the relatively incompetent beneficiaries.

Again, note that *beneficiaries need not sign or enter into a charitable trust contract* as active participants. In fact, beneficiaries—who have equitable title (use) of the property (*money, cars, "benefits", whatever*) owned by the trust and managed by the trustees -need not even *know* of the trust's existence. Therefore, you could be a designated "beneficiary" of several trusts (*Medicare? Social Security?*) and not even know these trusts exist -or that your status as a beneficiary compels you to obey the rules of the trust.

Those potential benefits could include money, a welfare check, Social Security disability, medical insurance, or use of the state's automobile -all depending on the particular trust involved and the property it contained.

Because beneficiaries can be "included" in charitable trusts without their knowledge, trusts sound like a potentially dangerous device for seducing Americans into compelled performance and obedience to the state/ trustees.

Divided title. The essential feature of trusts is the division of a trust property's full title into "legal" and "equitable"" (*possessory*) titles. For example, by placing your business in trust, the "legal" title to the business (*ownership*) will belong to the trust, but the "equitable" title to the use, benefits, and profits of the business will belong to the beneficiaries (*perhaps your children*). By dividing title, certain tax and legal liabilities are reduced or even eliminated. For example, if the trustees or trust property damage another party or property, only the trust property can be sued; the grantors, trustees, and beneficiaries are virtually immune from personal legal liability.

Curiously, the "divided title" aspect of trusts is very similar to the patriots' "divided title" theory concerning ownership of automobiles. According to that theory, the "Certificate of Title" to your car is

not "the" Title, it's merely an official document that "certifies" (*hence, the term "Certificate"*) that a "title" exists......somewhere -but you don't have it.

Sounds nuts, doesn't it? After all, why would anyone (*even government*) be dumb enough to give you *possession* of an expensive automobile but keep mere scrap of paper called "title" for themselves? Perhaps the answer is implied in a quote attributed to one of the Rockefeller's: "Own nothing, control everything."

It appears that the state holds legal title to "your" car while you -much like a teenager uses his dad's Ford for a Saturday night date-merely enjoy the benefit of equitable (*possessory*) title -*under certain conditions.* I.e.; just as a teenager must have the car back in the garage with a full tank of gas, undamaged, by midnight (*and rake the leaves on Sunday*) if he wants to use the car again-you may also use "your" car, but *only under certain conditions.* Although you don't have to rake leaves to continue using the "benefit" of the state's car, you are required to pay a modest rent (*annual registration and licensing fees*) and agree to use the state's car only according to the state/ owner's terms (*you must have a drivers license, auto insurance, wear your seat belt, and don't exceed the speed limits, etc*.). In his way, the state owns your car, but controls you.

My point is that the apparent division of legal and equitable title for automobiles is so similar to the divided title feature of trusts, that I can't avoid the suspicion that government is using the Certificate of Title as evidence of a trust that converts us from auto owners to mere beneficiaries subject to the government/trustee's administrative powers to tax and regulate our driving habits in ways that seem unconstitutional.

How about the "National Highway Trust"? I've heard that term bandied about on the news recently. Other than the name, I don't have a clue to what the "National Highway Trust" is, but obviously it's a trust..... and since trusts contain property, it seems reasonable to suppose. that some or all of the nation's highways have been granted into that trust as trust property. Therefore, those of us who use the nation's highway could be construed as *beneficiaries* of the National Highway Trust. As beneficiaries, we might be compelled to obey the rules of the National Highway Trust as a condition of enjoying the benefits (*driving on the highway*). Those rules might include having a driver's license, insurance, obeying speed limits that would otherwise apply only to commercial vehicles, etc.

There's no doubt that the Social Security Administration operates a Trust Fund. Presumably, your Social Security number makes you a card-carrying beneficiary and therefore subject to certain obligations (*filing income tax returns?*) mandated by the rules of that trust.

If these car title, highway or SSN trust theories are valid, then trusts form an unnoticed but critical aspect of our lives. Once you "volunteer" into a trust as a beneficiary you have contracted to obey certain unspecified rules, even if those rules are unsupported by the Constitution.

More rabbit trails

Bankruptcy. What's a bankruptcy? It administers property. It has trustees. It works for the "best interests" of beneficiaries (*creditors*). Sounds like a trust, no?

Consider your personal bankruptcy. Isn't that formed by a contract (*petition*) to the bankruptcy court? Don't the bankruptcy judges wield unparalleled judicial and administrative authority? Isn't that consistent with trustee status?

What about the "national" bankruptcy? Generally speaking, the patriot analysis runs like this: the government was legally bankrupt about 1933, President Franklin Roosevelt surreptitiously declared the bankruptcy, seized the public's gold (*real money*), and shifted the nation to a (*largely*) paper (*debt-based*) money system. Since then, the courts have operated as administrators of the national bankruptcy and without real allegiance to the Constitution except as "public policy". (*Note that the bankruptcy hypothesis fits comfortably within the larger "trust hypothesis"*.)

Federal Reserve. Is it a trust? I don't know, but we do receive the "benefit" of using Federal Reserve Notes (*debt-instruments*) instead of real money (*gold, silver, asset-instruments*) to "discharge" our debts. Where there's a "benefit", I suspect you'll usually find a trust.

Property. Patriot law recognizes a serious problem with property rights —we don't truly own anything anymore. Patriots generally seek to correct this problem with allodial titles, common law liens, or purchase with real money (*gold, silver*). Could the problem be that we have somehow placed our property into a government trust in which we have equitable title (*use*) and government/trust has lawful title?

Banks. Is your bank account a trust? Does this explain why, once the money is deposited, it is legally the banks? Then the bank allows you to withdraw and use "it's" money as a beneficiary? You have equitable use, but no legal right to the money once it's been deposited? Is this why the IRS can seize money from your bank/trust account without going to court because the rules of your bank account/trust allow it? (*Again the bank account mystery seems to "fit" within the structure of the trust hypothesis*.)

Trustees can't benefit

Perhaps the last essential feature of trusts is that, while a person can be a grantor and a trustee of the same trust, no one can be a trustee and a beneficiary in the same trust. There's an obvious conflict of interest and the opportunity for "self-dealing", etc. Therefore, if government is "imposing" various trusts on us, government officials (*and perhaps employees*) who serve as trustees cannot also be beneficiaries in the same trust.

There is circumstantial evidence to support this government-imposed trust theory: Do government employees contribute to Social Security? Here in Texas they don't. Texas government employees, cops, judges, etc., have their own state-based retirement fund and do not normally contribute to Social Security. Likewise, our U.S. Senators and Congressmen (*presumably trustees for various federal trusts*) have their own retirement program other than Social Security. As a result, Congressmen who are not Social Security beneficiaries can legally serve as trustees for the Social Security Trust Fund. This may be a critical insight. For example, if the beneficiaries of the National Highway Trust are defined as "U.S. citizens", the administrators of that trust must be something other than "U.S. citizens" since the administrators/trustees can't also be beneficiaries of the same trust.

Could a traffic cop be construed as a trustee? Probably not. Traffic cops might be trust employees or even quasi-trustees, but not full trustees. But judges and U.S. Marshals are probably trustees, and if so, can't administer the trust ("*enforce the law*") if they are still beneficiaries (*presumably, "U.S. citizens"*). Does this explain the rumors that the "Secretary of the Treasury" and "Governor of the International Monetary Fund (*IMF*)" must renounce his U.S. citizenship to hold those offices or that many government agents are reportedly operating as "foreign agents"? So far, the patriot community has viewed these official revocations of citizenship as evidence of some foreign plot by the U.N. or bankers or New World

Order to take over the USA. But maybe the revocation of citizenship is less a "foreign" conspiracy than a legal requirement to administer a trust on behalf of beneficiaries designated as "U.S. citizens". (*Again, a cherished patriot theory seems compatible with the trust hypothesis.*)

What's in a name?

Some people suspect that the upper case name (JOHN DOE) creates or implies a serious legal liability for the flesh and blood "John Doe", and exposes him to a degree of government control which might not otherwise exist. However, the mechanism that explains the significance of the distinction between upper case (JOHN DOE) and capitalized (John Doe) names remains unclear.

Is the upper case name (JOHN DOE) an artificial entity and/or "legal title" to the flesh and blood "John Doe"? And once that title's been surrendered to the state in the form of a birth certificate and/or SSN, does the state "own" the *artificial entity* "JOHN DOE"? Based on that ownership, is the state enabled to compel or deceive the flesh and blood John Doe into accepting certain obligations of performance? If so, whenever "JOHN DOE" appeared in court, could he be "managed" by the judge/trustee as an object just like any other form of property ("in rem"?) for the "best interests" of trust?

For example, using this trust hypothesis, I can imagine a scenario whereby you unwittingly entered (created?) one or more trusts through use of your marriage license, children's birth certificates, and/or Social Security applications. Depending on the documents used (*contracts or "applications" for benefits*), you might've contracted with the state to create/join a trust, declared your children to be that trust's unknowing beneficiaries, and thereby condemned your own children to obey government regulations to receive trust "benefits".

Worse, you might've unknowingly contracted your children into the trust as *property* to be managed by the state/trustees for you, the beneficiary. This, of course, would give the state/trustees the legal right to revoke your "equitable title" to your kids and take them away from you any time the trustees thought it served the "best interests" of the state/trust to do so. These hypothetical trusts might even allow the state to "administer" your kids in courts as property ("in rem") or as artificial entities (*requiring representation by licensed "ad litum" lawyers*) instead of as flesh and blood people with constitutionally guaranteed, God-given rights.

The childhood disability imposed by the birth certificate/ trust might have to be affirmed by the child himself when he became an adult (*probably by "applying" for a SSN*). Upon voluntarily requesting those SSN benefits, that disability would follow the child into adult life. As a result, if "JOHN DOE" is *property* of a particular trust (*maybe the trust is identified by a number like the SSN or the certificate number on a birth certificate*), then "JOHN DOE" can be tried as inanimate trust property (in rem) and without the rights we assume are guaranteed to all "John Doe's".

Criminal Trials

After a judge or jury reaches a guilty verdict in a criminal trial, there is the moment of "allocution". Here, the judge asks the defendant if there is any reason why he should not pass judgment. The defendant dutifully replies "No sir" (*hoping if he cooperates the judge might go easy*) and sacrifices his last chance to argue for his freedom and is accordingly given the maximum sentence.

There is a patriot argument that, at the moment of allocution, you can refuse the conviction and any potential penalty by claiming the flesh and blood "John Doe" was not tried. Instead, the lawyer who

"represented" you in court (*or the upper case "JOHN DOE"*) was really on trial and you, "John Doe", refuse to accept "his" punishment. It's another notion that sounds nuts but has reportedly worked.

If there's any truth to the allocution strategy, it sounds suspiciously similar to "divided title" feature of trusts. Perhaps the "JOHN DOE" artificial entity is tried; but the "John Doe" flesh and blood entity is jailed. The trust is tried; the beneficiary unwittingly accepts the sentence....

It is also alleged that you can't be jailed without an attorney. But why? Since the lawyer is an "officer" *(trust officer?)* of the court, when you give him a "power of attorney", have you contracted to grant or convey some aspect of your "self" as property into the body of the court trust (*i.e., belly of the beast*)?

Could a similar conveyance of your person be achieved if you file a petition, pleading, form, whatever, as a plaintiff with the court in a civil trial? Do you become a "beneficiary" of the court/trust by filing a pleading and asking for the court/trust's services? Some have long argued that making a motion surrenders jurisdiction to the courts. Perhaps the more accurate explanation, is that by making a motion or plea, you "apply" for the court's services (*benefits*) and thereby verify your status as a beneficiary subject to the court/ trustee's administrative powers.

Hard to believe

I frankly don't believe all of these scenarios -they seem too risky, too far out. I can't believe the courts would dare go that far.... And yet, like most patriot theories, these trust scenarios seem to "fit". The whole idea of a trust is limited liability based on the division of full title into Legal and Equitable titles. The trust/artificial entity that is numbered or perhaps named "JOHN DOE" (*with a particular Date of Birth and Mother's Maiden Name to distinguish it from other similarly named trusts*) that has legal title to the "property" JOHN DOE-is responsible for trust errors. As *beneficiary,* the flesh and blood "John Doe" is immune to *legal* liability for errors committed by the trust.

However, under the "sonam idems" rule about similar sounding names, the court is allowed to presume "JOHN DOE" and 'John Doe" are the same entity. Therefore, the court may prosecute the artificial entity "JOHN DOE", and then jail the flesh and blood "John Doe" as if he were 'JOHN DOE" -unless "John Doe" specifically objects.

What's his objection? "Misnomer" (*wrong name*) on the charging instrument. Misnomer has been a central element of the "abatement" defense strategies that have enjoyed recent popularity in the patriot community. However-if there's any validity to the idea of that we are being tried as trust property (JOHN DOE) -a better defense might be simply to say, "Sorry, I am not the trust (*or property of the trust*) named 'J-O-H-N D-O-E'; I am 'J-o-h-n D-o-e', the beneficiary of that trust and therefore immune from prosecution or legal liability for any criminal or civil offense committed by its trustees or trust property." After all -hard and fast rule -beneficiaries can't be trustees.

Unlikely remedies

Suppose my "trust fever" is more than delusional and actually grounded in some measure of fact. Then how could we escape from the grips of government trusts?

- 1) Develop a solid understanding of trust principles and strategies.
- 2) Confirm whether the government trust hypothesis presented in this article is valid.

- 3) Identify all the government trusts to which we are bound.
- 4) Determine our status relative to each trust (*status might vary: in some trusts we might be beneficiaries; in others, property or trustees; in some we might "enjoy" a duel status like grantor-beneficiary*).
- 5) Discover the legal procedure for ending our legal relationship to each trust (*we might "resign" as trustees, "revoke" our status as beneficiaries, cease making contributions as grantors, or file a quiet title action to emancipate ourselves from the status of trust property*).
- 6) Publish official notices of our separation from government trusts. Create and carry official documents confirming that separation.
- 7) Prepare to sue any enforcement agency and officer and especially the background trust(s) they operate under should you be officially harassed based on the mistaken notion that you were still associated with a particular trust.

If we're trapped in trusts, can we escape? In some cases, maybe not. That is, perhaps only the grantor(s) who created the trust and entered us as property can revoke the trust and "liquidate" our status as "property". For example, if your birth certificate created some kind of trust, perhaps you can't revoke it but your parents (*who were the original grantors*) could. But what if your folks have died? Who can revoke the original grant? Maybe you can’t revoke the grant, but you might be able to perform a "quiet title" action on yourself to regain full ownership of your legal and equitable titles. (*Again, the quiet title strategy has been advocated and used successfully by the patriot community and seems to "fit" within the structure of trusts*.)

If Social Security is a trust, did you grant yourself into it? If so, perhaps it's a "revocable" trust and you can therefore revoke that trust by removing your artificial self (JOHN DOE) from the trust's inventory of property and your flesh and blood self (John Doe) from the trust's list of beneficiaries.

Freeing children

Suppose you and your spouse contract to form your own trust when. your child is born (*perhaps even conceived*) and place that child into your trust as property to be administered by you and your spouse (trustees). Could any subsequent government trust (*birth certificate, SSN, etc. created before your child turns 18 years old*) alter the fact that your trust "owned" your child and you and your spouse were the child's only legal trustees?

I don't think so. If you formed the *first* trust to include your child as "property", no subsequent government trust should be able to claim the child as "government property" and thereby obligate that child to a lifetime of compelled performance rather than personal freedom. Therefore, with the proper understanding and application of trusts, you might be able to free your own child at birth from compelled government servitude.

Of course, the idea that a child could be granted" into a trust as "property" may be legally absurd. OK. But how ‘bout merely creating a trust which owned the upper case name (and all variations) of your child’s flesh and blood, capitalized name? I.e., suppose Mr. and Mrs. Doe have a daughter which they name "Cynthia Joyce Doe". Suppose they form a trust and somehow grant the names "CYNTHIA JOYCE DOE" and "CYNTHIA J. DOE" into their trust (*and make it clear that these upper case names refer to the flesh and blood child with the capitalized name born to those particular parents on the*

particular date of birth) and then make it clear that those names in reference to this particular child are the exclusive property of their trust and no one can use those names without a copyright infringement ... or maybe ....

OK, you get the idea. By claiming "ownership" of the upper case name of your child (*or perhaps the child herself*) *before* the state did, you might be able to preempt the state from ever using her upper case name to gain unconstitutional authority over your daughter without the specific approval of the trustees (*you and your spouse*). If the state tried, it might be liable for "impairing the obligation of contracts" between yourself and your spouse.

Suing judges

If the courts are functioning in some trust capacity, the judges may be the "trustees" who sit in an *administrative* capacity, with the sole objective of operating in the "best interests" of trust. If so, the judge/ trustees can exercise virtually unlimited power, decide cases any way they please without regard for the Constitution, *stare decisis,* etc., so long as they promote the "best interests" of their trust.

If this were true, the key to suing a judge would be to allege he violated his fiduciary duties *as a trustee* and committed acts contrary to "public policy" and/ or the "best interests" of the trust. For example, if the judge committed an act that caused a *significant renumber* of beneficiaries (not just the defendant) to lose "confidence" in his administration of the trust, then that judge might be liable for some breach of his fiduciary obligations (*probably spelled out in the Judicial Code of Ethics*). This notion is consistent with the observation that the only thing this system seems to fear is public exposure (*the adverse opinion of large numbers of people/beneficiaries*). Therefore, the key to suing a judge might be the presence of a multitude of court watchers (beneficiaries) who could testify that their confidence in the judicial system (*or whatever trust the judge administers*) has been diminished by the judge's "unreasonable" acts.

Silver Linings

The Constitution's prohibition against "impairing the obligation of contracts" not only empowers government to seduce us into trusts contrary to our interests, it also prevents Congress from passing a law that prohibits or nullifies existing trusts. No generic laws could be passed by Congress to free us all at once from a contract-based trust. As a result, the only way 250 million Americans trapped in trusts can free themselves is one by one. Personally. Pretty diabolical, hmm? These trusts may not be easily escaped.

Worse, a friend of mine (Mosie Clark) was recently in court, bumping heads with the IRS. Mosie challenged the court's jurisdiction. The judge responded by asking Mosie if he'd ever received any Social Security benefits. Mosie is retired, his wife is an invalid, so he answered, "Yes but I paid for all that with my contributions when I was working." The judge asked if Mosie had ever enjoyed the benefit of driving on the highways. Again, Mosie answered, "Yes -but I paid for that with my gasoline and tire taxes." The judge smiled and asked if Mosie ever bought food in the grocery store. Mosie though a minute, then agreed that he had, but couldn't see the relevance. The judge explained: Much or all of that food was grown by farmers receiving the benefit of government subsidies, which meant Mosie had received a benefit.

The case remains to be resolved, but the point seems to be that it doesn't matter if you paid into social security, or paid gasoline taxes, or even purchased your food with gold and silver. If you enjoyed a "benefit" provided by the government, you were a beneficiary and therefore bound to accept the

administrative authority of the judge/trustee.

I was pleased to hear that the judge's questions implicitly support my notions on trusts, but I was also shocked to realize the extent of the "beneficial interests" we enjoy. It's not just Social Security that establishes our status as beneficiaries; it's using the highways, buying groceries, and probably using any product or service (*public transportation and utilities?*) that are *subsidized* by the government.

It appears that government has constructed a web of benefits so detailed and extensive, that no living American can escape the status of beneficiary and the obligations thereby imposed. Does this render any attempt to "escape" trusts pointless? Are we hopelessly mired in trusts? Should we therefore "learn to enjoy it"?

Only extensive study will tell, but for now, my answer is, "Maybe not".

Maybe the solution to our problem is not to escape the many trusts that bind us. After all, who can live without groceries, utilities, transportation, etc.? Maybe our deliverance is suggested in the Biblical query, "By what authority do you act?"

Maybe we need to inquire at the very beginning of any trial or confrontation with government if they are acting as trustees, and if so, do *they* receive Social Security benefits, do *they* enjoy the benefit of driving on the highways, do *they* benefit from any of the various government subsidies for food, transportation, or utilities. As we've seen, it may be virtually impossible for any mortal man -even judges' -to escape government's "beneficial" web. And given that fundamentalist rule that beneficiaries cannot also be Trustees in a particular trust, if the judge has received any "benefits", then he may be ineligible to exercise the trustee's administrative powers. This doesn't necessarily mean a beneficiary/judge would be excused, but if he continued to try you, it might be only according to judicial/constitutional law -not trust/administrative procedure.

Bind the rascals down

There's another, even a more fantastic possibility. The essence of "trust fever" is the possibility that trusts can be created by government which bind us without our active participation or knowledge. Is it also possible that we might create our trusts to bind government?

Suppose each of us set up our own charitable trust and named all officers and employees of the various branches of government (*federal, state, local*) as beneficiaries. Suppose we structured our charity to "donate" a certain amount of money each year maybe $500, maybe $5 to, umm, say the IRS or the state and national Treasuries (*not Federal Reserve accounts*), or the local government employees retirement fund for dispersal and benefit of all government employees and officers, And suppose that we wrote the rules of our trust such that all beneficiaries (*government officials and employees*) of our trust were compelled to relate to our trust's grantors and trustees (us), perhaps even to all fellow beneficiaries (*other government workers*) only according to the rules laid out in the Constitution for the United States of America (*or maybe your state constitution..... or even the Bible*).

If they cashed our check as beneficiaries, could we thereby bind government in our trusts just as government may now bind us? Who knows? Even if this strategy doesn't work, I'll bet it would slow prosecutors and give them fits.

Constitutional Trust

A number of analysts have claimed the Constitution for the United States of America is a trust. I.e., We The People granted certain of our sovereign powers (property) to our government officials (trustees) for the purpose of supporting the "general welfare" of our Founders (grantors/beneficiaries) and their posterity (beneficiaries) provided the trustees (*government officials and employees*) operate only according to the rules of the trust (*Articles I to Vll of the Constitution plus the Amendments*).

If the Constitution is a trust, did our trustees (*government officials etc.*) turn the tables on us (*probably around the Civil War*) by creating their own trusts which then bound We The People to obey the government's rules? Is that how they did it? Is that how our government evaded the Constitution and turned this nation from a Republic into a "benign dictatorship" (trust) ruled by administrative law?

Again, I emphasize I'm only guessing, but I can't avoid the powerful suspicion that trusts are being used by government as the fundamental device for converting unwitting Americans into beneficiaries, indentured servants, and virtual slaves. If so, it's time to stop "trusting" our lives and our children's lives to government and instead start "trusting" our lives to God and/or ourselves.

If my speculations are wrong and trusts are universally benign and lawful, well, great—no harm done. In the process of searching for a possibly malignant application of trusts, we will also learn enough to use trusts to minimize our taxes and protect our property from legal liability. On the other hand, if trusts are being used to exploit the American people, a solid understanding might set us free.

Tax Havens (OffShore) Financial Centers

Capital is flowing from the industrialized nations into the offshore world. This is occurring not because those in control of capital have any ideological, theological or political philosophy, but due to their desire to invest freely and with security. This is true of multinationals, small businesses and individuals alike.

Capital will always seek an environment where it can best be exploited. Pennies sitting in a piggy bank do no one any good. Those same pennies placed in an interest bearing account in a bank benefit the owner of the pennies deposited, the bank which now has money to lend and borrowers who can use the capital for their enterprises. While the industrialized governments squander capital to the detriment of their economies, the offshore world applies capital for the betterment of all. Tax havens and financial centers play an integral part in the world's economic system by facilitating the efficient and effective movement of capital in response to market demands.

The offshore world provides those with capital with the necessary financial environment - an infrastructure of professionals and a panoply of financial services. Many simplistically define tax havens as being locations where money or income is deposited securely and in confidence under zero or low tax

regimes. Others think of them as jurisdictions employing normal rates of taxation but otherwise providing preferential treatment to certain classes of income, or which may be exploiting a treaty network.

But tax havens and offshore centers can offer more than this. Each has characteristics marked by its own particular and pragmatic efforts to find workable means by which local government can promote and assist businesses to be prosperous and successful.

Offshore jurisdictions have benefited from the phenomenal growth of demand for international trade, demand for international financing and the marvel of electronic communications. They exist because the costs outweigh the benefits for each participant in the system. Tax havens and financial centers have developed by establishing legal and economic environments which are highly desirable to their existing and potential clientele.

For comparison purposes the following are the predominant factors in comparing offshore tax haven jurisdictions:

- A legal and regulatory environment which has been specifically established to benefit the type of business being considered or sought.
- A legal system which has demonstrated that property rights will be respected, obligations enforced and that the rule of law, rather than ideological fad, will prevail.
- Modern electronic communications.
- An infrastructure of professionals, financial institutions and support businesses that will be able to perform specifically needed functions or services properly and on a deadline.
- Freedom from exchange control, unwarranted restrictions and unnecessary governmental regulations.
- A political environment which is stable but realistically active.
- Laws and traditions which respect confidentiality and privacy in business affairs.
- Fulfilling individual requirements as to geographic location or time zones.

Formation of international business corporations has been the primary activity of tax havens. This has enabled them to further develop and market facilities for international finance, sales, royalties, licensing, banking, insurance, investment funds and many other services.

Trusts have followed in the wake of formation of companies. Individual owners of private companies needed to place the ownership of stocks and other assets in some vehicle for financial and estate planning reasons. As onshore legislation was developed to attack the deferral of tax by use of trusts, trusts evolved to serve additional legitimate business purposes such as holding insurance for buy-sell arrangements, pension schemes, investment funds, coordinating multi-jurisdictional investments, avoiding forced heir-ship rules and to meet new needs of their clients.

Multinational corporations focus on jurisdictions which provide a means to transmit capital, goods and services whether in the form of investment inventory or sale in a manner that incurs the least total aggregate taxation.

The traditional role of tax havens and financial centers is for the protection and conservation of wealth.

The threat to individuals with retained assets has grown in the industrialized nations because of the extension of financial risk, new and novel theories of liability and new methods of government imposition or shifting of costs to the wealthy through legislation.

Tax havens have responded to the need for wealth preservation by creating an environment which can provide comfort and safety for the protection of assets. Recognizing a growing need in the capital market place some of the tax haven jurisdictions have responded by modernizing their internal trust law to provide a legal environment to secure capital from claimants. Other competing jurisdictions are, at least, examining the possibility of establishing a similar legal base.

It is reasonable to expect that as the industrialized nations' societies continue to deteriorate because of poor governmental policies, those with wealth will increase the flow of money into the offshore arena to be protected. These funds represent a capital pool that can be invested on a diversified basis worldwide. Thus, the protection of assets is in keeping with the traditional exploitation of capital by providing economic resumes which are enjoyable and usable globally.

The tax havens and financial centers located around Europe, the Caribbean and elsewhere have vital and necessary functions for individuals, small businesses, multinational corporations and the industrialized states themselves. All are now independent. The jurisdiction which will best be suited for a particular economic activity will depend on numerous economic, tax, financial, legal, as well as practical factors.

Some offshore companies will serve in a passive manner, for instance as a holding company, owning patents or other intellectual property rights, or providing financing for subsidiary operations. Other companies will have a more active capacity, dealing with manufacturing, sales and distribution of products.

Certain jurisdictions will be ideal for base operations which will receive and hold income in a no tax or low tax environment. Other operations need a conduit company situated in a treaty jurisdiction that will receive funds and transmit them onward to a base company but obtain the benefit of reduced tax withholdings. For individuals, various jurisdictions will have desirable attributes to serve particular personal protection needs. Any comparison of jurisdictions is dependent solely on the objective being sought.

Without this vital offshore factor, the governmental policies of the industrialized nations would soon cause their own internal economies to be capital starved, potentially leading to economic collapse. The billions of dollars, pounds, francs, lira and other currencies that have flowed into the offshore world through tax havens and financial centers appear to be but a trickle to the billions more that are sure to follow.

The Four Types of Tax Havens

No investor can rely on the tax haven approach as an element in a tax minimization strategy unless he has a full understanding of what tax havens are. It is also necessary to become thoroughly familiar with the ins and outs of the several kinds of tax havens available. ***Simply stated, a tax haven is any country whose laws, regulations, traditions and in some cases, treaty arrangements, make possible reduction of one's overall tax burden.*** This general definition, however, covers many types of tax havens, and it is important to understand the differences.

No-Tax Havens

These countries impose no income, capital gains, or wealth (capital) taxes, and allow foreigners to incorporate and/or form a trust. The governments of these countries do earn some revenue from corporations; "no-tax" means that what is paid is independent of income derived through a company. These states may impose stamp duties on documents of incorporation, a small charge on the value of corporate shares, annual registration fees, etc.

Tax-on-Foreign-Income Havens

These countries impose income taxes, both on individuals and corporations, but only on locally-derived income. They exempt from tax any income earned from foreign sources that involve no local business activities apart from simple "housekeeping" matters. For example, in such a haven there is often no tax on income derived from the export of local manufactured goods.

The no-tax-on-foreign-income havens break down into two groups:

1) those that allow a corporation to do business both internally and externally, taxing only the income coming from internal sources; and,
2) those that require a company to elect at the time of incorporation whether it will be one allowed to do local business, with the consequent tax liabilities, or one permitted to do only foreign business and thus be exempt from taxation. Again, it may seem that the latter approach is better - but the matter of "business justification" may be an important consideration.

Low-Tax Havens

These countries impose some taxes on all corporate income, wherever earned. However, most have double-taxation agreements with the United States and other major nations that may reduce the withholding tax imposed on income derived from the US by local corporations.

Special Tax Havens

These countries impose all or most of the usual taxes, but either allow special concessions to special types of companies or allow very special types of corporate organization, such as the flexible corporate arrangements offered by Liechtenstein.

Even if you have already made up your mind about the structure of your tax minimizing program, combining perhaps a no-tax haven, a low-tax haven, and ultimate immigration, you still must know much more about each country under consideration before taking the plunge. It is not enough to know that Country X is a "tax haven" nor is it enough to know that your lawyer likes its beaches.

The tax minimizer must have both general knowledge about country X and specific knowledge about current political and social developments there; you certainly don't want to wake up one morning to a call advising that all your corporate assets have been confiscated by the new military government of X, or that no funds can be sent out of the country, or that the new corporate profits tax is 85 percent.

Things like this rarely happen. But they do happen. The only insurance against them is comprehensive advance knowledge on the country or countries you plan to get involved in and keeping the information current

Tax Haven Legal Entities

Essential to successful use of a tax haven for tax reduction purposes is the creation of legal entities within the offshore nation that have these general characteristics:

1) The entities are separate and distinct from their creator in a way that guarantees the income derived from their assets cannot be considered part of his personal income.
2) The entities are created in, and are therefore "residents" of, a country where the tax situation is much better than in the creator's home country.
3) A creator can control these entities, their assets and income without debt liabilities.

Such business entities exemplify the basic idea of separating ownership and control. Once one's cash or assets are vested in such an entity, he no longer has title to them. But since he has title to stock in the company, he has the power to make decisions about the ways its assets are used.

There are two basic forms of such entities: the *corporation* and the *trust*. We will discuss both in turn. It is very important the nature of corporations and trusts and all related concepts be clearly understood.

BENEFITS OF OFFSHORE COMPANIES

With globalization upon us the modern sophisticated investor requires more than the use of domestic companies to achieve cutting edge advantages and opportunities conducive to maximizing profits, reducing taxes and protecting assets in a litigious environment. The corporate offshore vehicle is therefore commonly being used as a means of expanding one's vision and operating range.

Entrepreneurs are now constantly on the look out for new ways to profit. It is therefore imperative to have a full understanding of how offshore companies can be utilized. Offshore Corporations are used outside of the place of original incorporation for myriad of activities including trade financing, profit upstreaming, holding assets, procurement of raw materials and tax minimization. Joint ventures often use offshore companies when the principals are from different countries and prefer to incorporate in a jurisdiction particularly favorable for low or zero taxation. It may also be used as an integral part of a trust structure.

Companies *or* individuals sometimes seek to isolate activities, assets or profits for tax, accounting or liability reasons. Frequently, these assets such as trademarks, patents, and copyrights, are difficult or expensive to transfer, it therefore becomes prudent to have such assets held by distinct companies allowing the individual to transfer the shares in the corporation rather than the asset itself.

Corporations

What is a corporation? To understand it is important to reflect how the corporate form of business enterprise first came into being. The initial motivation had nothing to do with taxes but more with avoiding debts.

If a grocer owns his own store, any loan he takes out to buy stock for his shelves is his personal loan, his personal debt. The security for the loan, the assets that can be taken away from him and sold to cover the loan and repay the debtor, is all the grocer's personal assets, everything he owns. If he fails to repay a loan taken out for business purposes, his debtors can claim his TV set, house, car - *everything*. This means that if one runs a business as a personal property, he has unlimited debt liability; the business' debts are its owner's debts. In the US, this personal form of business ownership is called a "sole proprietorship".

Because of this personal liability, the need arose to separate business debts from claims against personal property, avoiding the adverse consequences of business failures. The corporation was the answer. In the eyes of the law the formation of a corporation creates a new "legal person" insofar as liabilities are concerned. This legal person can assume its own debts and acquire its own assets. The assets may derive from the individual who establishes the corporation, and he then becomes liable for the debts of the company, but only to the extent of the assets expressly transferred to the corporation or committed to such a transfer. An act of government - the registration of the corporation - makes valid this "legal personification" and defends those with interests in the company from invasions of business debtors into their private lives.

Since economic growth required investment by many individuals and since most people were reluctant to take part if it involved unlimited personal liability, the idea of incorporation became widely accepted. It answered a need. Instead of becoming a partner in ownership of a business property (*and thus a proportional direct owner of the business assets*), one owned shares of stock.

Stocks are certificates of partial ownership in a corporation. The corporation is a legal person which owns its own assets and has its own liabilities. Owning the stock of the corporation does not mean owning its assets. The corporation has title to these. The stockholder has title to his stock.

A stockholder's percentage of ownership in a corporation equals the number of shares he holds divided by the total issued. The corporation may have a fixed authorized capital or, in some countries, a variable one. Say it can vary between $10,000 and $50,000. It may start, then, with 100 shares of $100 par value each. Each such share would then equal one percent control of the company. But then the company could expand its capital base by selling new shares up to the limit of $50,000. A $100 share would then represent only 0.2 percent control.

Another important distinction concerning shares of corporate stock is that between registered and bearer shares. A registered share has the name of its current owner printed on the certificate and in the official

corporation record (*the shareholders ledger*). The record of registered shares is open to official inspection, and the owners of such stock are easily identified. A registered share thus has obvious drawbacks when privacy is important.

A bearer share belongs to whoever physically holds it; there is no name on it, and its sale is not logged anywhere. The sale of registered shares is always recorded and, depending on the corporation, may require the agreement of other shareholders. Bearer shares can be bought and sold in complete privacy without any third-party interference.

Bearer shares are not allowed in some tax havens. A major problem with bearer shares is that they can be stolen, and the owner has no means of proving ownership, In addition, unlike registered shares, which can be purchased at a percentage, bearer shares must usually be paid for in full.

It is possible to have the "best of both worlds" by buying registered shares at a percentage and having them registered in the name of a proxy. This reduces the capital requirements while at the same time providing privacy and security. A private contract can be arranged with the proxy that binds him to follow the real owner's instructions in all his actions as a stockholder. A proxy can be a real individual or an institution.

Corporation "A" can hold stock in Corporation "B", serving as a "holding company." Holding companies are very popular in tax havens. Their owners' names are not registered. They can be used to absorb and reinvest returns on the shares they hold without tax liabilities; and they can be established in many countries with very low local tax liabilities, even if there are heavy local taxes on other types of corporations.

In some tax havens, names of persons associated with the corporation must be filed with their addresses: shareholders, ultimate-beneficiary share owners (*in the cases where shares are held by proxies*), directors, officers. Other countries may require a specification of the span of time the corporation is supposed to exist before liquidation. Sometimes the articles of association are required to be a part of the articles of incorporation. The articles of incorporation are usually approved and confirmed by a government official, the "Registrar of Companies" or something comparable. Most often, but not always, an announcement of the formation of a new corporation is required to be published in some official government gazette.

The articles of association must usually also be submitted to the government registrar. These articles represent the basic terms of a corporation's structure and direction. There are variations from country to country on the requirements. In some places the local law is rigid and detailed; in others it indicates broad outlines and certain specific restrictions. Thus the law may require that each corporation have a board of directors and that at least one director reside in the country where incorporation takes place.

The legal structure of a corporation is distinct, of course, from its operational structure. A large corporation may have branches, divisions, departments headed by managers or executives who may or may not be members of the board of directors. But all this vast structure need not be more than a tissue of technicalities if incorporation is accomplished in a tax haven.

If the local law requires three initial incorporators, these are supplied for a reasonable fee by the local law firm that handles the incorporation. These proxies can then either turn over their shares to the "real incorporator" after incorporation or continue to act on his behalf under a private contract. Similarly, the general meeting of stockholders can in some cases be no more than a meeting with the single majority stockholder in front of the bathroom mirror, with minutes duly recorded of course. If this is not good enough for the local law, a real local annual stockholders' meeting can be arranged by the corporate legal representative in the haven, with proxies provided for moderate fees.

The same sort of arrangements can be made to cover all requirements for local corporate officers and the like. The "ultimate owner" can run the company as he pleases, with all the legally formidable structure and rituals carried out by proxies.

It should be remembered the corporate legal form came into being for business purposes, not tax purposes. Corporations were invented to encourage capital investment in the form of ownership with limited debt liability. Since corporations are legal persons, government approval is required to form them and corporation laws, quite similar all over the world but with important place-to-place variations, have been enacted, establishing government control over the formation and operation of corporations.

Governments generally concede corporations require special tax treatment to avoid killing the goose that lays the golden egg. They cannot be taxed "progressively" as individuals are because the "justification" does not apply. If an individual has a large income he is "too rich" and the soak-the-rich mentality of modern welfare statism makes progressive taxation popular.

But a huge corporation with large gross profits can be owned by thousands of "little people." Progressive corporate taxation would wipe out the little guys' profits - hardly a politically popular consequence - and would discourage investment in corporations.

In sum, a tax haven corporation created by a shrewd investor can shift returns on investments from personal income, and thus save crippling home country personal income taxes. Even if the investments are in a high tax country, a tax haven corporation can reduce the total tax to as low as five percent. The profits can then be reinvested. If these fast-growing savings are repatriated to the investor's home country as dividends or as capital gains upon the liquidation of the corporation, the investor must then pay his country's taxes. Shrewd investors live off the income from their work and keep reinvesting the tax haven profits abroad, to be tapped later upon retirement or to be passed on to heirs.

Concerning the matter of inheritance, if the money is returned to the investor's home country while the investor is still alive, there will be a tax penalty in the form of high income or capital gains taxes and, at the investor's death, estate taxes and probate duties. If the tax haven company survives the investor, its stock is part of his estate and is subject to estate taxes and probate in his country. In both cases, if the tax haven investment is principally intended to benefit heirs, a tax haven trust is called for.

OffShore Trusts

Like corporations, trusts were originally spawned by nontax considerations. A careful parent concerned about a frivolous child would transfer some of his wealth in trust using a contract (the trust deed or instrument) between himself (the Settlor) and a trustee. The trustee could be counted on to manage and disburse the trust assets for the benefit of the child. The trust operates as a legally distinct entity, like a corporation, with its own assets and liabilities.

The trustee would invest the assets within limits expressed in the trust deed. He would pay the child, as trust beneficiary, a regular sum. The money distributed would include both the return on the investment of the trust principal, the original sum constituting the assets of the trust, as well as portions of the principal itself. The trust would be legally required to terminate at some point when all funds, principal, and return on principal, have been distributed to the beneficiary, less management expenses incurred by the trustee.

As you can see, a trust serves a role similar to that of a will with additional advantages because it allows:

1) private disposal of assets separate from one's will which must be made public;
2) separation of designated assets from property for inheritance purposes before death, making these assets immune to further liabilities incurred by the trust creator. This is especially so if the trust is irrevocable, meaning the trust cannot be revoked and assets returned to the creator.
3) competent professional management of trust assets.
4) the trustor to encourage aspects of a beneficiary's life by allocating benefits for certain specified purposes. This contrasts with a will which transfers ownership but usually cannot establish total control over how transferred assets are used.
5) avoidance of laws that direct how property must be divided.

The major disadvantages of an offshore trust are irrevocability and the chance of trustee abuse. The latter can be avoided by a careful trust deed and trustee selection. In the case of professional trust companies, any temptation to abuse trustee powers is strongly moderated by the need to maintain a good professional reputation.

In many ways trusts are quite different from corporations. Usually, they need not be publicly recorded. A legal contract or trust instrument accompanied by transfer of the creator's assets to the trust fund establishes the trust. Under a trust:

1) the beneficiaries are "third parties" entitled to sue the trustee for violations of trust deed provisions but they are not parties to the original contract.
2) one party to the contract, the trust creator, usually has no official right to intervene in the management of the trust.
3) the trustee has full power to manage and distribute trust assets but may not have any personal interest in the trust.

Strong Creditor Deterrent

While the Asset Protection Trust (APT) concept may be new to you, thousands of American citizens

have successfully followed this international road to wealth protection. Here's what makes an offshore APT so attractive:

Start Over: Courts in asset-haven nations usually don't honor or even recognize the validity of US court orders. A foreign creditor trying to collect must re-litigate the claim in a local court, use local lawyers, and obtain another judgment. Sheer legal complexity and cost are likely to produce a quick and satisfactory compromise with all but the most determined adversaries.

Minimal Needs: To operate your APT, you'll need little more than a trust account in a local or multinational branch bank. The bank can provide trustees and working staff experienced in trust matters.

With modem communications, conducting business will be much like having an account in another American city. Most banks offer US dollar -denominated accounts, often with better interest rates the American financial institutions offer.

More Control: As grantor of a foreign asset-protection trust, you can exercise far greater control over assets and income than American trust law permits. US rules that discourage you from creating a trust for your own benefit do not apply in these countries. In all 50 states and the District of Columbia, a trust with the grantor as beneficiary won't protect against creditors. It will in these foreign jurisdictions.

Fast Acting: Foreign law usually does not support strict application of US fraudulent conveyance and bankruptcy laws. Some countries have a strict statute of limitations on creditor suits, a claim must be filed within two years from the date the APT was established. The Cook Islands has a one-year limit. It may take a creditor longer than that just to discover the existence of an offshore APT.

Investments: An offshore APT is great for diversified international investments. Your trustee handles the paper work, while you give long-distance directions. You can take advantage of the world's best investment opportunities without worrying about restrictive US securities laws.

Flexible: An APT provides added flexibility in the case of personal disability, when transferring asset or avoiding domestic currency controls. Your foreign APT trustee can even make your mortgage payments and other personal bills on a regular basis.

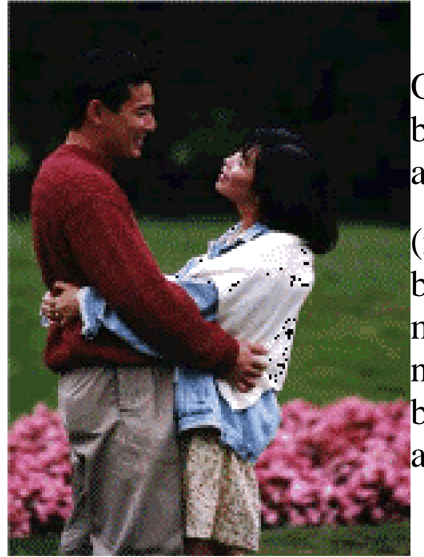
No Insurance: An APT is a good substitute for, or supplement to, costly professional liability insurance. Such a trust can even be used as an integral part of a prenuptial agreement.

Quick Change: Often the trust declaration contains a force majeure clause that allows the situs, or location, of the APT to be changed at any time. Originally meant to be used in time of war, civil unrest or major natural disasters, this clause can also be activated if the offshore haven decides to change the APT-friendly laws. A complimentary feature in many

APT-haven countries is a provision that allows instant acceptance of a transfer of an existing APT from one country to another with no break in legal. operation. This can be done merely by filing a registration form and paying a filing fee.

THE BLESSINGS OF AN OFFSHORE TRUST

What Some Families Already Have Achieved



Offshore trusts have long been used by the very wealthy to achieve bulletproof financial safety. A trust that is properly designed and managed, and located in the right country, gives them:

(i) **Asset protection/accumulation.** An offshore trust lawfully places assets beyond the reach of potential future creditors, even government agencies. No matter what happens at home, the trust fund is safe. It is available, whenever needed, to help and support the investor & his family or other designated beneficiaries. Their access to the money can be as simple and private as using a credit card or withdrawing cash from an automated teller machine (ATM).

(ii) **Big savings in income tax for the investor.** By selecting a knowledgeable trustee - one that manages the trust with an eye to tax consequences - the investor can achieve a drastic reduction in his income tax liability.

(iii) **Big savings in taxes for generations to come.** Trust beneficiaries can become free of all tax liability for investment earnings the trust accumulates. Neither they nor anyone else in the U.S. may have any legal obligation to file income tax reports for the trust. And if the trust is located in a tax haven (a country that does not tax income or profits), it too can avoid all income tax.

(iv) **Estate planning advantages**. An offshore trust lets the investor remove assets from his taxable estate while retaining control over how they are managed. And he can remain eligible to recover the assets if he ever needs them for his own support. In addition, the trust itself (*apart from the assets it contains*) can be a financial planning instrument of incomparable power for succeeding generations of beneficiaries - none of whom will have any obligation to file tax or other reports on the trust's activities.

An offshore trust rescues family wealth from estate taxes that otherwise would be repeated - again and again - every time property passes from one generation to the next. It can be the cornerstone of a permanent solution to estate tax problems.

(v) **Financial privacy.** By establishing the trust in a country where financial privacy is respected by custom and law and enforced by business necessity, the investor creates a zone of privacy. That zone of privacy can be extended anywhere in the world - even into the U.S.

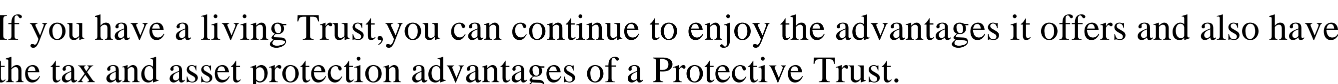
(vi) **Reliability.** A well-crafted offshore trust reconciles an investor's financial goals with all legal requirements of his home country - so that it contributes to his peace of mind, not to controversy. Its tax planning strategy is as conservative as it is thorough and energetic. The trust is located in a proven, stable jurisdiction. And it is placed under the trusteeship of an experienced trust company with a valued,

international reputation.

Perfect Companion

An OffShore Trust is easy to coordinate with other financial planning devices - and often can increase their effectiveness.

> If you have a managed investment account or a foreign bank account, you can transfer it to the Trust without disturbing its existing management.
>
> If you have, or intend to have, a family limited partnership, the Trust can be a limited partner, can hold a corporation that serves as a general partner or can do both.
>
> If you have, or intend to have,a limited liability company (LLC), the Trust can own all or a portion of the interests in the LLC.
>
> If you own a family business corporation, the Trust can hold some or all of the stock.



> If you have a living Trust,you can continue to enjoy the advantages it offers and also have the tax and asset protection advantages of a Protective Trust.
>
> If your estate plan calls for "A-B" trusts (also called a "credit-shelter" trust and a "marital deduction" or "QTIP" trust), a Protective Trust can serve as both.
>
> If your will calls for property to be held in trust for your heirs, an OffShore Trust may be the ideal vehicle to receive that property.

What do trusts have to do with taxes?

To begin with, money given to a trust when the Settlor is alive (a living trust) may be subject to a gift tax, but not to heavy estate taxes and probate duties. Thus, a living trust is often superior to a testamentary trust that is established by a will, because it avoids estate taxes and probate costs. Moreover, trust income is not usually taxable to the trustor. Nor is it taxable to the trustee, who derives no benefits from its growth (*except his fees and expenses, which are tax deductible expenses of the trust*). The beneficiaries, of course, cannot be taxed until they start receiving benefits. In the US or UK a trust itself is subject to tax on its own income. But a trust located in a tax haven nation is not subject to tax and so can serve to reinvest all its income tax free, growing rapidly through this untaxed investment. Thus, a tax haven trust can do for one's heirs what a tax haven corporation can do for one's self.

Tax haven trusts can be used in conjunction with tax haven corporations. Instead of owning a holding company that owns stock and other investments, one can be a beneficiary of a trust established by a foreign holding company to hold its own stock. This and other double-tier structures are important when home-country tax provisions come into play. This is the essence of the Freedom Trust Group privacy protection package.

Creating a Trust in a Tax Haven Nation

If you are going to set up a trust in a tax haven, there are several important factors which must be considered to ensure the best possible service and convenience.

- Check the financial and political stability of the haven. It will be of very little use to you if civil war breaks out or the value of its currency goes through the floor.
- Consider geography. Will you require frequent personal contact with the foreign trustees in your haven? If this is likely, having a haven on the other side of the world is very inconvenient.
- It is important the trustee understands your plans. You are entrusting your wealth to a relative stranger. Although a trustee isn't going to run off with your money, it is important they understand your goals. Based on full understanding they can provide the most suitable arrangements to meet those goals.
- Consider the importance of the degree of confidentiality available. For many this is not an issue. If it concerns you, make sure the haven has strong financial privacy laws and enforces them.
- Find out the nature of the mutual tax treaties the haven has in effect. If a haven is part of an effective bilateral tax treaty system, income can move into a treaty country with tax relief granted at the source and minimal or no taxes imposed in your tax haven country.

In addition to the above, there are other factors to be taken into account in relation to the actual formation of the trust.

- If you need to move your trust to another jurisdiction, does your tax haven's laws permit a quick and easy transfer? Make sure you will have power to convert to another jurisdiction should this become necessary.
- If the law allows it, a local "protector" should be appointed to watch over the trustees on your behalf. In addition, you should retain the power for yourself and the protector to remove and appoint trustees.

Choosing a Trustee

A trustee may be an individual, a corporation or a partnership. For a long-term trust,a trust company (a corporation with a license to carry on the business of being a trustee) is usually selected.

In choosing a trustee, the grantor should consider its technical abilities. Is it able to do all the things contemplated for the trust? The grantor also needs to consider the trustee's management experience - a key indicator of reliability. The trustee should have a reputation to protect and should be independently audited. And the grantor should be confident that the laws of the country or other jurisdiction where the trust company is located are favorable for the purposes of the trust.

An APT

The legal structure of a foreign Asset Protection Trust (APT) differs little from an American trust. You, as grantor, create the APT transferring title to assets that are administered by an offshore trustee according to the trust declaration for the named beneficiaries. In some nations the law requires the naming of three trustees, two located in the grantor's home country, and one independent managing trustee located in the offshore country. Most countries do not permit the grantor to serve as a trustee, but they do allow a grantor to retain an unrestricted right to remove the trustees at will. This assures that trust administration reflects your wishes.

Foreign trust law, unlike strict American "arm's length" requirements, allows you to be a beneficiary while maintaining effective control over the investment and distribution of the trust principal. The trust declaration can give the grantor a large measure of control, including the right of prior approval of investments or distributions.

Many nations require appointment of a local "trust protector." This individual acts as a neutral party who ensures trust objectives are met and the law is followed. A protector does not manage the trust, but can veto trustee actions in some cases.

Privacy is Paramount

Most countries require very little information about an APT at the time it is registered with the government. The terms of the trust agreement and the parties involved need not be disclosed, and any information filed is not available as part of a public record. The only public record is a registry of the APT by name, date of creation and the name of the local trustee. In these privacy-conscious countries, a trustee is allowed to reveal information only in very limited circumstances, and then usually only by local court order. This offers a distinct privacy advantage over offshore corporations (*usually called international business corporations, or IBC's*). At least one person involved in organizing a corporation must be listed on the public record. So must the corporate name and address. Some countries require corporate directors to be listed as well. This gives privacy invaders a starting point.

Another issue that worries most people is physical distance. How can you rest easy when your money is thousands of miles away, in a foreign nation, controlled by an unrelated trustee? This concern is justified, but can be easily overcome. The trick is to choose reliable people to manage your trust. The experts in the legal and banking industries in these nations have extensive experience with APTs. References are in order, and each one should be checked carefully.

One thing is certain: your offshore trustee should have no connections that might subject him to pressure from US courts. Ask them bluntly what their policy is in such situations. It is better to go with a local, in-country bank or trust company. These will be less likely to buckle under pressure from a US court.

What Do You Put into Your Foreign APT

While you need not physically transfer your assets offshore, it is wise to do so. If you don't, it will be easy for US courts to seize them. The best vehicles for trust investment are cash and evidence of intangible assets. Easily portable assets, such as precious metals, coins, jewelry or gem stones also can be transferred offshore for storage in the APT's name. But remember, if you transfer something other than cash, and you are not the beneficiary, you run the risk of attracting substantial gift and capital gains

taxes. Be sure to consult with a professional before moving your assets.

We repeat: simply transferring title to real estate or a business located in the United States to an offshore trust does not remove those assets from the reach of American creditors and courts.

The Advantages of Offshore Banking

The best first step in your quest for financial privacy is to move at least some of your cash away from the prying hands of Big Brother.

In the modern world this does not mean burying gold coins in your back yard, then carefully guarding your secret stash. Instead, financial freedom flows from making use of one or more offshore banking facilities. (*And not telling where your hard-earned cash is stashed is still good advice, especially in this age of cyber -banking"*.)

What exactly is an offshore banking facility? Quite simply, any banking institution located outside of your home country.

The process of opening an offshore bank account is neither daunting or intimidating. It is often just as simple, if not easier, than opening a bank account in your home town. Don't think the offshore option is only viable for the incredibly wealthy with a jet-set lifestyle.

Ordinary people have discovered the many advantages of offshore banking.

Even if you have only a little to squirrel away, why not start up your international portfolio today? Once your money is liberated from home soil, it will be free to grow offshore unrestricted by your home government's restraints.

Free From Government Interference

The major advantage of offshore banking is the power to say good-bye to unwanted government interference. Banks in developed countries are subjected to a myriad of restrictive regulations. These rules are designed to strip you of banking privacy and lay your affairs open to government scrutiny.

The good news is that by making use of offshore bank accounts you need not surrender your financial privacy. Funneling assets offshore means at the very least your government faces a complicated diplomatic hassle to get its hands on your bank records. The average small investor will be passed over by bureaucrats who would rather chase after the big fish. Catching multimillionaire tax evaders means big revenue for government, but also ensures prestige and promotions for those underlings responsible.

At the same time, those same bureaucrats tend to focus on easy targets. In other words, if you combine a low profile lifestyle with banking privacy, your financial affairs will stay private even in our over-regulated world.

Finally, remember that although the US has had some success in prying the lid off of banking secrecy in world tax havens, it has also met with a great deal of resistance. The war is not lost yet. Countries offering banking secrecy understand they cannot appear too weak in the face of US demands. It is in their best interest to protect your banking privacy, for if they fail, much of their business will quickly evaporate. Furthermore, if you increase your protection by employing the right techniques, your banking records can achieve a level of privacy considered by many to be all but lost in the modern world.

Greater Profitability

Many who venture into the world of offshore banking seek greater banking privacy, However, the benefits go much further. Freedom from Big Brother snooping into your affairs also means market forces are left to work freely. The myriad of laws imposed in many countries means not only extra hassles for you and your banker, it deals a death blow to banks, rendering them far less profitable.

Just consider the banks' costs to meet all these regulatory requirements. In the US between 10 and 20 percent of bank earnings now pay for regulatory compliance alone. This causes a staggering loss of $100 billion per year for the US banking community.

Of course, banks are not forced to pay this exorbitant bill. As any business would, your local bank does not hesitate to pass on such costs to you, whether in the form of increased fees or reduced interest rates. In the end, you lose money by banking exclusively with the local bank around the corner.

Government interference costs you a whole lot more. The US Federal Reserve System further restricts banking activities, demanding banks hold back a certain amount of their funds.

Who hangs on to these funds for safekeeping You guessed it, Big Brother does. Does he pay any interest on these deposits that he ties up and renders useless? Of course not. On the other hand, offshore banks need not comply with these restrictions and can therefore make use of a larger percentage of the holdings. With a larger amount of their capital invested, offshore banks can in turn pass on greater profits to you.

Offshore banks are not required to lend money to certain borrowers at below-market rates. They need not purchase certain types of debts or securities, such as government debt. They are not affected by credit ceilings that prohibit onshore competitors from seeking certain types of profitable business. There are no limits on the rates at which they can borrow and lend money, meaning that the bank itself is free to decide the interest rates it offers.

Greater Flexibility

Offshore banks enjoy a degree of flexibility that is the envy of their onshore competitors. For example, although its repeal is now being considered, the Glass-Steagall Act prohibits US banks from brokering or dealing in the securities or offering investment counsel.

Conversely, banking havens such as Switzerland and the Bahamas have universal banking laws which allow banks to engage in many types of investment activity, such as investment and trust management or precious metals brokering.

By using an offshore bank you can develop a personal rapport with one individual who can oversee the bulk of your financial affairs. Your bank is no longer merely a place to stash your cash, paying hefty fees for the privilege, then paying more to your stockbroker or portfolio manager. Offshore banks offer a multitude of investment services, including mutual funds, precious metal funds, currency funds, foreign government bonds, and managed accounts.

Furthermore, your bank is free to invest your money in a more varied portfolio with better returns. Many domestic banks are restricted to investing in certain areas, such as real estate or commodities. Your portfolio manager cannot move funds quickly, reaping rewards of investment savvy. But offshore, you get regulation-free banking that allows your money to achieve its full potential.

Finally, offshore banks are free to engage in business ventures that would make their more conservative onshore counterparts shy away. They can finance new businesses dealing in unexplored areas of opportunity. They can provide insurance services covering such "risky" areas of investment. Malpractice insurance premiums have skyrocketed to astronomical rates. By using commissions to offset prices, offshore banks can offer such insurance to clients at a price often lower than their domestic competition. Such gambles mean huge profits.

Low Or No Taxes

Ben Franklin first stated the familiar maxim, "In this world nothing can be said to be certain except death and taxes." Ben may be right about death, but taxes are most definitely far from certain. Offshore banks can set up shop in whatever jurisdiction they please, and so they go where they can avoid the burden of taxation.

The figures speak for themselves. The industry as a whole pays a negative two percent in tax. Whereas most businesses are straddled with close to 50 percent tax rates, the offshore banking industry is on the receiving end of government subsidy and promotional programs.

This means your offshore bank can pass on these tremendous savings to you. Even if you are legally required to declare interest that you earn on an offshore account and pay taxes on this income to your home government, you will still reduce your level of overall taxation by banking offshore. When invested offshore, the profit your money generates is not taxed twice as in the US, first on the bank's earned profits, then again on the interest you earn. With imaginative thinking all of your money earned offshore in a tax free jurisdiction can remain in the possession of the person most entitled to it - *you*.

By their nature, offshore banks are nimble. They can quickly move and set up shop wherever the sun

happens to be shining the brightest. A few banking haven nations have been around for a long time, other new ones sprout up in far flung places. They all understand the minute liberal banking policies are gone, all the money will also go, fleeing to safer pastures.

Higher Interest Rates

Freedom enjoyed by offshore banks translates into more money for you. In some over-regulated nations it is five times more expensive to start an investment fund than it is offshore. In fact, the large number of offshore banks competing for deposits means interest rates offered are always going to be higher than any domestic bank can offer.

Banking offshore does mean higher interest, but it also allows you to make use of the time-honored tradition known as the "float." In short, when your bank is located in some distant locale, it takes much longer for your checks to clear, a process that can take 30 or 40 days. During this time, you continue to receive interest on money in your account. With large amounts of money, or small payments over time, this added little bonus can add up to tremendous savings. Of course, be extremely careful not to disclose the location of your account to any one anxious to get their hands on your money.

Skip Currency Restrictions

Offshore banking opens up many new windows of opportunity. The offshore option means your money need no longer be tied up in your national currency. Many countries prohibit an account in a person's home country holding any currency other the national currency. Many countries that do allow foreign currency accounts impose heavy taxes that negate any advantage.

By moving your money offshore into stronger currencies you effectively liberate it from senseless national policies. There is no single currency which is always best for you to hold all your cash assets. As in any good investment plan, diversity is the key. By opening at least one offshore account in a friendly, no-tax jurisdiction, your eggs are no longer stuck in one unreliable basket.

An offshore bank account can be your safety valve if your government prohibits or restricts taking cash out of your homeland. The safety valve process uses what are known as back-to-back or parallel loans. You lend your controlled currency to a company in your home country, while its affiliate in a foreign land arranges a loan to you. If you have cruzeiros in Brazil you wish to liberate from restrictive local policies, you lend them to Widgets of Rio de Janeiro. In turn, the London branch of Widgets lends a UK company you control a similar amount in pounds sterling. Presto, your money is out of the currency control country, free to roost wherever you desire.

True, many governments that impose currency restrictions are aware of such schemes and have laws prohibiting them. But countries that are so shaky as to need currency restrictions also need favorable relations with foreign banking entities. In short, the government has no choice but to smile favorably on any loan you arrange with an offshore bank.

Stash some of your money in a secure offshore banking environment and you escape senseless government restrictions. Political upheaval and consequent currency fluctuations no longer affect you. Currency restrictions or government cash confiscation stops at the water's edge. Banking offshore, your funds can be denominated in secure currencies in various havens around the globe, guaranteeing your financial future whatever unpredictable events happen tomorrow.

How to open and operate an offshore Bank Account

To many people "offshore banking" is an evocative term that conjures up a common image: criminals in dark glasses, funneling black cash through fraudulent accounts in countries with questionable banking laws. But these negative images are simply the product of government demonization programs aided and abetted by the sensationalist media coverage.

The aim is to stem the flood of wealth to offshore jurisdictions. Most governments want their citizens' cash to remain within national borders where it can be taxed and, if necessary, expropriated.

All nation state governments are worried. Offshore jurisdictions threaten their survival by depriving them of their lifeblood - *taxes*. Nation states worry that if things continue unchecked, government machinery, starved of finance, will die.

So governments attempt to deter further capital flight by cultivating an environment where offshore banking is seen as unpatriotic and somehow illegal. Many column inches in newspapers perpetuate these myths.

But offshore banking is neither unpatriotic or illegal. Moving cash offshore protects your financial well-being and ensures your money works best for you, rather than for your government.

Currency Diversification

You may live in a country that doesn't permit foreign currency accounts. Your assets may be tied to a weak currency. You may be living in a country where high rates of tax are imposed on foreign currency accounts. Offshore funds don't have to be held in your home currency. You have the option of holding cash in strong foreign currencies. You can diversify.

Choosing A Secure Banking Haven

Before dispatching your cash to the safekeeping of an offshore banking institution, you must consider which safe haven nation you are going to choose. Not all countries offering so-called "offshore financial services" are suitable. In some places your cash is at risk from corruption, mismanagement, and downright fraud. Fortunately, there are many well-established offshore banking havens with long histories of excellent service and maximum privacy.

There are some simple criteria you can apply to havens to test their security.

Stability - Only select havens which have a long history of political, financial and judicial stability. They should have no history of confiscation's or nationalization of foreign cash/bank

accounts and should offer depositor insurance. The local economy should be dependent to a great extent on the continued presence of foreign cash and the ongoing development of an attractive environment for foreign capital. Banana republics where dictators and governments change like the weather are definitely out.

Secrecy - The best havens have un-intrusive governments prepared to impose stiff penalties on local professionals who dare to breach bank secrecy/ confidentiality laws. Go for havens with solid banking privacy legislation and a reputation for upholding and defending it.

Local Attitudes - Consider local attitudes toward high net worth individuals. If there is a high proportion of anti-wealth zealots, find another haven. You don't want to be the scapegoat for tomorrow's domestic problems. Consider how the government behaves towards the local population. If it treats them badly or has a poor human rights records, it is not likely to treat you any better when push comes to shove. If you don't like what you find - *find another haven*.

Low Profile - Pay special attention to haven nations you can enter without obtaining an entry visa. Visa stamps can betray your interest in a region and governments are particularly interested in those with regular business in a tax haven. No visa stamp - *no obvious evidence of your movements*.

Based on the above criteria and years of experience, one nation that fill all of the criteria at a reasonable price is Belize. Freedom Trust Group can assist you in opening accounts in this tropical paradise. Forms for ordering can be found later in this book.

Opening Your Account - Rules To Live By

Never have information from offshore banks sent to your home or office. Mail snoops record details and tamper with mail deemed suspicious. Postmarks, stamps from offshore centers and foreign bank envelopes all figure highly on the suspect list. Overly conscientious postmen, nosy colleagues and curious family members can all compromise security.

Don't open an account with a bank that is based in, or has branches located in, your home country. Governments can put pressure on home country branches to force offshore counterparts to release account details or initiate seizures.

Nothing is better, in terms of the ability to leave no paper trail, than using cash. A few alternatives to cash are legally allowable amounts of bank drafts, bank checks, postal money orders or traveler's checks, preferably purchased anonymously. Beware exceeding purchases of these instruments in amounts that trigger reporting requirements ($10,000 or more in the US.)

Be sure the bank you choose does not perform its account data processing in your home country. Ask and make sure all banking records are kept and maintained offshore out of harm's way.

If you have an offshore account denominated in your home country currency, these funds usually will be stored or at least cleared by the offshore bank in a correspondent account located in your home country. It is better to hold offshore accounts denominated in currencies which can't be grabbed by the authorities at home.

Move funds into your offshore account in a manner that leaves no paper trail. Do not use any form of electronic transfer or checks drawn directly on already existing home country accounts. There are several ways to move assets abroad both anonymously and legally. The most common is with cold, hard cash. Withdraw cash from your existing account then travel to your haven to bank it. Make future deposits in a similar manner. By breaking the paper trail you leave no telltale links between home and offshore accounts.

Maintaining Privacy

The precautions you take while investigating and opening offshore accounts count for nothing if that is where your low-profile techniques end. Once your account is opened you need to work constantly to maintain secrecy.

· Don't tell anybody about your offshore arrangements. Telling ex-wives, family members, friends, colleagues and business partners about your offshore nest egg can have expensive consequences. Too often, the people closest to you are those most likely to play lead roles in separating you from your assets. Many tax inspections and seizure cases start as the result of a tip-off from a disgruntled acquaintance, family member or ex-friend.

· Keep contacts with your offshore bank to a minimum. Give government watchers and listeners as few chances as possible to intercept information relating to offshore accounts you hold. If you need to receive mail from the bank use a mail drop. Rarely call your bank by telephone. By minimizing phone contact you ensure your voice, codes, account numbers or transfer details cannot be recorded. If you must use the phone, use prepaid disposable phone cards and destroy them after use.

· Don't leave evidence of offshore accounts lying around in your briefcase, at home or in the office, the first places to which investigators are drawn. Keep all such information in a safe place.

· Stay abreast of the political situation in your chosen haven country via newspapers, the media and subscriptions to specialty offshore financial newsletters.

· If using a credit card issued by your offshore bank, be careful where you use it. Unknown cards can attract the wrong type of interest. Remember, if using your bank or credit card at ATMs, surveillance cameras may be watching.
· Spend cash wisely at home, carefully abroad like a tourist. Extravagance at home attracts tax hounds. If your home accounts seem to contradict your observable lifestyle, the tax authorities will take an interest.

· Whatever else you may do, make certain none of your activities violates the laws of the country in which you are resident.

Accounts Available at offshore Banks

The offshore banking industry offers a much wider range of account types than most onshore banking jurisdictions. The options vary from simple savings accounts to accounts designed for the sole purpose of tax avoidance to accounts where the bank invests and oversees your money on your behalf.

All of the various types of accounts offered by offshore banks can be grouped into a few categories. Although the names of such accounts may change from bank to bank, the basic design behind each of

them is more or less the same. They are as follows:

Current accounts are the most common type of account. They generally come with a check book or debit card and can sometimes be linked with a credit card. The required starting balance is low, but the amount of interest paid is also generally low. Some banks allow for multi-currency accounts, meaning that you can deposit and withdraw funds in any of a number of currencies. You can also easily change either all or part of your account into the currency of your choice.

Deposit accounts are generally a good place to store money over the slightly longer term. They offer higher interest rates, but restrict your ability to get at your money by requiring that you provide sufficient notice or sacrifice the interest earned. Starting balances are also generally higher with many banks requiring a minimum deposit of somewhere in the region of US$10,000. The amount of interest paid depends upon the amount deposited, as well as the time period for which it will stay in the account. It also depends on the currency in which the account is denominated, stronger currencies paying less interest.

Twin accounts basically combine a high interest deposit account with the convenience of a current account under one all inclusive number. The bulk of the funds on deposit is kept in the high interest account while a smaller amount is kept in the current account for day to day use. If you one day find yourself overdrawn, the bank would then merely transfer money from the deposit account into the current account. Thus, the need to maintain two different accounts is eliminated.

Fiduciary accounts allow you to invest in high tax markets anonymously, even your home country, by using your bank itself as a proxy investor. For example, if you maintain an account in a Belize bank but wish to hold part of your overall portfolio in German marks, you could instruct your banker to open an account in Germany on your behalf. The marks would be purchased in Frankfurt and then held there in the bank's name, although the interest earned is paid to you in Belize. For the record, it appears as if the bank is acting on its own initiative, meaning that if you happen to be German you would no longer be liable for German tax. Of course, the bank charges a fee, usually one quarter of one percent of your principal, for providing you with such anonymity. You also receive a slightly lower interest payment than you would if you made the deposit on your own.

Certificates of deposit (CDs) are a way to earn much higher interest rates than those on offer through deposit accounts. In short, your funds are loaned to the Eurocurrency market at the current rate for the currency in which the CD is denominated. CDs usually come in bearer form, meaning that they can be freely and anonymously traded. They enjoy a large and active secondary market. They vary a great deal in terms of the maturity of the investment, ranging from almost overnight to up to five years. Best of all, banks do not withhold any tax on the CDs that they issue, meaning that with a little creative planning your money can earn hefty interest payments tax free.

Precious metal accounts allow you to invest in precious metals via your bank. The bank will then store the metal in its vault on your behalf. The advantage of opening up this type of account is that by combining your resources with those of other bank clients, you can purchase precious metals at a far more competitive price. Of course, such an account does not generate any income but should be seen as a safety net. The bank generally charges an annual storage fee usually in the region of one half of a percent

of the value of the metals on deposit.

Investment accounts are usually only offered by larger banks. They allow you to invest your funds in commodity markets with the help of your bank. They usually take the form of a mutual fund in stocks, bonds and other commodities and are overseen by the bank itself. The required starting balance is somewhat hefty, generally $50,000. These accounts usually come with rather high front-end costs as well as significant management fees. But as long as the markets are performing well a good investment account will on average prove to be more profitable than a simple deposit account.

Managed accounts work much like investment accounts but allow you to choose where to invest your funds. Instructions of what to buy and sell are sent to the bank by phone or fax. It is possible to hold the commodities purchased in the bank's name rather than your own for an extra layer of privacy. The price for such convenience takes the form of a minimum deposit requirement of approximately $250,000.

Safekeeping accounts allow you to deposit bonds, stocks and other valuables. The bank will then manage the overall portfolio deposited, redeeming the bonds when they mature and doing whatever need be done with the valuables entrusted to them. Of course, such convenience comes with a price tag which usually means a fee of approximately . 15 percent of the market value of the portfolio they are maintaining.

The Bank Secrecy Act of 1970

The official name for this US statute is the Financial Record Keeping, Currency and Foreign Transactions Reporting Act. How exactly it became known widely as the Bank Secrecy Act is a mystery. It is a prime example of what is meant by "newspeak," where a government says one thing while doing the exact opposite.

This act has absolutely nothing to do with bank secrecy. In fact, it explicitly set out to provide the US government easy access to all American bank records. Of course, the pretty name undoubtedly contributed to the lack of resistance Big Brother experienced in passing the legislation.

The Bank Secrecy Act formed the first volley in the war on financial privacy. It called for the monitoring of financial affairs in three specific areas:

1) The dreaded Currency Transaction Report (CTR) or form 4789 was brought into existence. This form must be filed with the IRS by all banks and financial institutions for each deposit, withdrawal or exchange of currency or other monetary instruments in excess of $10,000.

2) Customs form 4790 was born. This form must be filled out whenever in excess of $5,000 (later raised to $10,000) in cash, negotiable securities or certain monetary instruments are carried across US borders. This applies both when entering and leaving the country.

3) Any individual American who either owns or controls a financial account outside of the US must inform the IRS of the existence of this account. If the total amount of funds owned or controlled offshore exceeds $10,000, form 90-22.1, which forces one to provide explicit detail as to the nature and location of such accounts, must also be filed. These provisions marked the beginning of the end of banking privacy. As far as the government is concerned, your relationship with your bank is as much its business

as yours.

The effect of the law has been absolutely crippling on US banks. They are now required to maintain detailed records of almost every transaction including copies of all deposit slips and copies of the front and back of all checks drawn for over $100. Most banks routinely microfilm all of the checks that you write. In addition, banks are required to keep permanent records of all loans issued for over $5,000, with the exception of loans on property.

Your bank is also required to keep your social security number on file. If you fail to provide this number within 45 days of opening an account, your name, address and account number will be put on a special list that will in turn be given to the Treasury Department.

In short, Big Brother wants to know exactly how much you have in the bank. This act has assured him easy access to not only this information, but to detailed figures for virtually all of your banking activities as each of your accounts is now permanently linked to your taxpayer identification number.

To make matters worse, the legislation goes on to accomplish a whole lot more than just turning your bank into a government spy. Almost any institution that you do business with has been enlisted by the government as an unpaid and, in many cases, unwilling accomplice. Any and all businesses considered to be "financial institutions" must also comply with the above reporting requirements.

What exactly is a financial institution? As would be expected, Big Brother uses a fairly loose definition meaning that all of the following suffice:

- all securities brokers and dealers
- investment companies
- currency exchange houses
- anyone who sells cashier's checks, traveler's checks or money orders
- anyone who operates a credit card system
- all accountants and attorneys
- the US Post Office
- all automobile, aircraft and boat dealers, as well as property dealers and settlement agents
- and just for good measure, any other institution that the government determines either constitutes a financial institution, or from which such reports would provide "a high degree of usefulness in criminal, tax or regulatory matters".

In short, anyone that Big Brother would like to squeeze information from could easily fall within the parameters of this very loosely worded legislation. With the passage of this single act, the US government successfully cracked open the financial practices of everyone who lives in or does business in the US.

Is This Constitutional?

Although the bulk of the populace accepted the ridiculous provisions of the Bank Secrecy Act with little hesitation, a few did see through the political rhetoric and question the legality of the act. The matter

soon made its way to the Supreme Court, but in each case the court sided with the government. This really should come as little surprise when one considers who writes the large paychecks received by each of the judges involved. After all, if government revenue were to suddenly take a nose dive, many of those in the employ of government would soon have to start looking for work, perhaps even legitimate work.

The Bank Secrecy Act was first challenged in the case of California Bankers Association vs. Schultz. Schultz had brought legal action against his bank because it had turned over his records to the federal government. He claimed that in doing so, both his Fifth Amendment rights, that which protects one from compulsory self-incrimination, and his Fourth Amendment rights, that which prohibits unreasonable search and seizure, had been violated.

The courts failed to agree, saying that the records belonged to the bank, not the customer. In other words, as the records were the property of the bank, the rights of its customer cannot be used to prevent the release of such information. The opinion was not unanimous, however. Justice William O. Douglas lodged a dissent which stated the various problems he saw with the act. It reads in part:

> "It is, I submit, sheer nonsense to agree with the Secretary [of the Treasury] that all bank records of every citizen 'have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings.' That is unadulterated nonsense unless we are to assume that every citizen is a crook, an assumption I cannot make. Since the banking transactions of an individual give a fairly accurate account of his religion, ideology, opinions and interests, a regulation impounding them and making them automatically available to all federal investigative agencies is a sledgehammer approach to a problem that only a delicate scalpel can manage. Bank accounts at times harbor criminal plans. But we only rush with the crowd when we vent on our banks and their customers the devastating and leveling requirements of the current act. I am not yet ready to agree so that America is so possessed with evil that we must level all constitutional barriers to give our civil authorities the tools to catch criminals."

Justice Douglas goes on to compare the requirements of the act with those that would require book stores to keep tabs on the books purchased by customers or the phone company to keep recordings of all calls made. Although I admire his opinion, I only hope that he has not given the bureaucrats yet more ideas on how to limit our freedom.

The second case to examine this act again succeeded in narrowing the basic rights enjoyed by US citizens. In US vs. Miller. The court found that bank customers have no legal right to prevent the release of financial information held by third parties. The court also found that Miller, or any other depositor for that matter, does not even have standing to bring such matters before the court. *The court claimed that if anything, it is the bank that should protest against the release of such records.* Yet, in Schultz the court had previously found that the bank could not invoke the rights of its clients.

In short, the court had successfully closed off all possible avenues to prevent the release of such information. This is particularly alarming as such records would not even have existed in the first place had the government not forced banks to start maintaining them.

The final death blow came in the case of Payner vs. US. This case came to light because the IRS used

illegal means to gather evidence. After distracting a Bahamian bank customer (*a female agent invited him to dinner*), the IRS broke into his hotel room and stole his briefcase. In the briefcase evidence was found that was later used to convict Payner of tax evasion.

Did the court have a problem with such subversive tactics? No. In the eyes of the court it was all perfectly legal. If nothing else, this case clearly shows that Big Brother will stop at nothing to get his hands on your money. He makes the rules and then expects you to follow them. Whether or not he complies is an entirely different issue.

Watch Out for Cash Reporting Requirements

For privately moving money into your offshore account you must use a method consistent with the reporting requirements in effect in your home country. These laws are designed to inform the government when large amounts of cash are moved, and to reveal the purpose of these transfers. Of course, these Big Brother laws destroy banking and financial privacy, but ignoring them means possible fines, jail and confiscation of your cash.

Once you understand the obstacle course you can adapt your game to suit your particular circumstances. Big Brother knows all too well that once money is converted into cash it becomes very difficult to monitor its movements. Acting on behalf of the government banks are now forced to monitor all transactions, especially those in cash. Bank staff is always on the lookout for customer behavior they have which warrants a "suspicious activity report."

Banks have been instructed to look for individuals who frequently deposit or withdraw large amounts of cash. Unless your business requires it (*and the bank knows this in advance*), changing a large number of small bills into larger bills could mark you as a criminal suspect. Making a cash deposit just below the amount covered by reporting requirements may also get attention from your banker. Buying an excessive amount of cashier's checks, money orders or traveler's checks could cause a red flag on your account. Under the new rules purchasers of these instruments must identify themselves fully and often must be a bank customer in order to be eligible to buy. Just about any cash transaction that looks odd could get you caught in the expanding government net.

Big Brother has been thorough in blocking all possible routes to bank secrecy. But the massive reporting requirements he has imposed have buried banks and bureaucrats in mountains of unread reports, useless unless properly sorted and analyzed. Under government threat of severe penalties, banks have adopted the practice of filing "defensive" reports. In addition to mandatory reporting of all cash transactions of US$10,000 or more, bank managers tell employees any activity even remotely suspicious should be written up. This information glut insulates the bank from possible reprisals and clogs government computerized data banks.

As frightening as this sounds, the sheer volume serves to dilute the overall effectiveness of reporting requirements. A surge in the quantity of cash banking reports filed in the US does little to boost the number of individuals prosecuted for money-laundering offenses. The US Treasury Department's Office of Financial Criminal Investigations (FinCEN) is several years behind in examining the flood of reports (approximately eight million annually) that it demands from all and sundry.

One individual in New York filed nearly 1700 such reports before Big Brother noticed him. A random

computer search revealed a large number of reports filed within a single zip code and then the government agents became interested. Further analysis showed all these reports had been filed by one individual in one bank. This suggests that properly filed reports are generally ignored. This has led many professional money launderers to adopt what is known as the "file and forget it" approach.

Once Big Brother finally focuses on these precious reports he looks for certain patterns of behavior rather than single incidents. In other words, if you want move a large amount of your money offshore in cash, withdraw it in one lump sum and file the appropriate report. That's the least you can do to join the war against drugs. After all, no sacrifice is too great for the welfare of our children.

The worst thing one can is to fail to file a report or even appear to be disturbed when the reporting requirement is mentioned. Such behavior sets off alarm bells and makes your banker assume the worst about you. That a free person might wish to move legally earned money into a safe offshore account seems indeed foreign to government agents. But once you have soothed the bureaucratic mind by filing their beloved reports, you have your cash in hand and put it wherever you wish.

The next worst mistake when withdrawing cash from a bank is known as "structuring." This is simply making several withdrawals in lesser sums than the total amount that comes within the reporting requirements. Many bank computers are now programmed to detect such cash activity patterns so the bank can alert government officials. The act of structuring in and of itself is illegal and allows not only the forfeiture of all funds involved, but of any other funds held in the accounts used. In the US, fines up to $250,000 and five years in jail can follow conviction of this and other non-reporting crimes.

Exempt Yourself

There may be a way to avoid reporting requirements in certain situations. Even government bureaucrats realized that too many reports would be as useless as no reports at all, thus certain types of businesses are granted exemptions from reporting requirements.

For example, exemptions may be granted to owners and operators of a sports arena, race track amusement park, vending machine company or theater, all businesses in which large amounts of cash are collected on a daily basis. Exemptions may be given to large companies and banks on behalf of known customers who reasonably require them. If you own a business that falls within the narrowly defined limits you might be freed from most reporting requirements. Avoid investing in automobile, airplane or boat dealership, since these business are specifically denied exemptions from cash reporting.

Whatever method you choose, once you successfully convert your assets into either cash or other untraceable instruments, you face the task of moving money out of your home country and into your offshore account.

Restrictions On Transporting Cash

There are no exchange control restrictions on the free flow of capital in and out of most countries at the present time. This freedom to transfer assets abroad exists in almost every democracy including the US, Australia, Japan and most of Europe. Reporting requirements are, however, a different matter entirely. For example, the US Currency and Foreign Transactions Reporting Act requires everyone "who transports or causes to be transported into or out of the United States currency or certain monetary instruments in the amount of exceeding $10,000 or more" is required to file a report (IRS Form 4790)

with US Customs Bureau agents at the time of entry or departure, or on or before the date of sending or receiving, if the currency or monetary instrument is mailed or shipped.

Thus the government not only wants to know when your money is withdrawn from your bank, but also when you actually transport your cash to safer offshore pastures. The US reporting requirements cover not only cash but any negotiable monetary instruments that can be converted into cash. This includes anything in bearer form, bonds, securities and investments. Similarly, cashier's checks, money orders or traveler's checks on which the name of the payee has been omitted or which have been endorsed must also be reported. Some countries are only concerned with the movement of large quantities of cash and not monetary instruments. Check the situation in your home country and any countries where you may be traveling.

Never ignore reporting requirements. Non-reporting penalties are severe and ignorance of the law is no excuse. Big Brother will seize money from an innocent traveler completely unaware of the law as easily as from an international drug lord. Thanks to political terrorists, you can expect heavy airport security every time you board an international flight. Carryon as well as checked luggage will be x-rayed before it is allowed on the plane. It is also increasingly common for passengers to be frisked as they pass through airport security.

The bottom line: if you travel with a large amount of cash before boarding an international flight, government agents will know about it. Any unreported large amount of cash will automatically lead to forfeiture of all funds in your possession.

One easier way to avoid reporting is to move cash into your offshore account in the form of cashier's checks, money orders or traveler's checks. Although you must report buying such monetary instruments, you need not report transporting them if they are made payable to a specific person or entity - in other words, they are in nonnegotiable form. You can make such instruments payable to your offshore bank, instructing the bank to cash them and deposit the funds in your account. There is no paper trail if such instruments are purchased anonymously with cash, though that may be difficult to do.

Another method is to use personal or business checks payable to you or your business from third party payers. By endorsing such checks over to your offshore bank and directing them to make deposits in your offshore account, you can legally avoid reporting the fund transfer. Be sure not to place a simple endorsement on the check since that makes it a reportable bearer instrument. You must make the check payable to a named party. By making your offshore bank the payee, your offshore account stays out of the picture but your bank is known. When the check is returned after clearance to the original check drawer he or she will be privy to banking information best known only to you. Be sure you can trust that person or avoid using their third party check.

Happily, full-fledged currency restrictions that prohibit going abroad with your money are now largely in the past. However, in many third world countries business may still be hampered by currency controls. Nonetheless, as with all reporting requirements, currency restrictions can be circumvented legally. Talk to resident foreigners in business. They usually know the easiest way to get money in and out of the country. Wealthy residents are usually knowledgeable about ways of beating the system. A quiet talk in private with local American Express office staff can also produce results.

Where Not to Bank

In 1994, the US Drug Enforcement Agency prepared a memo on how to uncover money laundering practices. At the heart of this memo was a list of countries thought to be used by money launderers to wash their dirty funds clean. This memo was distributed far and wide, even internationally through the DEA liaison at each American embassy. Rumor has it that some countries took offense. Pakistan, in particular. was reported to be unhappy with finding itself on the US list of money laundering centers. If it is any consolation, Uncle Sam included four US cities on the list. The list in full is as follows:

THE AMERICAS: The Bahamas, Canada, Colombia, Ecuador, Panama, United States (in particular Houston, Los Angeles, Miami and New York), Uruguay, Venezuela.
EUROPE: Austria, Germany, Hungary, Liechtenstein, Luxembourg, the Netherlands, Russia and the Baltic nations of Latvia, Lithuania and Estonia, the United Kingdom, Switzerland.
ASIA: Hong Kong, Nauru, Pakistan, Thailand, Vanuatu.
AFRICA: Nigeria.

Banks based in the money centers of the countries that appear on this list all have experience with money laundering. Some are under surveillance. If you want to bank in silence, you are well advised to shy away from these countries and instead conduct your business where banks have had little experience with money laundering and can be counted on to be far less cautious.

Obviously, in the course of doing perfectly legal, above-the-board business, every normal law-abiding international businessman may have to bank in some of the countries that appear on this list. But that does not make him a money launderer by default.

Freedom Trust Group's Offshore Recommendations

While many countries make it attractive to incorporate in their jurisdiction, Freedom Trust Group's #1 recommendation for offshore services is the beautiful country of Belize.

Belize presents a most attractive advantage as it combines the best features of other tax haven jurisdictions along with its long history of democracy and stability, enhanced by its legal system which is based on English common law.

Belize offers easy access to US$ bank account, and Visa credit cards while at the same time maintaining the high level of confidentiality that the customer requires. These accounts are opened with local or offshore banks that are not represented by foreign subsidiaries or head office but maintain correspondence relationship for ease of facilitating transactions. These banks lie outside the sphere of influence of foreign tax authorities and regulators and thus offer the highest form of confidentiality and security to the global investor.

The following are examples of practical applications that offshore companies and individuals may wish to consider. Apply the principles to yourself or your company and appreciate how a IBC (International Business Corporation) or Trust sitused in Belize can help you.

ABOUT BELIZE

Belize, formerly a British Colony, is the only country in Central America with English as its official language. Nestled in the Yucatan peninsula, Belize is merely 200 miles south of beautiful Cancun in Mexico, and less than 100 miles east of the famous Tikal Ruins of Guatemala. Belize is an independent country that has enjoyed a history of peace and tranquility, unlike the other countries of the region.

Located on the Caribbean seaboard of Central America Belize has an area of approximately 9,000 square miles; 174 miles at its longest point by 68 miles at its widest point. The total population is estimated at just over 200,000 with the major commercial center being Belize City with a population of 62,000. Much of the population of Belize is ethnically diverse including descendants of the original Mayan culture and various mixtures of Mestizo, Americans, Europeans, Chinese, Middle Eastern and East Indians. Belize is an easy 2 hours flight from major American cities such as Miami, Houston and New Orleans, and offers several flights daily to and from Miami, Houston and New Orleans via American, Continental or TACA Airlines. In addition, there are regular flights from Honduras, Mexico and El Salvador. The primary language spoken is English. The climate is subtropical with an average temperature of 80F.

GOVERNMENT

Belize has a long history of peace, stability and democracy. It became a British Crown Colony in 1862 and achieved its independence in 1981. Belize is a member of the British Commonwealth, the United Nations and the Non Aligned-Movement.

The political system is based on the British Westminster model with Queen Elizabeth II being represented by a Belizean Governor General. Executive authority is exercised by the cabinet under the leadership of the Prime Minister, the Head of State and is subject to approval by a 29-member House of Representatives elected by universal adult suffrage every five years, in addition there is an 8-member Senate with the majority appointed on the recommendation of the Prime Minister.

There are two main political parties, and in the most recent election in August 1998 the government changed to the People's United Party after five years of rule by the United Democratic Party. Both parties are committed to the economic development of the country.

LEGAL SYSTEMS

The law of Belize is derived from English Common Law supplemented by local legislation. The court system is also similar to that in England and contract and commercial law is based on the English law model. Belize is not a signatory to any agreement with other sovereign nations that would interfere with the confidentiality and the security of the Offshore Business environment.

CURRENCY AND BANKING

The local currency is the Belize dollar which is tied to the US dollar with fixed exchange rate of BZ$2.00 = US$1 .00. This exchange rate has existed since May 1976.

Belize presently has one Offshore Bank, namely, Provident Bank and Trust of Belize. Additionally there are four commercial banks, The Belize Bank Ltd., Barclays Bank PLC., Bank of Nova Scotia and Atlantic Bank Ltd. The commercial banks are regulated by the Central Bank in accordance with the provisions of a Banking Act.

COMMUNICATIONS

The newly constructed Phillip S W Goldson International Airport near Belize City provides daily services through five international carriers to the United States and Central America.

Telephone, telex and telefax communications to and from Belize are excellent and direct telephone dialing facilities are available in addition to Internet and email services. A satellite earth station at the capital Belmopan provides high quality telecommunication service throughout the world. International courier services for express delivery are well established.

LANGUAGE

English is the official and spoken language but with many also speaking Spanish. Belize has a literacy factor of over 90%.

BUSINESS AND THE ECONOMY

The Belize Government has promoted development by means of a mixed economy in which the public sector has judiciously utilized foreign borrowing, mainly on concessional terms, for infrastructure development as well as for private sector support. The GDP growth has averaged 6% over the last three years with agriculture still the major activity but with an increasing contribution from tourism.

Agriculture economic performance is based on sugar, citrus and bananas. Other significant exports are garments and marine products.

Belize benefits from a number of preferential market access arrangements particularly with the US, Canada, and the European Economic Community through its British links.

The Ministry of Economy Development operates a comprehensive investment scheme which is available to Belizean and foreign investors alike. This provides for a tax holiday for up to 20 years and up to 100 per cent exemption from trade taxes on import of capital equipment and raw materials. Under this investment scheme there are no restrictions on the repatriation of profits, dividends, fees, and capital (including capital gains) arising from foreign investments in the country, provided all such investments are registered with the Central Bank.

TOURISM

The Belize Barrier Reef, the longest in the Northern Hemisphere, offers a paradise for fishermen, divers, and snorkelers. Hundreds of coral islands dot the 176 mile reef offering a haven for a variety of water sports. Inland Belize holds within its history a center of the Mayan culture with many archaeological sites throughout the country in various states of exploration. A major portion of the country is comprised of jungle and for the explorer, natural, untouched and protected wilderness offers spectacular adventure. The balmy, subtropical climate with a cool Caribbean breeze invites the tourist anytime of the year to visit the adventure coast.

There are a variety of accommodations from international hotels and guesthouses to inland resorts of thatched-roof cabanas as well as restaurants providing a wide range of cuisine.

THE INTERNATIONAL BUSINESS COMPANIES ACT 1990

The Act created the special category of company known as an International Business Company (IBC). The law was enacted to permit asset protection and tax minimization planning at competitive rates.

Some of the attributes of IBC's are as follows:

- Total exemption from all forms of local taxation including Stamp Duty.
- Speedy and simple incorporation for fast reaction to instant planning needs.
- Only one subscriber and thereafter one shareholder (who could be corporate) is required.
- IBC's may have only one director. Directors can be corporate and need not be resident in the country.
  Meetings of shareholders and/or directors may be held in any country, at any time and they may attend meetings by proxy.
- Bearer shares may be issued. No accounts or information pertaining to the identity of shareholders or directors need be filed on public record. An IBC's Register of Shareholders is available for inspection only by shareholders or by order of the Belize Courts at the request of a shareholder.
- Shares can be issued without par value.

- Minimum capital requirements.
- Limited filing requirements, mainly certificate of incorporation, memorandum and articles of association, registered office and name and address of registered agent.
- IBC name may be in any language and must include the words "Limited", Corporation", "Incorporated", "Society Anonyme" or "Sociedad Anonima" or their usual abbreviations.
- A wide range of applications.
- IBC's can be used for financial management, investment holding, ship or property ownership, share ownership of other companies, leasing of assets, copy writing and/or licensing as well as general commercial trading.
- No exchange control.

Administration

(1) Presently, a company cannot be an IBC if it carries on business with residents of Belize, owns real estate in Belize, carries on business as a Bank or Insurance Company or provides a Registered Office for other companies.
(2) The Act requires that every IBC have a registered office and a registered agent in Belize.
(3) The Registered Agents Department provides these services of company incorporation, and the provision of corporate directors and shareholders, at reasonable cost.

The Trust & The Trust Act 1992

Belize, as a result of its 1992 trust law, now present the most modern and flexible trust legislation in the world as the following review will illustrate:

Under the Act, trusts may be created either by oral declaration or by written instrument without any formalities or technical expressions. Unit trusts must be in writing and trusts relating to land in Belize cannot be enforced unless they are in writing.

A high level of asset protection is achieved since a Belizean court cannot vary or set aside a Belizean trust, nor recognize the validity of any claim against the trust property, pursuant to the law of another jurisdiction or the order of a foreign court in respect of marriage or divorce; succession or claims by creditors in an insolvency. This provision insulates the assets of the trust notwithstanding the law relating to fraudulent transfers, the Bankruptcy Act and the Reciprocal Enforcement of Judgments Act which could ordinarily be used to reach such assets.

The trust may state the proper law; if silent, then the law with which the trust has its closest connection at the time of creation shall be the proper law. If the law intended by the Settlor or the law with which the trust has its closest connection does not provide for the types of trusts involved, then the law of Belize shall be the proper law.

Draftsmen may draw trusts with severability, and severable aspects of the trust may be governed by laws of different jurisdictions. The trust may also provide that the proper law or the law governing severable aspects of the trust may be changed from one jurisdiction to another.

Importantly, where the proper law or the law governing a severable aspect of the trust is changed to the law of Belize, the law of the old jurisdiction cannot operate to make void or invalidate the trust or the functions of the trustee. The converse also holds true. When the trust leaves Belize, the law does not

apply to the trust so as to impair it nor invalidate the functions of the trustee.

Abolition of the Perpetuity Rule

The rule against perpetuities is abolished in relation to trusts. Non-charitable trusts may be created for a maximum of 120 years. Charitable trusts may be established with unlimited duration.

Settlors, Beneficiaries and Purposes

Any person having capacity to own and transfer property may be a Settlor of a trust. The Settlor may also be the trustee or protector of the trust. The law provides for the creation of spendthrift trusts and abolishes the rule that a Settlor may not be the beneficiary of a spendthrift trust. Both Settlors and beneficiaries may give to trustees letters of wishes to guide the trustees in the exercise of their functions. Trustees may or may not have regard to the letters, although no fiduciary duty is established merely by giving one to a trustee.

Charitable trusts may be created for various purposes, including the relief of poverty, the protection of the environment, the advancement of human rights and fundamental freedoms, education and religion. A purpose may be regarded as charitable whether it is carried out in Belize or not, and regardless of whether it is beneficial to a community in Belize or elsewhere. Non-charitable purpose trusts may also be constituted under the Act. Such trusts must provide for the appointment of a protector, in default of which the Attorney General may appoint one.

Protectors and Trustees

Trusts may provide for a protector who may also be a Settlor, trustee or beneficiary. In the exercise of his office, a protector owes a fiduciary duty to the beneficiaries or purposes of the trust, but he is not considered a trustee.

The minimum number of trustees is one with a maximum of four except for charitable trusts, and a trustee may also be a Settlor and beneficiary. Due diligence, observance of utmost good faith, acting to the best of one's abilities and skills, and the standard of care of a reasonable and prudent man of business are required from all trustees.

Simple mechanisms are introduced for the removal and resignation of trustees.

The Act sets out in a schedule all the implied powers of trustees for clarity and certainty. Interestingly, trustees engaged in any profession or business are entitled to be paid their fees and charges for business and time spent in connection with the trust. Also, corporate trustees are entitled to remuneration agreed upon with the Settlor or protector.

Wide powers are given to trustees to advance moneys for maintenance and education of minors and beneficiaries generally. Trustees are similarly empowered to advance moneys to beneficiaries before their interest in the trust has vested.

Breach of Trust

Trustees are personally liable for loss, depreciation in value of trust assets or loss of profits consequent on a breach of trust. However, in the case of a corporate trustee the directors are not personally liable.

Persons who receive property or income with knowledge of breach of trust are constituted constructive trustees thereof.

The usual powers of tracing are included and the periods of limitation and prescription are removed for actions against trustees for fraud and recovery of property.

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Freedom Trust Group
#105
2435 East North St.
Greenville, SC USA 29615

SUMMARY

Proper implementation of a Pure Trust can result in the following:

- A Pure Trust does not die, therefore all assets held by a Pure Trust are not subject to Probate, inheritance or estate taxes.
- When the Pure Trust owns all the properties, the individual becomes judgment proof. If a liability suit occurs, one of the first things a lawyer does is to determine the defendant's ability to pay. Being a pauper is a strong deterrent to lawyers.
- The use of several Pure Trusts allows flexibility of dividing up properties and vehicles into different Trusts, to limit each Trust's liability. This provides even further protection of the assets.
- A properly structured Pure Trust, or group of Trusts, may result in substantial tax savings, through the legal method of tax avoidance.
- Privacy of business and personal operations are greatly improved due to the fact that the properties are owned and operated by a variety of Trusts. Furthermore these Trusts are not liable to the disclosure requirements peculiar to corporations.

CONCLUSION

This guide is a general overview of the benefits that can be obtained through the use of Trusts, IBC's and OffShore Banking. It is not intended to cover every detail of implementation and use, as those details will vary depending on each person's needs.

Proper construction of the Pure Trust is best achieved through detailed planning and consultation. For further details on how you can achieve your personal financial reorganization through Pure Trusts, contact:

Freedom Trust Group
#105
2435 East North Street
Greenville, SC USA 29615
http://www.freedomtrustgroup.com

Testimonials

"*Without a doubt, this is the most complete package of information on Trusts I have ever seen. I would definitely recommend the Trusts package to anyone interested in fully protecting all their assets*…"
-M.B. Visalia, California

"*When I learned you provided different kinds of Trusts with unlimited use, I thought I hit the Lotto. I've been using the F.T.G. Asset Protection System for two years. I have found your software to be multifaceted and it's provided solutions to many obstacles in my business and personal life*…."
-T.C. Rochester, NY

"*F.T.G. has given me the financial security and savvy that most people are unaware of…. The program is incredible…and with proper planning, the tax reduction is a nice benefit also*."
-B.C. Franklinville, NC

"*The Trust software from F.T.G. has given me the asset protection that I have always wanted. I never thought there was anything like this available anywhere. I have also made money selling the Trust software….*"
-J.W. Macon, GA

For updates and additional information on Freedom Trust Group and our free multi-media presentation software, visit us on the web at: http://www.freedomtrustgroup.com or contact the person who gave you this book.

Freedom Trust Group

Privacy and Asset Accumulation Package Order Form

Name:____
Address: ____
Address: ____
City: ________________________ State: ______________ Zip: ________________
Country: ________________________________
Phone: _______________________________ Fax: _____________________________
E-mail: ____

Check all That Apply:

_______ I wish to order Version 5.1 of Freedom Trust Group's asset protection software, which includes an unlimited number of 5 different types of Pure Trusts and our 4-hour Trust video as a free bonus. **$2495 total.**

________ I wish to order The complete Belize offshore presence. ***(Includes Belize Offshore Trust, IBC, bank account, p.o. box, registered agent, first year fees and other applicable services.)*** **$2995 total.**

________ I wish to order a single offshore Trust. **$1200 total**

________ I wish to order a single International Business Corporation. **$2500 total**

________ I wish to order #________ additional offshore bank account(s). **$175 each.**

YOUR BEST DEAL!!
_______ I wish to order Freedom Trust Group's Complete Privacy Protection Package, which includes Version 5.1 of FTG's asset protection software including the 4-hour Trust video (*All About Trusts*) and the complete Belize offshore presence. ***(Includes Belize Offshore Trust, IBC, bank account, p.o. box, registered agent, first year fees and other applicable services.)*** **$5000 total.** ***plus courier fees***

________ I wish to order #_______ Trust video(s) "All About Trusts" $48 each.

Important Notes

Note: **We accept Checks, Cashier's Checks and Money Orders.** ***(Allow an extra week for delivery if paying by personal check.)***

Note: **Offshore orders require additional forms to be completed. These forms will be sent to you via fax or courier upon receipt of your order.**

Note: **Offshore orders are encouraged to use couriers when purchasing offshore products and**

services due to slow and unreliable mail service. Private courier fees, $75 each way, ($150 total) are highly recommended for speed and safety as well as privacy. Please add $150 to your offshore order for this service.

_______ Check Here if you are including $150 for courier fees.

Order Total:____________________

Make All Payments Payable to Freedom Trust Group
Allow 2 Weeks for Delivery

Send completed form to:

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#105
2435 East North Street
Greenville, SC USA 29615

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