

CONTRACT TRUST CALL

DECEMBER 15, 2018

RECORD

DISCLAIMER

Hello Everyone. Today is Saturday, December 15, 2018. Welcome to our Contract Trust Conference Call. We are not accountants, tax professionals, lawyers or currency dealers. We are not engaged in rendering legal, tax, accounting or other professional advice. Should you require those services, you should retain competent advice from a professional in that field.

WELCOME

Thanks for joining us today. We have been talking about Trusts and asset protection for some time now. As we continue to wait for the announcement of the long awaited RV and those pesky 800#s, we thought it would be a good time to review some basics and share what we've learned about preparing for your exchange. My partner Jim Knox and my good friend Judy are here today as well.

Good day, Judy, are you ready to get started?

1. Hi Carol, I recently read an email from someone named Mother who suggests we wait until AFTER our exchange to open up any asset protection vehicle. You and Jim have always suggested we get our Trust in place first. What are your thoughts on this?
 - a. I read that email also. He says the first thing he is going to do is open up a broker account, in his own name. He says that side of the bank has a higher fiduciary responsibility than the retail side. Maybe so, but the bank still becomes your partner.
 - b. My guess is that most people listening to my calls, and those of others, have all heard that the secret of asset protection, is to control it, not own it. Ownership brings a potential for loss. If you don't own it, no one can take it from you.
 - c. Suppose after you exchange your currency, you are so excited you have a heart attack and die. All that money then becomes probate fodder and open to estate and inheritance taxes. It will be a long time before your family sees that money. Another scenario, you are in an automobile accident and some hungry attorneys see you as the meal ticket.
 - d. He states that rich people didn't set up entities before they were rich. No, they did not, but if they even anticipated any wealth and the responsibilities that come with IT, they certainly did their research, which is what you are doing by listening to my calls and the others out there. Rich people set up Trusts, and have been for centuries. Why? Because they work.
2. He also mentions taxes. I thought it was pretty well established that this RV was not a taxable event.
 - a. You're right Judy, everything we've heard for the last several years says the RV

- itself will not be a taxable event.
- b. Given that, we should be prudent. It has been suggested, and we concur, that you set up a special Tax Account. You are encouraged to hold 15% - 50% of your funds for a year to offset any possible tax implications. If there are no tax implications after a year, have the bank “sweep” these funds back into the Holding Account and close this account.
 - c. I think most of us have issues that we need to address post RV. Whether it be outstanding debt, a new car, helping out friends, we don’t want to pay taxes if we don’t have to. We have shared a scenario which you may consider at your exchange, in order to take advantage of this one time tax break.
 - i. So, at the exchange, how about this scenario? “Mr. Banker, I now have x million dollars. I would like you to put \$250K into my personal account. Here is my account number/wiring instructions. I would like to take \$9500 cash with me when I leave today, as well as a pre-loaded debit card attached to my new personal account. I will need these wires to be sent and here is a list of cashiers checks that I need (I understand we can request up to 7 of each). I will need a pass through account for X \$. I would like to put the balance into an account at your bank for ABC Trust, for a long term, mutually beneficial relationship. Here is my paperwork (Abstract and EIN should be all that you need.)”. Again, I am not a CPA or tax planner. This is just my opinion on how we may be able to take advantage of this one-time tax break. This is obviously pretty simplified, but you get the idea.
3. He mentions LLC’s, Foundations and many types of Trusts. What makes your Trust so special?
- a. As we’ve mentioned before, all of these entities have great value when properly crafted and operated. The Common Law Contract Trust that we create was drafted by an attorney in the 1980s. It was declared a valid, legal entity by an IRS expert witness.
 - b. The creation of the Trust allows you, the initial Exchanger, to be the Trustee. Your spouse can be the second Trustee. There is no one between you and your money. You can hire all the advisors you want or need, but ultimately, you make the final decisions.
 - c. This Trust was designed in contemplation of life, not of death, as are most revocable living trusts.
 - d. You can name your children as Successor Trustees, even add a bloodline clause so the Trust remains in your family. You can add a Spendthrift clause so no future participants in the Trust can hypothecate their interest.
 - e. Although the Trust does not have unlimited life, it can be renewed every 25 years.
4. Carol, you mentioned sharing some exchange preparation tips. I’m sure we’d all like a summation, as there has been so much about this lately.

- a. Thanks Judy, although no one knows exactly what to expect, some people have shared their ideas on the internet and in emails. Jim and I have discussed a few things we've seen and heard and feel this is a pretty good list of ideas.
 - i. The very first thing you must do is call that 800# and exchange. We have heard the call centers will be open for 8 days only. You can set up your appointment when its convenient for you, but the early bird gets the worm, as they say and the higher rates may not be available after 2 weeks. Zim must be redeemed by December 22, period. This may or not be true.
 - ii. It is suggested that you tell them how much of which currency you hold. If you are planning on bringing a friend, advisor or partner to the appointment, you must notify the bank on this call. Confirm the time and place of your exchange appointment. Ask for an email address to further confirm the appointment.
 - iii. The pre-exchange email is where you reiterate what currencies have, discuss any other issues you may have, as well as sending them a short bio about yourself. You want to impress upon them that you would like create a long term mutually beneficial relationship. Mention that you want a waiver of transaction fees.
 - iv. If you have Zim, you will more than likely be sent to an Exchange Center, NOT to a retail bank. Atthis this time HSBC and WF are the only ones exchanging Zim. HSBC is the lead bank. There should be representatives from all the major banks at the exchange centers, so don't worry if there isn't one in your area.
 - v. I've heard that most exchange centers will be within 80 miles of your home.
 - vi. If you feel the need for security, mention it when you make your appointment. They may be able to assist you.
- b. Arrive no more than 5 minutes early. Expect to be there for an hour, hour and a half.
 - i. We've heard you will go through several stations while you're there. Security, where you will need to show 2 pieces of photo ID, 2 utility bills showing your current address. Have your Abstract of Trust and EIN letter. I doubt that anyone will want to see the entire Trust, but if it makes you feel better, put it in your briefcase in case it is needed. Do NO offer it.
 - ii. Verification of the currencies, where they will be run through a DeLaRue Machine. Your currencies should be arranged by country and denomination. Have a several copies of a spread sheet with this information as well. Don't let the currency out of your sight. Ask for a written receipt of the currency.
 - iii. We've heard conflicting advice about currency receipts. Some say you will need them, some say no. Personally, I doubt you will need them at the exchange. Same with gift letters.
 - iv. The actual Exchange. Show them your bio to let them know who you are.

If you have accounts at their bank, let them know. Have your spreadsheets with anticipated rates. If you want to negotiate higher rates, politely ask to see the back screen or contract rates. They will show it you if you ask, but they will not offer if you don't ask.

- v. Present a waiver form to avoid fees on the transaction.
 - vi. Ask to work with a relationship manager.
 - vii. Have a 10 day plan, 30 day plan, 90 day plan. Give your vision of how you intend to use these funds, You want to support humanitarian projects, provide jobs, etc. Let them know you will be working with a professional wealth management or trust management team to build a multi-generational plan.
 - viii. If you have reserves: take proof of purchase, know the amount needed, and have the wiring instructions from your dealer to do a wire transfer (company name and account information for wiring) or get a cashier's check (company name) in order to pay them off.
 - ix. You will probably have to sign an NDA. Read it, if it works for you, sign it and initial each page. Ask for a copy for your records.
 - x. Have summaries of your humanitarian projects, a bullet list of the high points should be sufficient for this first meeting.
 - xi. Have a list of what you want to take with you. Cash, pre-loaded debit cards, any wires or cashiers checks. Do not plan on anything more than \$500k, as it might be investigated for money laundering. If you need emergency money to save your house, etc., let them know. Your relationship manager should be able to facilitate this for you.
 - xii. Make sure to get at least 20 Clean and Clear Certificates and Proof of Funds Letters for realtors, investment advisors, etc.
 - xiii. Have all of this neatly organized in a 3 ring binder. Don't forget to bring the currency with you!
 - xiv. Get cards and contact information from EVERYONE. Have cards of your to pass out to those with whom you are working.
 - xv. You will more than likely not be allowed to bring a cell phone or laptop. I suggest a small handheld calculator.
- c. Open up a separate account for each kind of currency i.e. Account #1a for IQD and Account #1b for VND. The reason for separate accounts for different currencies is to differentiate, if necessary for tax purposes, between currencies which were tradable and currencies which were not tradable prior to revaluation. It is our understanding that the revaluation of a tradable currency is not, in and of itself, a taxable event. (The following steps must be followed with each currency separately. You may combine the separate currency account assets into the Holding Account.).
- i. Once Account #1 is opened, deposit your currency into the account and exchange into the new Treasury currency.
 - ii. Immediately have the bank open a second account (Account #2) and have

- the bank “sweep” everything from Account #1 into Account #2. Have the bank close Account #1. Repeat this step for Account #3 and have the bank sweep Account #2 into Account #3 and close Account #2. The reason you are doing this is that the bank is required to report the opening of Account #1 to the federal government and that information can find its way into the public domain; however, the bank is NOT required to report intra-bank transfers between accounts. What this does is effectively eliminate your digital trail so that nobody outside of the bank knows how much money you have on deposit and, more importantly, whether or not you are a good target for a lawsuit. You will do this for the IQD account and VND account, ZIM account and any other currencies you may hold.
- iii. If there is a need to utilize funds for personal use or to pay for a trust to be established, it is encouraged to pull these funds either in cash (less than \$10k), or in a cashier’s check on your first visit and take it to your respective bank. Use Account #3 for this.
- d. These are suggestions for the different accounts;
- i. Mother Lode Holding Account – This will be a non-interest bearing account which will hold the bulk of your funds. *You DO NO want online access or debit cards for this account. Checks only.*
 - ii. Tithe Account – 10% of your funds to be used for charitable giving. *You probably won’t need online access or debit cards for this account. Checks only.*
 - iii. Mad Money Account – 10% of your funds to be used for self-indulgent playing, vacations and luxury purchases. *I suggest a different name than Mad Money. 10% may be excessive. Online access, debit cards and checks should be OK for this account.*
 - iv. Tax Account – You are encouraged to hold 15% - 50% of your funds for a year to offset any possible tax implications. If there are no tax implications after a year, have the bank “sweep” these funds back into the Holding Account and close this account. *You probably won’t need online access or debit cards for this account. Checks only.*
 - v. Project Account – We recommend no more than 20% of your funds in this account. This account will be the funding source from where all funds will come for business ventures and projects. *You probably won’t need online access or debit cards for this account. Checks/ personal banker only.*
 - vi. Maintenance/Household Account – This is the only account that WILL NOT BE IN THE TRUST!!! This account will be the one you use daily. This account should never hold over \$50k for liability purposes. This account can be funded with a reoccurring transfer from the “Holding Account” in the form of a monthly stipend (such as Trustee compensation) that shall be used to cover monthly expenses. *(It is not clear at this time whether this would create a taxable event, but I believe it would be 1040/1099 taxable income.) Online access, debit cards and checks should be OK for this account.*

- vii. Remember that the Trust(s) will purchase, provide and own everything that you need. You own nothing, but control everything. While you will probably want to pay off your existing mortgage, you should still create a mortgage from Trust. The reason you still want to be making monthly mortgage or loan payments is because these liens “encumber” an asset and make it less desirable to someone looking for assets to attach. If you are over 62 you may wish to consider a reverse mortgage.
- viii. When ordering checks from your bank request them to print the following above the signature line: *"Acting strictly in the capacity of Trustee"*. Any check printing company should be able to do this. Also, ask that the word "Trustee" is printed either above, before, after or directly below the signature line. They may or may not be able to do this. If they can't accommodate your request, just write the word “Trustee” after your signature.

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