

**CONTRACT TRUST CALL**  
**February 23, 2019 Call # 76**

**RECORD** Thank you for joining us today, Saturday February 23, 2019. My name is Carol Werelius. My partner Jim Knox will be joining us, as well as my friend Judy. We are not accountants, tax professionals, lawyers or investment advisers. 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.

As we all anxiously await the RV, we thought it might be a good idea to review what we've learned about Asset Protection.

Judy, would you like to get started?

**1. Carol, why do I need a Trust?**

- a. Americans with any wealth at all have at least one financial foe they fear more than the tax man, and that foe is the **LAWYER**. Many businessmen and professionals know the legal system is out of control, and nowadays it doesn't take much to convince a jury to vote to give all of your assets to a sympathetic plaintiff. One mistake, or even one unfortunate accident, can take away all of the fruits of a life's labor. Insurance often cannot, or will not, cover an entire claim. Juries often award damages beyond the limits of the policy, forcing the creditor to look to your personal assets to satisfy his claim against you or your business.
- b. Think about this. Because of the proliferation of the lawsuit, and the potential exposure and liability so many face every day, successful professionals and business owners are putting a higher priority on asset preservation than on tax avoidance. The Common Contract Trust Organization is one of the key ways to preserve assets from creditors and judgements from law suits. Why is this possible? Simply stated "If you don't own the asset, then no one can take it away from you."
- c. Prudent estate planning compels you not to own anything. Asset management, **NOT** ownership, is the best method available to reduce risk of loss. You can do this by utilizing the Common Law Contract Trust. No insurance at any cost can furnish the protection that the Contract Trust can provide for you, your family, your goals and objectives.
- d. Remember, the secret of real wealth is not ownership, but control.

**2. So what is a Common Law Business Trust?**

- a. The Contract Trust that we provide is an anomaly in asset protection vehicles. Its full name is Non Grantor Irrevocable Common Law Contract Business Trust . You can see why we call it a Trust. The name describes it very well.

- b. Non Grantor means you don't "give" anything to the Trust, instead you "exchange your assets" for \$21 and 100 Trust Certificate units. This is a tax free exchange.
- c. Irrevocable means you can't change your mind and NOBODY can tell you revoke it.
- d. Common Law means it gets its power and right from the Law of Contracts which is supported by the US Constitution, a common law document itself. That right is protected by Article 1, Section 10, which states that "No State shall.....pass any law.....impairing the obligations of contract." A Common Law Contract Trust is a contract written in "trust format".
- e. Contract Business Trusts are inherently different than any other type of Trust. If you choose to investigate Business Trusts, you need to start in the B as in Boy Section of the Law Library, not the T as in Tom section.
- f. A Business Trust is recognized by the Internal Revenue Service and by the courts as a U. B. O. (Unincorporated Business Organization).

3. **From where does it derive its power, privilege & benefit?**

Not only from the Common Law, but from the Laws of Contract, which in our country are guaranteed to us all under Article 1, Sec. 10 of the U.S. Constitution. A Contract Trust differs from a corporation in that it does not receive a charter from the state giving it legal recognition; it derives its status from the voluntary action of the individuals who form it. Its use has been expanded to include the purchase of Securities and commodities.

4. **What is the difference between a Contract Trust and any other type of trust?**

- a. One of the most unique and I feel compelling differences is that with a Contract Trust , you get to be your own Trustee. That boils down to a very important advantage. There is no one between you and your money. No manager, protector or anyone else telling you what you can and cannot do.
- b. The Contract Trust is totally private, and not required to be registered/filed in any state (except Nevada) unless one is actively involved in a business, thus guaranteeing your privacy and anonymity.
- c. The Contract Trust is an irrevocable Common Law Contract BusinessTrust organization, that is actually a contract in Trust format.
- d. Irrevocable means no one can tell you to terminate the Trust to pay someone else. In a typical statutory revocable Trust, like a Living Trust, the Grantor, (you) can change your mind about what you have granted or given someone right up until your last breath. The IRS has a clawback clause. In a financial or business setting, "clawback" may refer to a provision in a contract that allows money or benefits to

be taken back if special circumstances arise. So, the IRS MAY decide that because you still had total control, the assets of that revocable trust may be part of your estate when you die. With an irrevocable Business Trust, you give up all right, title and interest to the asset, irrevocably, so it will never become part of your estate, thus no probate and no inheritance taxes.

5. **Is this the same as a Massachusetts Business Trusts?**

It is based on the Massachusetts Business Trust. Due to their common place usage in Massachusetts, they became known as Massachusetts Business Trusts. The use of a Contract Business Trust originated years ago to circumvent restrictions imposed upon corporate acquisition and development of real estate while achieving the limited liability aspect of a corporation.

6. **How is the Contract Trust created?**

- a. The Contract Trust is formed by the writing of the Trust Indenture. The Indenture specifies all of the main parameters of the Contract Trust. In that document the Trustees are named, the powers of the Trustees are specified, the Trust Certificates are issued and generally all items are addressed that are reasonably necessary to start a business. Upon the completion of the writing of the Trust Indenture, it is signed and the Contract Trust is a legal operating entity.
- b. There are two parties that participate in the formation of the Contract Trust, that being the Creator and the Investor/Exchanger. The Creator creates or initiates the Trust and offers to exchange the property of the Investor, issues the Trust Certificates and appoints the First Trustee. After these tasks are complete the Creator has no further duties or rights to the Contract Trust. This part is all complete when we send your personalized Contract Trust.
- c. Upon creation of the Contract Trust the Creator exchanges the Investor/ Exchanger and issues the Trust Certificates. The Trust Certificates have no value and since the assets are transferred to the Contract Trust by an exchange there is no tax consequence.
- d. Some have expressed concern that Common Law Contract Trusts are irrevocable. Under normal circumstances that could cause problems, but Common Law Contract Trusts, as you know, are also called Unincorporated Business Organizations. Contract Trusts can be dissolved (similar to a corporation) and the assets distributed accordingly.
- e. We have recently heard the banks expect a revocable trust for your exchange. One in which you are the exchanger/grantor and Trustee. The method by which we create the irrevocable Contract Business Trust also allows you to be the Exchanger and Trustee. Our Trusts also have a lot of flexibility, allowing the Trustee to do (or not do) absolutely anything that an ordinary, adult person can do.

7. **I live in a high tax state. Is there any way to legally structure my Trust so I won't have this issue?**

This is a common question. Some consider this to be a bit questionable, but it's not. Corporations, LLCs and Trusts have been domiciled in any of the 7 states that do not impose a state income tax for a long time. All that is needed is an actual street address.

8. **What will be the business endeavor of my Trust?**

A question we're frequently asked. My favorite answer is: Estate Planning or Asset Protection.

9. **Can I be the Trustee of my own trust ? Why do I want to be?**

Great question and perhaps the most common one that people stumble over, including attorneys, banks, etc. Because the Contract Trust is NOT a Statutory Trust but is a CONTRACT. To determine what you can and cannot do, look within the four corners of the Contract. As Trustee, you are in total control. There is no one standing between you and your money.

I have been asked the question about the Investor/Exchanger and the Trustee being the same person and the possibility of the problems created by that relationship. There are numerous court decisions on the issue of the Investor/Exchanger (Certificate Holder) being the same person. The following is a Supreme Court decision that addresses the issue directly:

- a. "The legal title, possession and control of property may, by declaration of trust, be passed irrevocably from the grantor [investor] to himself as trustee with the same effect as if the trustee receiving the conveyance had been another person." Becker, Collector of Internal Revenue vs St. Louis Union Trust Co., et al., Executors, 296 VS 48 (193,)).

10. **How do I get money out of the Contract Trust when I need it?**

- a. The Trustees are given broad powers to make distributions in several ways:
  - i. The Trustees can declare a distribution to the Certificate Holders at any time. This is a taxable income to the Certificate Holders.
  - ii. The Trustees can and should be paid a salary for the services they provide the Contract Trust. The amount can be any number you're comfortable with. \$5,000 a month, \$10,000 a month, whatever. This should be enough to cover your everyday needs, groceries, utilities, gasoline, medical bills, etc. You can pay yourself weekly, monthly, quarterly or annually. It's up to you. Keep it reasonable as it will be 1040/1099 income to you.

- iii. The Trustees can be reimbursed for legitimate business expenses incurred by the Trustees, such as business related travel, memberships, continuing education, etc. What about vacations and golf and tennis club memberships? As a Trustee you are charged with managing and growing your Trust. That means you probably want to investigate business opportunities and relationships, does it not? Most of those expenses are tax deductible to the Contract Trust.
  - iv. The Trustees have the authority to lend money occasionally. If there is a loan, there needs to be a loan agreement and/or Promissory Note. If your loan agreement calls for payments, make the payments back to the Contract Trust. For example, consider a 10 yr. Balloon Note at 2%. At the end of the 10th year, renew the Balloon Note. Ever heard of a 30 year mortgage? Just remember; at some point in time, you'll need to start paying off the loan. Otherwise, the IRS could consider this "forgiveness of debt", which is subject to gift tax.
  - v. Your first or what we call Mother Lode Trust can fund other Trusts. This is what we suggest for purchasing high ticket items like houses and vehicles. The new Trust owns the house or car outright, with no loan payments. This is also the best way to give large amounts to family and friends.
  - vi. Regardless of which method you choose, be sure to write minutes documenting your actions.
- b. The above methods of paying for services, reimbursing expenses and making distributions and loans all fall within the guidelines of Internal Revenue Service Codes.

**11. As a Trustee of my Trust, could I ever be held personally liable in the event of a lawsuit, judgment or liens?**

- a. The Trustees shall, in their capacity as Trustees, NOT individually, have and assume only such liability as may attach to the Trust Organization's properties and assets.

**12. Is it difficult to operate the Contract Trust?**

- a. The operation of the Trust is simple in its basic format. As with any business, the more complicated the business the more complicated the operation. If you keep the operation and scope of the Contract Trust simple then the operation and reporting is simple.
- b. There are only a few things that need to be done to operate the Contract Trust. The Contract Trust needs to have its own bank accounts. Those bank accounts are for

the business of the Contract Trust . You can not pay your personal items from those accounts. The accounts are for the business of the Contract Trust. The Contract Trust has to acquire its own Tax Identification Number or IN, which we will obtain for you. Very simply, this means “no co-mingling of trust funds with personal funds”.

- c. The last important operational requirement of the Contract Trust is that you need to keep minutes. For example, if the Contract Trust is to make a major investment, such as a piece of property, then the Trustee(s) must have a meeting and record the minutes. These are about the only requirements of the operation of the Contract Trust.
- d. The Contract Trust you receive from us has complete operational instructions, as well as over 250 pages of legal back up. All of our clients have access to our members only website, [www.indicatorinformation.com](http://www.indicatorinformation.com).

13. **So, how much does this Contract Trust cost?**

- a. Our Contract Trusts are just \$1495. We offer a 20% discount for family members or a 20% referral fee for fully paid referrals. We accept all major credit cards.

Q and A

Jim

Thanks you're your able assistance Judy.

Thank you for your attention and attendance tonight. My name is Carol Werelius. You can reach me at 425-820-8090 Central Time, or at [info@indicatorinformation.com](mailto:info@indicatorinformation.com). Jim, would you like to add your contact information.