

REPORT #PCT01: INTRODUCTION TO TRUSTS

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CAVEAT

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INTRODUCTION

The purpose of this report is to first introduce you to what might become possible when you use trusts. Then we'll tell you some of the benefits of trusts and some general background.

AN OPEN LETTER TO NEW COUNTRY ACTIVISTS

by Frederick Mann

(This Open Letter is not copyrighted.)

With great interest and excitement I read Issue 1 of *New Country Report* (quarterly, \$12 per year - PO Box 849, West New York, NJ 07093 - e-mail: c/o Marc Joffe, 7104.142@compuserve.com). *New Country Report* will make for easier cooperation between new country projects from which we'll all benefit. With just a modest degree of cooperation we can bring about the "freedom race" described by Marc Joffe before the turn of the century. Actually, within Build Freedom, the "freedom race" has already started and is rapidly gaining pace. But I'm running ahead!

Consider three economic sectors: public, private, and free. The public sector is the government or coercive sector - the master sector. The private sector consists of economic enterprises that obey and finance the masters and obtain "privileges" from them, like licenses, subsidies, tariff protection, government contracts, tax concessions, etc. This is the slave sector. Enterprises in the slave sector use "corporations" and other slave-structures. Consider a U.S. Supreme Court ruling still in effect:

"There is a clear distinction in this particular case between an individual and a corporation, and 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 such 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 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.

Upon the other hand, the corporation is a creature of the State. It is presumed to be incorporated for the benefit of the public. It receives certain special privileges and franchises, and holds them subject to the laws of the State and the limitations of its charter. Its powers are limited by law. It can make no contract not authorized by its charter. Its rights to act as a corporation are only preserved to it so long as it obeys the laws of its charter." Hale v. Henkel, 201 U.S. 43 at 47 (1905).

People who conduct their economic affairs in accordance with Hale v. Henkel operate in the free sector - the real free-enterprise sector. Build Freedom is the free-enterprise sector of the world. We operate on the principles of property rights, voluntary exchange, and the sanctity of contract. A major purpose of Build Freedom is to bring about a massive shift of people, resources, and economic activities from the master and slave sectors into the free sector. We call this the Build Freedom Shift.

The 14th Amendment to the U.S. Constitution created a creature called a "U.S. citizen" - euphemism for slave. U.S. citizens are subject to federal and other statutory jurisdiction. The feds operate on the basis that they own their slaves - therefore: (a) They have the right to draft their slaves into the military and send them off to foreign lands to kill strangers and be killed; (b) They own slave-children and have the right to force them into concentration campuses for mind destruction; (c) They own the fruits of slave-labor and may take whatever portion they desire; (d) They own the bodies of their slaves and have the right to tell them what they may and may not put into their bodies; (e) they own the businesses of their slaves and have the right to regulate them as they wish.

Now, the masters took many other steps to turn individuals into slaves. Practically all these steps have been flagrantly fraudulent. We need a better term than "masters." I

propose "terrocrats" - (short for terrorist bureaucrats) people who use misrepresentation, fraud, coercion, violence, and terror to claim "jurisdiction" so-called over their victims, in order to control and dominate them, and to live off them and their labor like parasites or cannibals.

If you look up entries like "14th Amendment," "U.S. citizen," and "person" in *Black's Law Dictionary*, and do some further research, you'll find that "person" - which includes a "corporation" - is a synonym for slave. You'll also find that one can have the status of "sovereign American," "state citizen," or "sovereign individual" - all more or less synonymous with the "individual" referred to in Hale v. Henkel.

If you read the tax code, you'll find the terrocrats use the word "person" (slave). Nowhere will you find them saying that an "individual" is liable for income taxes. You'll find statutes, regulations, and court rulings saying the "taxpayer" must do this and that, but these don't apply to the "individual." And if you research common law, you'll find that there's been a centuries-old tradition of two classes of people: "freemen" and "slaves." The American Revolution broke the tradition and created a society of free and sovereign people - free individuals. However, since then the terrocrats have been spectacularly successful in gradually re-establishing the master-slave tradition.

If you examine freedom movements, you'll find that much of what they do consists of asking the terrocrat masters to please treat us less like slaves. And they've done a superb job in educating other slaves to ask the same. This is reflected by the spectacular gains of freedom-oriented Republicans in the recent U.S. elections. Libertarian candidates also received a great deal of publicity and their powerful freedom principles have helped shift everyone more towards freedom. The time has now come to take the next step.

The legal means have been developed whereby you can change your status from "slave" to "sovereign individual" - and live your life and conduct your business in accordance with Hale v. Henkel, or nearly so. Example: In 1993 a gang of terrocrats from the IRS and Post Office raided the sovereign business (free-enterprise gold bank) of Anthony Hargis in Orange County, California. They seized records, files, computers, and money. Hargis indicated to them, essentially, that he was a state citizen (sovereign individual) and that they had no jurisdiction over him and his business. They backed down completely and returned everything they had seized. There are senior terrocrats who know that even in their own courts they would face a tough and very embarrassing ordeal, if confronted with a knowledgeable sovereign individual like Anthony Hargis.

In Build Freedom we advocate that people correct their status so as to become sovereign individuals, and that they reorganize their businesses as sovereign businesses, or create new sovereign businesses. Obviously, a sovereign business - not subject to most regulation and taxation - has huge competitive advantages over slave-structures (corporations) in the slave sector.

The creation of World Trade Clearinghouse (WTC) - a worldwide system that makes possible transacting using gold as currency in complete privacy - provides further enormous advantages to sovereign businesses in the free sector. WTC allows clients worldwide to transact with each other 24 hours a day, 365 days a year - completing transactions within minutes - via computer, modem, and encryption in perfect privacy.

The Build Freedom Shift is accelerating. At this time (November, 1994) capital is moving into the Build Freedom economy (at least, the small portion I know about) at a rate of over \$100,000 a month - some months over \$200,000. During next year it will become \$1,000,000 a month; during 1996, \$10,000,000 per month. All the capital to launch WTC came from Build Freedomns.

Build Freedom applies the economic means to build freedom. The momentum has already become unstoppable. During the next few years there will be an explosion of individuals shifting their economic resources and activities into the real free-enterprise sector that is Build Freedom. Business in Build Freedom will enjoy huge competitive advantages over companies that remain in the slave sector. I predict that even companies like IBM will either shift into the free sector, or go out of business.

The power of the terrocrats is tenuous - flimsy, easily dislodged - as demonstrated by Gandhi defeating the British Empire, the collapse of the Berlin Wall, and the overnight evaporation of the Soviet Union. Power is shifting into the hands of those with the best information and the most competent at applying it.

All this should be of great interest to those involved in creating new territorial countries. From Build Freedom they can acquire Freedom Technology: the practical knowledge, methods, and skills to life free - the street-smart know-how to outwit the terrocrats at every turn. In their personal lives they can correct their status to sovereign individual and shift from the slave sector into the free sector. If it's appropriate for them to retain their U.S. citizen-status, they can still shift from using slave-structures such as corporations to using free-structures such as trusts that operate in accordance with Hale v. Henkel.

They can think in terms of what businesses and industries need to be created as

precursors to building floating-city free countries For example, radio stations and hydroponic agriculture. The creators of floating-city free countries could think in terms of creating such businesses on land and making them highly profitable. When they have a large enough industrial base, they build several floating-city free countries and move their business empires there.

One of the factors that enables you to make a business highly profitable is to operate in accordance with Hale v. Henkel - and/or to provide products and services to enable others to shift into the free sector. WTC is an example of a service that makes this easier for people around the world.

In order to shift into the free sector, some people need more knowledge. Build Freedom and our associates already provide all the necessary knowledge. Certain real free-enterprises institutions are also necessary - like WTC, enabling people to transact freely, safely, and securely. Hopefully, many more free-sector institutions will be created during the next year or so in areas such as energy, utilities, communication and transport, health, education, etc.

Free-sector pioneers in these areas will become millionaires and billionaires during the next decade. To appreciate the mind-boggling potential, consider the size of the terrocrat and slave sectors. Imagine that most of what's being usefully done in these sectors will be replaced by free-sector enterprises. We're talking about multi-billion-gram-AU business empires! We're talking about moving into a vacuum. We're talking about outcompeting the terrocrat and slave sectors.

Some people need to overcome their fear and develop their personal power before they would consider shifting from the ostensible "safety" and "security" of the slave sector into the perceived risk of the free sector. To this end, Build Freedom will be establishing Personal Power Institutes around the world, where people can learn to overcome their fear and become vastly more powerful as sovereign individuals. The first Personal Power Institute will start operating early in 1995.

For more information contact Build Freedom, Phoenix, AZ. terrahq@ix.netcom.com. Please copy, republish, and distribute this Open Letter freely.

NOTED COLUMNIST JACK ANDERSON SAYS:

"It is common knowledge that the richest and most influential persons in our country have Foreign Trusts and/or Domestic Trusts. This also necessarily includes the politicians and those persons and/or corporations who control them!

Why would persons who already have so much, need a tax haven? The answers to this question are simple, these people do not wish to pay tax(es) on those funds controlled and/or owned by them, and this is a legal method by which the well-to-do can avoid paying such taxes. Also, due to the current instabilities in our economy, these persons (who frequently have access to "inside information") wish to have their moneys and/or property in a safe location, as opposed to maintaining their funds and/or properties within the U.S. whereby the government, through its agents, the IRS and other agencies, can seize their assets. **But you don't have to be rich to seek and receive the same protection!"**

Jack Anderson, the Washington columnist, in his column entitled, "The Yearly Tax Ordeal," exposed many of the richest families in America, and their tax avoidance techniques. The following statements were quoted by Mr. Anderson and from *The Rockefeller File*:

"We have access to secret tax filings by members of our wealthiest families, the Mellons, the Rockefellers, the Hunts and others. Each of the families had millionaire members, who from time to time, have paid no income tax at all. And almost all of them regularly pay only a part of the tax that their income would require were it not for the use of Trusts."

"Vice-President **Nelson Rockefeller**, for example, paid no federal income tax several years running. **John D. Rockefeller, III**, pays a 10% federal tax as a matter of personal principle. Apparently, he can manipulate his tax exemptions to produce whatever return he feels is appropriate. **Paul Mellon** is able to get away with a negligible income tax as do other members of his fabulously wealthy family. Texas oil billionaire, **Bunker Hunt**, has managed to live in luxury without paying any income taxes at all for several years."

We do not single them out for criticism. They have made use of the law and that is their right!

"For two generations the great fortune passed down by John D. Rockefeller has been fractionated and made more complex by increasing layers of Trusts and closely held companies, where no public reports are required, non-volunteered, and all inquiries are politely rebuffed."

The Rockefellers invented a scheme, used by the super rich today, whereby the more money you appear to give away, the more powerful you become. The key to this system is giving up ownership but retaining control. **It's better to have your assets owned by a Trust, which you control, than to have them in your own name!** When

Judge Kenesaw Landis ordered **Standard Oil** broken up in 1911, John D. Rockefeller created new Trusts, and gave his stock to them. The net effect was the same as if you took your wallet out of your left pocket and placed it in the right pocket. In doing what he did, Rockefeller not only managed to avoid income taxes, he also escaped probate, estate and inheritance taxes; taxes that have ravaged the wealth of those not in the know about Trusts.

Not only can businesses and corporations benefit from the formation of Trusts, but families and individuals also, can enjoy these same rights and advantages!

BENEFITS OF TRUST CREATION

- **AVOID**
probate;
death transfer taxes;
capital gains taxes;
withholding taxes;
and government meddling.
- **RESTORE**
privacy of affairs and
control over finances
and business.
- **ESTABLISH**
true limited liability.
- **PRECLUDE**
liens;
judgments;
seizures;
employee withholding.
- **PREVENT**
messy divorce property divisions.
- **REDUCE or ELIMINATE**
income taxes.
- **MINIMIZE or ABOLISH**
malpractice premiums.

SPECIFIC BENEFITS OF PURE CONTRACT TRUST

1. No federal and state income taxes.
2. No taxes on investment income.

3. No capital gains taxes.
4. No inheritance or estate taxes.
5. No expensive IRS appraisals.
6. No public disclosures (financial privacy)
7. No government reporting.
8. Protects assets from court actions.
9. Eliminates probate (and the waiting involved).
10. Avoids transfer, estate, death, and inheritance taxes.
11. Avoids liens, levies, and judgments.
12. No forced asset division.
13. No expensive litigation.
14. No family (potential heirs) interference.
15. Preservation of assets accumulated over a lifetime.
16. Indefinite preservation of estate for descendants.
17. Eliminates or greatly reduces attorney fees, accountant fees, and executor fees.
18. Limited liability.
19. A Pure Contract Trust can hold cash, real estate, stocks and bonds, life insurance, gold and silver, commodities, and virtually anything of value.
20. A Pure Contract Trust bank account can be located at practically any bank.
21. Can operate any legal business almost anywhere.
22. Elimination of employee withholding taxes - if they become independent contractors.

Article One, Section Ten, U.S. Constitution guarantees your right to contract. The Pure Contract Trust is a contract. The most important thing you can do today, to insure peace of mind and security, is to establish your own Pure Contract Trust.

	FEATURES	CORP.	P/C/TRUST
	Limited liability:	Yes	Yes
	Privacy of Business:	No	Yes
State annual Franchise Fee (California \$800):		Yes	No
	Avoid employee withholding taxes:	Sometimes	Often
	Avoids quarterly IRS filings:	No	Yes
Reduces or eliminates self-employment taxes:		No	Yes
	Avoids Probate:	No	Yes
	Reduces personal income taxes:	No	Yes
	Shares have taxable value:	Yes	No
	Shares are freely transferable:	Yes	No
	Operating under government privilege:	Yes	No
	Business interrupted by death:	No	No
	Public disclosure of business required:	Yes	No

WHO USES TRUSTS?

The Kennedy Family

The Bunker Hunt Family

The Paul Mellon Family

The Rockefeller Family

The Lyndon Johnson Family

The James Carter Family

The George Bush Family

OVER TWO MILLION PEOPLE IN THE U.S....

TYPES OF TRUSTS

1. Trusts are either statutory or common law. Statutory trusts depend upon statutes or laws for their authority. Common law trusts depend for their authority upon the common law and the right to contract guaranteed by the U.S. Constitution. The Pure Contract Trust is a common law trust.
2. Trusts are simple or complex. A simple trust is one where the trust document or indenture specifies that the net profit must be distributed to the beneficiary(ies) at least annually. All other trusts are considered complex. The Pure Contract Trust is a complex trust with no beneficiaries.
3. Trusts can be business entities, family trusts, land trusts, charitable remainder trusts, spendthrift trusts, etc. The Pure Contract Trust can be used to achieve practically any of the purposes trusts are normally used for.
4. Trusts may be domestic or foreign (offshore). Domestic trusts generally should hold title to domestic real estate. Foreign trusts can be used for offshore assets, investments, and other activities. The Pure Contract Trust is domestic to America, but not subject to federal, state, or statutory jurisdiction.
5. Trusts may be revocable or irrevocable. Living Trusts are usually revocable and of limited value - see Report #PCT09. The Pure Contract Trust is irrevocable and much more powerful.

ELEMENTS OF A PURE CONTRACT TRUST

1. Creator and Exchangor. The Creator causes the trust document or indenture to be created by exchanging property with the Exchangor.
2. The two Trustees assume responsibility for managing the assets of the Trust. The Trust itself has both legal and equitable title to the property.

3. The indenture is analogous to the articles of incorporation. The indenture defines the powers and limitations of the Trustees.
4. Officers of the Trust may be designated as Manager, President, Secretary, Treasurer, Director, etc. The Trustees may delegate certain powers to the officers.
5. Minutes are the written record or history and the resolutions to perform certain actions within the powers outlined in the indenture.

SOME FRIGHTENING TRENDS

Lawsuits

The harsh realities of living in a litigious society: Today, more than ever before, you are a target for liens, lawsuits and seizures. If you are concerned about the exposure of your hard-earned assets, personal, business and family, to potential creditor claims, you should learn how to protect your assets by becoming judgment-proof.

The threat of being sued for any one of countless reasons must be expected in today's litigious society. The risks are greatly increased if you are a professional or self-employed. But the dangers to your personal assets can strike from any direction. Lawsuits are only one danger. You may suddenly be hit by a huge tax deficiency or simply run up more debts than you can afford due to an unexpected job layoff or other financial emergency beyond your control.

There are approximately 750,000 attorneys in the United States. This represents two thirds of the world's total. One of four Americans will be sued in their lifetime and one in fifteen Americans are currently being sued.

It's an unpleasant thought that a sudden lawsuit or financial reversal can cause you to lose your home, life savings and other valuable assets. Yet the realities are that it happens every day. Thousands of families and individuals fail to protect their assets, or plan for possible financial difficulties and find themselves wiped out, often with little warning.

People all over the world are shocked at how open Americans are about their assets. However, as more and more Americans are learning, many times too late, it is important to protect one's assets. Fortunately, through timely and decisive action, you can fully protect your property against practically any legal or financial threat.

Deploying your assets to provide maximum protection from creditors is neither immoral nor unlawful. You have an obligation to yourself and your family to protect

and preserve what you have worked so hard to accumulate.

Privacy

Electronic Intrusions into the lives of the people: The "information highway" is here. Let's take a close look at what this incredible technological innovation can do. Once decreed, it would link individuals, freedoms, city, state and federal agencies, private businesses and other institutions into a powerful fiber-optic web, allowing an economic picture to be painted for regional officials to predict its future. The bright portrait that has been painted shows a city where residents could have their health monitored or confer with a child's teacher or apply for a building permit or do research in the region's freedoms, all without leaving their home or office.

A regional/national information highway will make it much easier for government agencies or private companies or individuals to assemble our personal profiles, based on what business license we have applied for, what books or video-tapes we check out of the public freedomry, whom we converse with on-line, and so on. Individuals who use the network will likely leave their 'electronic fingerprints,' indicating their telephone number and/or access code, date and time of day, and specific use made.

A wide variety of personal information is currently available from business sources, including credit profiles, employment history, mailing addresses, phone numbers and medical records. Such government agencies as the Department of Motor Vehicles and the U. S. Postal Service regularly sell personal information from change-of-address forms.

Without safeguards, a public/private network could make the sale of such information substantially easier. And the current privacy laws will not protect us. There are limitations on the release of personal information, however, the scope of most state laws on privacy is actually quite narrow and only applies to state agencies. The laws generally have no effect on local government information practices.

Public records such as voter registration, police reports, including names and addresses of the accused and the victims, and court records are currently available to anyone. The possibility that these records would become so much more easily available raises the question: What happens when it's just as easy for your next-door neighbor as it is for a reporter to look up your records?

Privacy could be more than a pothole on the information highway. It could be an earthquake.

Estate and Death Taxes

A penalty for dying: Every day heirs lose an average of 25% to 35% of their inheritances to probate costs and death taxes. With only a will, up to 70% of your estate can disappear in paying lawyers' fees, death taxes, estate taxes, probate court costs, etc. While a statutory trust, such as a Living Trust, protects against some of these costs, the estate is still diluted substantially.

These harsh realities lead many people to ask how they can lawfully minimize the possibility of losing their home, retirement pension, savings or other valuable assets to credit claims, and avoid expensive probate costs for their loved ones.

This is what can happen, even with the best lawyers that money can buy. The following article appeared in a January, 1993 Sunday edition of the *Atlanta Constitution* newspaper:

"LOOSE LIPS: A top official of the Alabama Department of Revenue, known as "Wonder Woman" in Montgomery, was fired after telling other officials that the state was reaping a 12 million dollar windfall in estate taxes from the Birmingham family that owns Bruno's grocery stores. Rebecca Beasley Wells disclosed the tax bonanza, resulting from the deaths of two family members in a 1991 plane crash... "

The first question in anyone's mind should be: Why should these two men have \$12 million taken from them just because they died? For that matter, why should anyone have to pay anything to the government for dying? When you stop to think about it, there's something inherently wrong with the notion that a person's estate should have to be diminished by any amount of money (other than debts accumulated while alive) just because they are no longer there to administer it. However, we have allowed those types of laws to be passed, so let's look beyond the morality of it and address the most important question.

Assuming that the Bruno family had enough sense to hire competent attorneys to look after their interest, how could an attorney let that much money slip through the cracks and not be enjoyed by the survivors? Remember that the \$12 million represents only the state's portion. It does not mention what the Federal cut was, nor does it mention what the attorneys' fees were for helping settle the estate.

If the victims of the crash were to have to do it all over again, do you think they would be as trusting of their attorneys? Or, do you think, for the sake of their heirs, they might have become a little more responsible and made more of their own decisions as to how to set up their estate?

If they had been introduced to the Pure Contract Trust and had taken full responsibility for making their own decisions, they could have protected their assets and their heirs would have received 100% of what was in the estate. It should also be noted that the lawyers would have received nothing from the estate.

A Simple Solution to these Complex Problems

There are means that can provide peace of mind, security, and privacy to your financial affairs, and that can provide continuing benefits to your heirs for many generations. We recommend the use of a Pure Contract Trust. By definition, a Pure Contract Trust is a contractual relationship in trust form, free of control by certificate holders.

WHERE DO TRUSTS COME FROM?

Trusts have a long and interesting history. Plato used a non-profit trust to finance his university in Greece about 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.

During the Middle Ages in Europe, abusive taxes, limitations and restrictions were placed on the ownership of land. By using trusts the property owner was able to transfer the legal title of property to a trustee for the benefit of the heirs. The secrecy of this transfer was advantageous as many of the taxes and restrictions that applied to the property owner did not attach to the trustee and could, therefore, be ignored.

Trusts arrived in America with the colonists. The first Trust of record was drafted by the famous attorney and patriot, Patrick Henry, in 1765, 24 years before the adoption of the Constitution, for Governor Robert Morris of the Virginia Colony, who was a prominent financier of the American Revolution. Known as the North American Land Company, this 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 Trust for his vast estate. At one time, the Trust owned two million acres in Maine that 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 Trust was terminated by the trustees 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 was distributed to the beneficiaries. The Trust was not affected during its period of existence by the death

of its creator, or by succeeding trustees, probate procedures, or death transfer taxes.

Another example of a trust used for a family's estate is that of the Joseph Kennedy family. Joseph Kennedy, father of the late President John F. Kennedy, originally established a Trust to own the famous Chicago Merchandise Mart. The Kennedy family is known to maintain several other Trusts for tax shelter purposes as well. One such trust was reported in the March 22, 1947 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 long-time friend and associate, John L. Ford, joined as trustee of the Trust and helped materially in distributing ownership in 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 that saved his heirs several million dollars that 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 represent assets of considerably more than one billion dollars. It's 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. These Trusts place the funds beyond the reach of the high cost of probate and inheritance tax.

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 arranged its affairs to increase the estate generation after generation, rather than see the estate cut to shreds by the high costs of probate and inheritance tax.

In 1966 Ronald Reagan established a trust that has enabled him to receive sizable tax advantages. In some years since it was established, Mr. Reagan paid no taxes at all, while maintaining a magnificent living standard.

These are but a few of the many family estates preserved generation after generation through the use of Trusts.

You, too, can take advantage of the same opportunities for you and your family.

LIABILITY: THE NUMBER ONE PROBLEM OF BUSINESSES & PROFESSIONALS

The problem of liability has grown to mammoth proportions in recent years. It is a monster out of control, destroying the wealth of our nation. If something isn't done to stop the present trend, we, as a nation, are going to litigate ourselves right out of business.

Buying liability insurance used to be a simple matter for the business owner, the automobile owner, the homeowner, the doctor - anyone. Routinely, it could be purchased as part of a package policy at a small additional cost.

In the last couple of decades, however, obtaining liability insurance has become a problem so intense that many business and professional people cannot find an insurance company that will assume their liability at any cost. Normally there are two alternatives: either operate the business without liability protection, taking on the responsibility in full without the aid of an insurance company, thus risking the loss of the business as well as personal assets, or, lock the doors and walk away from what might be a very profitable and satisfying business. Since neither of these alternatives offer a realistic solution to the problem, it's necessary to look to proper planning through the use of trusts to lower the risks.

MEDICAL FIELD HARD HIT

Surveys conducted by independent research organizations on behalf of the medical field reveal that nearly 10% of the obstetrician/gynecologists surveyed in the state of Florida were no longer practicing their specialty and almost 20% were considering quitting, because of the inability to purchase professional liability insurance (malpractice) at a reasonable cost.

Doctors report that just having suit brought against them, whether or not they were found guilty of malpractice, was enough in most cases to prevent them from purchasing liability insurance.

Doctors are not the only ones faced with this problem. Nearly all professionals, including attorneys, insurance agents, financial planners, accountants and a host of others, are witnessing a marked increase in the number of attacks against their professions.

HIGH RISK VENTURES FOR BUSINESS

Manufacturers, large and small, are being called upon more and more frequently to defend themselves against claims from sources that just a few years ago were unheard of as problem areas. In 1986, there was a personal injury case settled out of court for a huge sum that involved a worker injured while operating an old converted steam shovel manufactured in 1926 in Ohio. The shovel had been modified numerous times by a multitude of different owners, to the point that there was little resemblance to the original drawings used in its manufacture. The manufacturing company, however, was named in the suit. Although the defending attorneys opined there was less than an even chance a liability could be proven against them, the insurance company opted for the settlement rather than face the possibility of a jury verdict granting an award several times as great.

Small businesses are coming under attack more and more. It seems that just opening your doors to the public and inviting them in to be your customers is a high-risk venture in today's climate, which proclaims "do unto others before they do unto you," as the Golden Rule.

HAZARDS OF THE PRESENT DAY PROBATE SYSTEM

Under present day law, all property owned by a deceased, including property in which an incidence of ownership was held at the time of death, must enter into the probate system before any property can pass to the heirs. Those who have experienced a trip through the probate maze, either as an executor/executrix, or, as a beneficiary waiting to receive a legacy, are aware of the built-in delays and tremendous cost.

If you suddenly discover that you are the beneficiary of an estate, don't be too fast to run out and spend your inheritance. It can take years for rightful heirs to collect their legacies. There is no such thing as a fast trip through the probate system. No matter how efficient the executor and attorney are in gathering the assets, paying the debts and taxes, and finally making the disbursements, there are bound to be delays. Creditors have from four months to a year, depending on state law, to present a claim. Then the government agencies step in to collect their share. Within nine months of the date of death, the executor must file federal estate tax forms. But the IRS can take a year or more to audit the return, and many times, months are required to satisfy the state taxing agency.

THE HIGH COST OF DYING

The way the present system is set up, it almost invites abuse. Although attorney fees must be approved by the court, approval is generally routine. Stories of estates being completely wiped out while going through probate are not uncommon.

Robert Kennedy, when he was Attorney General of the United States, called probate "a political toll booth exacting tribute from widows and orphans." New York's memorable reform mayor, Fiorello La Guardia, called the probate court "the most expansive undertaking establishment in the world." Despite widespread criticism, it's still with us and remains a dangerous threat to the assets a person acquires through a lifetime of hard work.

The high cost of dying is not the cost of the funeral; it's the legal and administrative costs of getting the estate of the deceased through the probate courts. This legal institution, intended originally to help the average family, has become the means of exacting onerous ransom from the bereaved.

Truly the simplest form of proper planning in each of the above examples would have been the proper implementation of a combination of Pure Contract Trusts. The result would have been that the heirs would have received the benefit of the entire estate without one percent of shrinkage and without having to wait even one day.

TAX CONTROL

All taxes are paid by consumers. None are paid by corporations, except as they find themselves in the role of consumer. Since the advent of income taxes, there has been an outcry from the lower and middle income citizens about the gross unfairness of the present tax system that allows multi-million dollar corporations to get away with paying no income tax even though their profits soar year after year.

The truth is that large corporations consider the payment of taxes to be a cost of doing business the same as any other cost such as the cost of material or the cost of labor or fringe benefits. When a corporation pays taxes, it passes the cost of those taxes on to the consumer in the form of higher prices. When consumers purchase articles of clothing, for instance, they are paying for more than the cost of the material and labor. Hidden in the purchase price are as many as 108 taxes that have already been paid from the time that article was raw material to the time it was paid for at the retailer's store.

Small business owners, however, do not fare as well. Usually, in order to stay competitive, they strive to absorb as much of their tax cost as they can and still show

enough profit to justify being in business. Often the forced payment of taxes is the deciding factor that drives them out of business.

"Tax Control" is one of the most frequently overlooked benefits available to those who have chosen to structure their affairs utilizing the Pure Contract Trust. The business owner who is able to legally control the amount of taxes paid by the business and personally is in an enviable position. That's exactly the position of those who have used the proper combination of Pure Contract Trusts from which they operate businesses of all kinds.

12 MAIN ADVANTAGES OF THE PURE CONTRACT TRUST

1. Every aspect of it is perfectly lawful, guaranteed by the U.S. Constitution, Supreme Court decisions, and other court decisions.
2. It's inexpensive to establish, can be maintained by yourself, without an attorney, and involves minimal paperwork.
3. It's lawful in every state. A Pure Contract Trust established in one state can operate in any other state.
4. It's a lawful "individual" in the eyes of the law, with the power to own, buy and sell property and other assets.
5. It can easily change title of your assets, but you may use and enjoy the property during your lifetime.
6. It's made irrevocable to avoid any question as to ownership of the assets.
7. It prevents any information about the trust assets, liabilities, and heirs from becoming public.
8. It's never subject to probate or estate taxes.
9. It can be used to control tax liability.
10. It can operate any lawful business anywhere in the world. It has limited liability and most of the advantages of a corporation with none of the disadvantages.
11. It has no periodic reports or accounting to make to any state or government.
12. It has the same constitutional rights as any individual, that is, the right to privacy, freedom from unwarranted search and seizure, right to refrain from self-incrimination, and all other rights.

QUESTIONS MOST COMMONLY ASKED

Q. What about an attorney to help set up the Pure Contract Trust?

A. It's not easy to find a competent attorney who knows about common law and Pure Contract Trusts and who would be willing to assist in setting one up. The reason for this is that the business of probate makes up an extremely large portion of the legal

profession's source of income. It certainly is not profitable for lawyers to put themselves out of the probate business. Many lawyers have turned down judgeships to remain probate attorneys. Probate attorneys are very well paid.

When Norman Dacey wrote his book, *How to Avoid Probate*, he was fought every inch of the way by the American Bar Association, who tried unsuccessfully all the way to the Supreme Court to prevent the publication of the book.

When those attorneys who do understand Pure Contract Trusts try to share their knowledge with other lawyers, almost without exception, they will take the information and use it for themselves, but never share it with their clients. They do not want to lose the probate business.

Attorney, Leo Kornfeld of New York, made the following points on the probate system in the January, 1973 issue of *Money* magazine:

1. Lawyers make their money handling estates, not planning them.
2. Fees for handling estates often bear no relationship to the amount of time spent by the lawyer on behalf of the estate. This is the real racket in probate.
3. It's a lot easier to extract an enormous fee from a dead person's estate than from a living client.
4. In the main, the handling of moderate estates is a cut-and-dried affair with much of the work done by the lawyer's secretary, and problems are solved free by clerks at the probate court. Very little of the lawyer's own time is involved.
5. Courts and bar associations rebuke lawyers who try to change the system.

Q. Can the Pure Contract Trust operate a business?

A. The simplest way for a Pure Contract 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 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. 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 Pure Contract Trust can conduct its business. It can do

business in any and all states regardless of its domicile.

Q. What if I get sued, what happens to the trust assets?

A. Since you do not own the assets placed into the Pure Contract Trust, and they are owned instead by the corpus of the trust, any lawsuits against you cannot affect the trust. However, you must establish the trust before you get into legal difficulties. If not, the transfer to the trust can be held to be a fraudulent conveyance. See Report #PCT09.

Q. Can creditors of the trustees get to Pure Contract Trust property?

A. First of all, the Trustees do not own or even possess the assets. The Pure Contract Trust owns them. The Trust is never liable for the personal debts of trustees. The trustees appoint you as Managing Director of the Trust. While the Trust holds title to the assets, you exercise complete, practical control over the assets.

Q. What if I should become bankrupt?

A. Your personal bankruptcy has no effect on the trust assets. John King placed roughly \$240 million in trust for this family, and later went bankrupt with over \$40 million in creditor claims. The court ruled that the 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.

Q. What if I should get a divorce?

A. A divorce has no effect upon the Trust. Note here that once an exchange has been made with the trust to begin with, neither spouse has any marital rights to trust property, and cannot make claims upon trust assets in the divorce. Trust property cannot properly be a part of a divorce property settlement.

This type of trust is best utilized by those persons who have a strong family commitment. If you feel there is a strong likelihood of a divorce in your future, it would be best for you to work out your family problems first before considering a trust.

If the divorce is a "friendly" one and both spouses want to continue managing 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, then another trust can be created, and part of the property exchanged 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, then the assets of the trust can be transferred according to the separation agreement and each spouse can go his or her separate way.

Q. If Trusts are so good, why doesn't everyone use them?

A. Trusts have been in use for centuries. The super-rich use them all the time to preserve what they have and let it grow. They, however, do not advertise their secrets for retaining wealth, as they take pleasure in considering themselves "exclusive." Most attorneys will not inform you about the best Trusts because of their lucrative probate business. Norman Dacey in his book, *How to Avoid Probate* said, "I would put the proportion of attorneys who know about and recommend trusts as less than 1%." You won't find many books about trusts in the freedomry.

As a result of the drain on taxpayers, experts have searched and researched ways for small business owners and professionals such as doctors, dentists, and independent contractors to achieve the same benefits the super-rich have always known about, but kept secret.

A doctor recently commented, "The protection of liability alone is beyond my dreams, not to speak of the other benefits that the Pure Contract Trust system offers, such as tax control and no need for a will, nor any worry about probate and inheritance taxes, as they are neatly avoided by the trust arrangement. It was also great to see that property could be transferred into the trust without a hitch and no sales or excise tax being charged by the County, which surprised me. I strongly recommend the Pure Contract Trust to anyone in a professional or business position. No corporation can protect the principals like a Pure Trust does. The rewards and benefits are enormous... "

Q. How can I protect my personal and family assets from financial disaster?

A. The most important rule is to Act Now. Timely action before you have a problem is the most important ingredient for successful asset protection planning. It will be too late if you wait until you have a substantial claim against you. Advance planning is more likely to withstand a challenge than a last minute transfer of assets.

Q. Has the Pure Contract Trust been tested in court?

A. No. Most judges are lawyer-terrocrats in black robes. For an in-depth analysis of how corrupt most of them are, please read *With Justice for None* by Gerry Spence. The Pure Contract Trust includes many features designed to deter terrocrats from bringing it into court. (You don't want to fight the enemy on his own turf.) First of all, the Managing Director (user of the trust) if challenged by a terrocrat, can refer the terrocrat to the trustees, because the Managing Director is not a party to the trust contract - see Report #PCT05. Secondly, the trustees are sovereign individuals who will refuse to grant jurisdiction to any statutory court - see Report #PCT09. Thirdly, the Pure Contract Trust document contains some very powerful embarrassing issues

terrocrats don't want to be confronted with in court - some of the same issues that caused the terrocrats to back off in the Anthony Hargis example on page 2.

WHO BENEFITS MOST FROM THE PURE CONTRACT TRUST?

1. BUSINESS OWNERS AND INDEPENDENT CONTRACTORS

- Operate a business free from statutory control.
- Use a network of trusts to render yourself virtually judgment-proof.
- Safeguard your business and personal assets.
- Eliminate probate and inheritance taxes.
- Reduce or eliminate attorney's fees.

2. PROFESSIONALS: DOCTORS, DENTISTS, CHIROPRACTORS, ETC.

- Reduce or eliminate the need for liability insurance.
- Render yourself virtually judgment-proof.
- Eliminate probate and inheritance taxes.
- Maintain privacy

3. RETIRED PEOPLE

- Safeguard your assets.
- Eliminate probate and inheritance taxes.
- Manage your estate so that 100% of what you have worked for so diligently will go to your heirs.
- Render yourself virtually judgment-proof.

4. INVESTORS

- Protect your investments from taxes.
- Maintain privacy.
- Render yourself virtually judgment-proof.

5. FOREIGNERS

- Maintain privacy while enjoying the benefits of managing real estate in the United States.
- Render yourself virtually judgment-proof.

6. ANYONE WITH ASSETS

- All of the above and more!

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