

REPORT #PCT03: PRIVACY AND ASSET PROTECTION

© Copyright 1994 Sovereign Services ALL RIGHTS RESERVED

Disclaimer: This report does not constitute legal advice. Anyone seeking legal advice should consult a qualified professional. This report constitutes the communication of information in accordance with the rights of free speech acknowledged by the U.S. Constitution. The author and publisher assume no responsibility for the consequences to anyone acting on the basis of this information.

Why You Need Privacy and Asset Protection

The most fundamental reason why it is necessary to increase your privacy and protect your assets is that there are many thieves out there. The first human imperative is to survive. The second human imperative is to obtain the means for survival with the least effort. There are two basic ways to obtain the means for survival: work and theft.

If you work for a living you produce useful products and services and you exchange them for money or other products and services you value. You focus on questions such as: What can I produce that will be of value to others? What can I produce that will improve the quality of life?

If you steal for a living you might go around at night burgling homes. Or you might mug people. Or you rob banks. Or you utilize a credit card scam. Or you find a way of cheating the phone company and selling "free phone calls."

Stealing for a living seems much easier than working. Stealing can be sophisticated or unsophisticated. Robbing a bank at gunpoint is not very sophisticated. Using the computer system to embezzle a million dollars is more sophisticated.

Of course, working and stealing can be combined. You produce something that may actually have some value. You get a monopoly license from the government that says only you are allowed to produce this something. You boost your prices way above your costs. You make a huge profit. If anyone tries to compete with you, you get your government friends to send a goon squad from the FDA, IRS, BATF, OSHA, or some such to "rough up" any competition trying to "muscle in on your turf."

The three areas where this phenomenon is most rampant are law, health, and

government. Lawyers are masters at maximizing the amount they get paid for what they produce. If any outsider tries to "muscle in on their action," they use the State Bar Association or the national American Bar Association to "take care of the competition." The attorney racket is described in detail in my book *The Economic Rape of America: What You Can Do About It*.

In *The Arizona Republic* of January 5, 1993 an article appeared under the headline: "**93 health expenses may near \$1 trillion - Costs jumped 14% in 1992.**" The Medical Mafia has a Gestapo called FDA. The main purpose of the FDA is to "rough up" anyone trying to "muscle in on the action" of the Medical Mafia. The FDA routinely terrorizes people, steals their documents, equipment, and inventory, and smashes their businesses. I plan to write a book *The Medical Rape of America: What You Can Do About It* to expose the atrocities of the Medical Mafia, for which many of us pay through our teeth.

The most sophisticated way of stealing is to brainwash your victims into believing that it is their "duty" to pay you. Essentially, government is institutionalized stealing. The extent of government stealing is exposed in my book *The Economic Rape of America: What You Can Do About It*. In *Economic Rape* I indicate that the IRS is the Gestapo of the Federal Reserve bankers. I have in my possession a 200-page training manual that instructs bank tellers in great detail on how to spy on their customers and report "suspicious" transactions to the IRS. Your "friendly banker on the corner" has become a malicious IRS spy.

Then there are, of course, all kinds of other agencies that collect information on you: credit bureaus, motor vehicle departments, the post office, the census bureau, the police, the FBI, etc. All this information goes into computers where it can be accessed by lawyers, private detectives, and other snoopers. Much of this information can be used against you by unscrupulous thieves like lawyers, IRS, and others.

So you have to protect yourself, your income, and your assets against the spies and thieves.

Sovereign Individual Paradigm vs. Feudal Paradigm

Report [#TL04: How to Find Out Who You Are](#) covers these two paradigms in some detail. The sovereign individual paradigm basically states that the individual is sovereign, and senior to institutions like state, government, and law. The feudal paradigm basically states that individuals are the subjects of authorities like kings, states, and governments. The first step in protecting your privacy and your assets is to adopt the sovereign individual paradigm. You assume personal responsibility for

your affairs.

Over the centuries, people have created a wide range of "legal entities" to protect themselves against theft or to provide themselves with protection. Such entities include: corporations, partnerships, sole proprietorships, birth certificates, driver's licences, marriage licences, business licences, identification numbers, trusts, etc.

These entities fall into two classes: those created with permission from government or state (feudal paradigm), and those not subject to the jurisdiction of government or state (sovereign individual paradigm). All entities are not equal. Those created with government permission are subject to government regulation. And government can change their regulations whenever they wish. In fact, most entities such as corporations, partnerships, sole proprietorships, birth certificates, driver's licences, marriage licences, business licences, identification numbers, trusts, etc. can be used to steal from you or rob you. Identification numbers such as the "social security" number are used to compromise your privacy.

An Important Supreme Court Case

Fortunately, there is an entity you can create that is not subject to the arbitrary jurisdiction of state or government. I call it the "Pure Contract-Trust." It is a common-law entity not subject to statutory control. It falls within the sovereign individual paradigm as reflected by the following Supreme Court case:

"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 such duty [to submit his books and papers for an examination] 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 [Common Law] long antecedent to the organization of the State, and can only be taken from him by due process of law, and in accordance with the Constitution. Among his rights are a refusal to incriminate himself, and the immunity of himself and his property from arrest or seizure except under a warrant of the law. He owes nothing to the public so long as he does not trespass upon their rights." Hale v. Henkel, 201 U.S. 43 at 47 (1905).

Let us analyze this case. It says, "The individual may stand upon his constitutional rights." It does not say, "Sit on his rights." There is a principle here: "If you don't use'm you lose'm." You have to assert your rights, demand them, "stand upon" them.

Next it says, "He is entitled to carry on his private business in his own way." It says "private business" - you have a right to operate a private business. Then it says "in his

own way." It doesn't say "in the government's way."

Then it says, "His power to contract is unlimited." As a sovereign individual, your power to contract is unlimited. In common law there are certain criteria that determine the validity of contracts. They are not important here, except that any contract that would harm others or violate their rights would be invalid. For example, a "contract" to kill someone is not a valid contract. Apart from this obvious qualification, your power to contract is unlimited.

Next it says, "He owes no such duty [to submit his books and papers for an examination] to the State, since he receives nothing therefrom, beyond the protection of his life and property." The court case contrasted the duty of the corporation (an entity created by government permission - feudal paradigm) to the duty of the sovereign individual. The sovereign individual doesn't need and didn't receive permission from the government, hence has no duty to the government.

Then it says, "His rights are such as existed by the law of the land [Common Law] long antecedent to the organization of the State." This is very important. The Supreme Court recognized that humans have inherent rights. The U.S. Constitution (including the Bill of Rights) does not grant us rights. We have fundamental rights, irrespective of what the Constitution says. The Constitution acknowledges some of our rights. And Amendment IX states, "The enumeration in the Constitution, of certain rights, shall not be construed to deny or disparage others retained by the people." The important point is that our rights antecede (come before, are senior to) the organization of the state.

Next the Supreme Court says, "And [his rights] can only be taken from him by due process of law, and in accordance with the Constitution." Does it say the government can take away your rights? No! Your rights can only be taken away "by due process of law, and in accordance with the Constitution." "Due process of law" involves procedures and safeguards such as trial by jury. "Trial by jury" means, inter alia, the jury judges both law and fact. (See *The Economic Rape of America; What You Can Do About It.*)

Then the case says, "Among his rights are a refusal to incriminate himself, and the immunity of himself and his property from arrest or seizure except under a warrant of the law." These are some of the rights of a sovereign individual. Sovereign individuals need not report anything about themselves or their businesses to anyone.

Finally, the Supreme Court says, "He owes nothing to the public so long as he does not trespass upon their rights." The sovereign individual does not have to pay taxes.

If you discuss Hale vs. Henkel with a run-of-the-mill attorney, he or she will tell you that the case is "old" and that it has been "overturned." If you ask the attorney for a citation of the case or cases that overturned Hale vs. Henkel, it is unlikely that there will be a meaningful response. A friend of mine has researched Hale vs. Henkel. He reported:

"We know that Hale vs. Henkel was decided in 1905 in the U.S. Supreme Court. Since it was the Supreme Court, the case is binding on all courts of the land, until another Supreme Court case says it isn't. Has another Supreme Court case overturned Hale vs. Henkel? The answer is NO. As a matter of fact, since 1905, the Supreme Court has cited Hale vs. Henkel a total of 144 times. A fact more astounding is that since 1905, Hale vs. Henkel has been cited by all of the federal and state appellate court systems a total of at least 1600 times. None of the various issues of this case has ever been overruled."

How does that compare with the other Supreme Court cases? Although a complete study has not been made, initial observations indicate that no other case surpasses Hale vs. Henkel in the number of times it has been cited.

The Right to Contract

The right to contract is fundamental to the Pure Contract-Trust. This right is guaranteed by Article I, Section 10 of the U.S. Constitution: "No State shall any law impairing the obligation of contracts." It is further guaranteed by the Fourteenth Amendment: "No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

In addition to Hale v. Henkel, quoted above, the following court cases are relevant:

- 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 subpoena. Smith v. Morse, 2 CA 524.
- The Trustees of a trust have all the power necessary to carry out the obligations they assume. Their consulting services and records are not subject to review or subpoena. Boyd v. U.S., 116 U.S. 618; and Silverthorne Lumber Co. v. U.S., 251 U.S. 385.
- The Court will support the trustees in carrying out the terms of their trust contract and agreement. Clew v. Jamison, 182 U.S. 461, 21 S. Ct. 645.
- "Where rights secured by the Constitution are involved, there can be no rule

making or legislation which would abrogate them." Miranda v. Ariz., 384 U.S. 436 at 491 (1966).

- Concerning privacy, a trust organization created under the U.S. Constitutional right of contract cannot be abridged. The agreement, when executed, creates a federal organization not under the laws passed by any of the several [State and Congress] legislatures. U.S. v. Carruthers, 219 F2s 21 (1925); and Waterman v. MacKenzie, 138 US 252 (1981).

Corporations and Constitutional Rights

Corporations and other statutory entities are created by government permission. When you involve yourself in any of these entities, you relinquish your constitutional rights. You become a feudal subject of the government, a slave in effect.

Most lawyers don't learn about the Constitution and common law. They learn (feudal) statutory law. They swear an oath to uphold (feudal) statutory law. Any entities that they create, such as corporations, are statutory entities. Any trusts that they set up are (feudal) statutory trusts. The entities they create are subject to being licensed, reporting to the government, being audited, and taxed. James Madison, one of our Founding Fathers, said:

"It will be of little avail to the people that laws are made by men of their choice if the laws be so voluminous that they cannot be read, or so incoherent that they cannot be understood... or undergo such incessant change that no man who knows what the law is today can guess what it will be tomorrow."

When Madison said these words, Congress was passing about a ten laws a year. Today, thousands of laws are being passed every year. Practically all these laws violate the Constitution. The laws are so voluminous that the Congressmen themselves can't even read them. They pass thousands of laws that they themselves know little or nothing about.

Corporations and other statutory entities are subject to all these arbitrary laws. In Washington, DC there is a huge bribery industry. Congressmen are bribed to pass special interest legislation, essentially to enable special interests to steal from the public. (See *The Economic Rape of America; What You Can Do About It.*)

Fortunately, we can create a private identity or entity that is not subject to all these arbitrary laws.

The Pure Contract Trust

For most of us it is not practical to relinquish our birth certificates, driver's licences, "social security" numbers, etc. To operate practically in this world, we need these encumbrances. In our personal identities we are feudal peasants, subject to the whims of government. The terrocrats can use our "social security" numbers to track us, harass us, and rob us. So what do we do?

We create an alternative identity - a private identity. This private identity is a legal person in the eyes of the law - a sovereign individual that has not compromised any of its constitutional or common-law rights, a sovereign individual not subject to statutory regulation. We exchange our assets into this private identity, so our personal identity owns nothing.

The private identity can own property, do business, operate bank accounts, etc. - without the dreaded "social security" number. It is completely private. It has no reporting requirements to any government or state. It doesn't have to pay income taxes, or capital-gains taxes, or death duties, or estate taxes. It is not subject to probate. If I use this private identity I make provisions such that when I die my heirs take it over - all completely private.

The Pure Contract Trust enables me to exchange assets into a private identity, while I still enjoy practical control over those assets. The trust assets are very safe, because the trust is irrevocable and claims against me have nothing to do with the trust, which is a separate entity at arm's length.

The Pure Contract Trust can also operate a business, providing limited liability. It is a perfectly private business with no reporting requirements to anyone. The superrich have been using similar trusts for centuries. This option has now also become available to the rest of us - at a price most of us can afford.

Overcoming Ignorance and Fear

For many people, doing something unusual can be frightening. People trapped in the feudal paradigm have to ask their attorneys, accountants or doctors what to do. Consciously or unconsciously they believe they need to get permission from an external authority for practically everything they do. They are like children who believe they can't do anything without the permission of their parents.

There comes a time in the growth of a young adult, when he or she says, "Thank you for your advice father, but I think I am now old enough and I have learned enough to make my own decisions." To do this requires knowledge and self-confidence. Many have said that knowledge is power. But knowledge is really only power if you know

how to use the knowledge. Build Freedom's various reports can help you increase your knowledge, confidence, and personal power!

Today, most Americans stand in relation to terrocrats such as the IRS - and to authorocrats such as lawyers and accountants - as a ten-year old child in relation to its parents. The time has come to grow up. To pluck up the courage and say, "Thank you for your advice father, but I think I am now old enough and I have learned enough to make my own decisions."

To further inform yourself concerning privacy and asset protection, write to these publishers for catalogs:

(a) Eden Press, PO Box 8410, Fountain Valley, CA 92708;

(b) Loompanics, PO Box 1197, Port Townsend, WA 98368 (send \$3);

(c) Paladin Press, PO Box 1307, Boulder, CO 80306.

A Tragic Story

In June 1988, Kay Council of High Point, NC came home one night to find a note from her husband, Alex: "My dearest Kay - I have taken my life in order to provide capital for you. The IRS and its liens which have been taken against our property illegally by a runaway agency of our government have dried up all sources of credit for us. So I have made the only decision I can. It's purely a business decision... You will find my body on the lot on the north side of the house." At the end of a nine-year battle over a disallowed tax shelter, the IRS claimed that the Councils owed \$300,000 in taxes, interest, and penalties. After a nine-year battle with the IRS, when their financial resources were finally exhausted, Mr. Council committed suicide to provide Mrs. Council with \$250,000 insurance money to continue the battle. Ironically, Mrs. Council eventually won a court ruling that she and her husband owed the IRS nothing - the IRS deficiency notice had been sent four months after the statute of limitations had expired. Mrs. Council, 48, said, "I was cheated of growing old with the man I love."

The above story appeared in press articles under headings like "Widow Says Husband Sacrificed Life To Pay For IRS Fight." Apart from the the tragic irony that the IRS's deficiency notice was issued after the statute of limitations had expired, there is the irony of what led to the Councils' trouble with the IRS in the first place. You see, some years earlier the Councils had written off a \$70,000 tax shelter loss. Of course, a tax shelter is one of those entities created by permission of government. That means the government can arbitrarily change its rules about it at any time. Which is exactly what the IRS did. They subsequently - three or four years later - "disallowed" the tax shelter and claimed that the Councils had to pay tax on the

\$70,000 plus penalties and interest for several years, amounting to \$300,000!

If the Councils had been using a Pure Contract Trust, they would have had little or no trouble with the IRS. The business they managed could have been operated by a Pure Contract Trust. The house they lived could have been exchanged into a Pure Contract Trust, or originally purchased by a Pure Contract Trust. The Councils themselves would have owned nothing. The Pure Contract Trust that operated the business could have paid the Councils a modest salary on which they paid taxes. There would have been no need for using a statutory entity such as a "tax shelter" - really a deadly tax trap.

They would have avoided a nine-year battle with the IRS. Imagine the emotional and psychological toll taken by a nine-year battle with the IRS, not to speak of what it cost in attorney's and accountant's fees. And all of that could have been avoided if only the Councils had the knowledge in the Pure Trust Package - and had made the necessary preparations well ahead of the danger!

Those who organize their affairs in accordance with the advice of attorneys and accountants, are likely to be sitting ducks for the IRS and other looting marauders.

Probate Costs and Death Taxes

Since we have worked hard and saved in order to accumulate assets throughout our life, it is only fair that when we pass on, our families or heirs should receive the full benefit and use of those assets. Of course, the easiest people to steal from are the dead! Lawyers and government are like vultures gorging themselves on the remains of the dead. So we get huge probate costs and exorbitant estate taxes.

By using the Pure Contract Trust, all probate costs and death taxes are eliminated. Furthermore, the heirs don't have to wait before receiving practical control over the assets.

The Pure Contract Trust usually has a life of 25 years, but can be renewed indefinitely. The first similar trust was set up by Patrick Henry ("Give me liberty or give me death!") in 1765 - twenty-four years before the creation of the United States. It is called the North American Land Company and is still in operation today. For more than two centuries its assets have passed from generation to generation with no probate, no death taxes, no waiting.

About a month after his death, the following report appeared in the press:

"With no will filed three weeks after his death, reports are circulating that Chicago

Mayor Richard Daley may have put most of his assets in a trust. Illinois law requires that wills be filed immediately after death, although courts generally allow 30 days in which to file the documents. If personal assets exceed just \$5,000 the assets must be probated. Daley associates quoted by the *Chicago Tribune* said the Mayor who died of a heart attack December 20, began transferring much of his assets to family trusts after a 1974 trust. That would likely put most of his holdings in the hands of his wife, or maybe his seven children, eliminating any public disclosure."

Note that nobody, except for his family, knows the extent of Daley's assets, who got those assets, and how much each person got - all completely private.

Similarly, Henry Ford, II, upon his death, by means of trusts, bequeathed about \$250,000,000 (nobody knows how much) to unnamed heirs, with no probate, no death taxes, no public disclosure, no waiting.

Ease of Use and Affordability

The Pure Contract Trust is easy to use and most people can afford it. It is now available not only to the superrich, but also to those with more modest assets. It is the best method for increasing privacy and protecting assets I know of.

Advantages of the Pure Contract Trust

- Every aspect of it is perfectly lawful, guaranteed by the U.S. Constitution, Supreme Court decisions, and other court decisions.
- It is protected by the Constitution under the right to contract.
- It is inexpensive to establish, can be maintained by yourself, without an attorney, and involves minimal paperwork. It greatly reduces or eliminates attorney's fees.
- Because it has no reporting requirements to any State or government, it reduces or eliminates accountant's fees.
- Once it has been established, there are no maintenance fees.
- A Pure Contract Trust established in one State can operate in any other State.
- It can operate any lawful business anywhere in the world. It provides limited liability protection and most of the advantages of a corporation with none of the disadvantages.
- It is a lawful "individual" in the eyes of the law, with the power to buy, own, and sell property and other assets.
- It can easily change the title of your property, but you may use and enjoy the assets during your lifetime.
- It is made irrevocable to avoid any question as to ownership of the assets.
- It renders assets virtually judgment-proof.

- It can be used to reduce or eliminate the need for liability insurance.
- It continues unaffected upon your death.

Who Benefits Most from the Pure Contract-Trust

- Sovereign individuals.
- Business owners.
- Independent contractors.
- Professionals: doctors, dentists, chiropractors, etc.
- Retired people.
- Investors.
- Foreigners.
- Anyone with assets.

Other reports in this series:

[#PCT01](#) - [#PCT01A](#) - [#PCT02](#) - [#PCT03](#) - [#PCT04](#) - [#PCT05](#) - [#PCT06](#) - [#PCT07](#) -
[#PCT07A](#) - [#PCT08](#) - [#PCT09](#)

[Home](#) | [Report Directory](#)