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## **TRUSTS 101**

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## WHAT IS A TRUST?

It is a separate entity or “identity” primarily set up for the benefit of someone else at a later date. It is a vehicle to protect yourself, your business, your assets, etc.

Historically, 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.

## WHAT ARE THE DIFFERENT TYPES OF TRUSTS?

There are many different types of trusts. They basically fall into two categories; **Statutory** and **Non-Statutory**. They can be used for business or can simply be Family Trusts. Trusts may be domestic or foreign. They may be revocable or irrevocable.

**Statutory trusts** (domestic) are based on statutory law and as such, issued a tax identification number. They are subject to and required to report and/or pay certain taxes and as such, the assets are subject to lawsuit and potential seizure by the government. They are public and not private. Records are subject to subpoena. They provide no real protection of assets. A common example of a statutory trust is a Living Trust.

**International Asset Protection Trusts** are governed by the law of the land or the jurisdiction in which they are domiciled. International APTs can achieve a great amount of privacy and asset protection and tax reduction when domiciled in carefully selected jurisdictions and managed properly.

**Non-Statutory** Trusts such as Pure Trusts or Contract Trust Organizations (there are many names and slight variations) are based on Constitutional Law and your right to contract. They are a contract. They are not subject to statutory law and as such may have no tax reporting liability. They provide absolute privacy. Records are not subject to subpoena.

For the purpose of this group – let us study the **Pure Contract Trust** type organization.

## OVERVIEW OF THE PURE CONTRACT TRUST ORGANIZATION

Anyone can manage a Pure Contract Trust Organization. It is designed to protect assets, and provide absolute privacy. It is unique in that it has no beneficiaries. It affords you, the Managing Director complete control of its assets. It is important to note complete control and not ownership – you no longer own any asset exchanged into the trust. It is owned by the trust. The goal here is to own nothing and control everything. Exchanging assets into a **PCTO** is not difficult.

We can create an alternative identity - a private identity. This private identity is a sovereign individual that has not compromised any of its constitutional or common-law rights, a sovereign individual not subject to statutory regulation. You exchange your assets into this private identity, so your 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. If I use this private identity I make provisions such that when I die my heirs take it over - all completely private. Management and control are passed, not ownership.

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

The basic contracts are between the **Creator** – who created the trust organization, the **Exchanger** – who exchanges assets into the organization for certificate units and the **Trustees** – who are responsible for overseeing the management of the assets; the **Managing Director(s)** – whose job is to manage the daily activity and operation of the trust organization.

Other key players are: the **Protector** – who's only job in life is to oversee the Trustees and remove any that are not operating in the trust's best interest, and appoint new Trustees; the **Successor Managing Director** – who will be designated to succeed the Managing Director(s) in the case of their demise.

## **KEY ELEMENTS OF THE PURE CONTRACT TRUST**

- The Indenture or Corpus is similar to Articles of Incorporation. It defines the powers and limitations of the Trustees and other key players as well as other major powers and limitations of the organization.
- Assets are exchanged into the trust organization.
- Contracts exist between key players of the organization. In fact, all relationships with the organization are by contract. All contracts are private.
- Minutes are the written record or history and the resolutions to perform certain actions within the powers outlined in the Indenture.
- Records are kept of all assets exchanged, certificate units issued, investments, bank accounts, etc.
- It will have its own mail drop and bank account(s) strictly for trust business.

Proper and complete minutes and records of the organization's business are of great consequence and necessary for the Successor Managing Director.

## **SOME ADVANTAGES OF THE PURE CONTRACT TRUST ORGANIZATION**

- Privacy
- Tax relief (estate, inheritance, death, capital gains, etc.)
- No government reporting
- Stop government meddling and intervention
- Eliminates employee withholding taxes through independent, private agreement and contract.
- Precludes liens, levies and lawsuits
- Control over assets and finances

## SOME DISADVANTAGES OF THE PURE CONTRACT TRUST ORGANIZATION

- There are sometimes challenges in opening bank accounts.
- The government and authorities do not like that which they cannot be a party to or control.
- Mis-use and mis-management may result in serious personal consequences.

## PEOPLE OFTEN ASK

### IF THE PURE CONTRACT TRUST ORGANIZATION IS LEGAL

There is an enormous amount of case law regarding privacy and your right to contract on which the Pure Contract Trust is based. There are many slightly different variations of the Pure Contract Trust and cost does vary. All agree, however, that properly constructed and utilized, offer the same benefit and stand upon the same supporting case law regarding your right to privacy and right to contract.

But proving something is legal is much more difficult than proving something "illegal."

There are two basic factors you need to understand: (a) The obligation of contracts clause in the U.S. Constitution coupled with Hale vs. Henkel; and (b) Some government agencies (including judges) operate on the basis that they're above the law and whatever they say is "illegal" is "illegal." So the best way to operate is to organize your affairs in such a way so as not to come to the attention of any government agency.

In support of the legality of the Pure Contract Trust type organization, let us refer to **Article One, Section Ten, U.S. Constitution which guarantees your right to contract.**

***"No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility."***

**Further:**

The Pure Trust is also supported by the following U.S. Supreme Court case. The case contrasted the duty of the corporation with the duty of a Sovereign Individual.

(Note: If you have received a Social Security number, birth certificate, driver's license, marriage license, etc.... YOU ARE NOT A SOVEREIGN INDIVIDUAL - unless you have taken special steps to correct your status. However, the Pure Contract Trust IS effectively a SOVEREIGN INDIVIDUAL!)

**U.S. Supreme Court**  
**HALE v. HENKEL, 201 U.S. 43 (1906)**  
**201 U.S. 43**  
**EDWIN F. HALE, Appt.,**  
**v.**  
**WILLIAM HENKEL, United States Marshal.**  
**No. 340.**

**Argued January 4, 5, 1906.**  
**Decided March 12, 1906.**

*...If, whenever an officer or employee of a corporation were summoned before a grand jury as a witness he could refuse to produce the books and documents of such corporation, upon the ground that they would incriminate the corporation itself, it would result in the failure of a large number of cases where the illegal combination was determinable only upon the examination of such papers. Conceding that the witness was an officer of the corporation under investigation, and that he was entitled to assert the rights of corporation with respect to the production of its books and papers, we are of the opinion that there is a clear distinction in this particular 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 duty to the state or to his neighbors to divulge his business, or to open his doors to an investigation, so far as it may tend to criminate him. 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....*

**Additionally:**

***"Where rights secured by the Constitution are involved, there can be no rule making or legislation which would abrogate them." Miranda vs. Ariz., 384 U.S. 436 at 491 (1966).***

***"Anyone may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the treasury; there is not even a patriotic duty to increase one's taxes". Helvering v. Gregory, 69 F2nd, 810 (1934)***

**REMEMBER**

- You must decide which form(s) of asset protection are right for you and whether or not your strategy includes a Pure Contract Trust type organization
- The goal is to own nothing but control everything. You personally are poor!
- You do not own the trust – it is not your trust. You do manage the trust by contract.
- If you choose a structure such as a Pure Contract Trust Organization, you are exchanging your assets. That means that THEY ARE NO LONGER YOURS! YOU NO LONGER OWN THEM! THEY ARE OWNED BY THE TRUST.
- Do not transfer or exchange encumbered assets. You may only exchange your interest in them. Be very careful.
- DO NOT commingle funds.
- Keep good records.
- Keep at arms-length.
- Do not create or operate as an “alter ego” (an extension of oneself)
- Utilize strategy of two (2) organizations side by side.
- Whatever you choose to do, do it within what ever the law provides. The very law that enslave us also provide for remedy. How do you think the rich get richer?
- IF YOU OWE THE TAX, PAY THE TAX.
- Will a Pure Contract Type Trust Organization be recognized for the sovereign identity and in accordance with the Constitution?  
The Pure Contract Trust Organization is NON-STATUTORY AND COURTS ARE NO LONGER CONSTITUTIONAL!

It is smart to organize your affairs so that books and records you want to keep private are kept private and difficult to locate by outsiders.

Your records could be located off-site or even outside the physical jurisdiction of potential threat. This reduces the chance of discovery of those records and so reduces possibility of seizure.

As a final note, you will find good press and bad press regarding this type of organization, as you would for any kind of non-statutory type. If you consult your tax professional or your attorney, they will quickly steer you away and back into the statutory environment. If you consult an IRS professional, he may suggest the same or he may share with you that the law does provide for a trust type organization and you must acquire an EIN number and properly and timely report (statutory type trusts).

### **TO EIN OR NOT TO EIN – WHAT IS A FEDERAL EIN?**

"EIN", or Employer Identification Number, is defined as a nine digit number that the IRS assigns to organizations. The IRS uses the number to identify taxpayers who are required to file various business tax returns. EINs are used by employers, sole proprietors, corporations, partnerships, nonprofit associations, trusts, estates of decedents, government agencies, certain individuals, and other business entities.

Many Pure type trust organizations and even Some Corporation Soles use an EIN number. It is used primarily for ease of doing business like opening bank accounts. There are mixed opinions out there and never the two shall meet. Ask yourself a few questions:

- Do you need to register the organization with the IRS and report?
- Does reporting always mean that you owe tax?
- Does this drag the organization into a statutory status?

You must do your own due diligence and make your own decisions. Consult with some organizations that state they use an EIN number.

**EDUCATION is the key to successful asset management.**



## COST

Types and prices do vary. Some organizations offer one trust type organization or a package, which usually means to (2) organizations or more.

Some offer full support packages, which usually include the already created trust and Trustees, as well as full documentation and instruction. You must still put the other key players into place and complete all forms, contracts and minutes. These usually come with an annual fee not included in the original purchase price (sometimes the first year is thrown in for free). And, if you wish another trust organization, they usually require that you purchase them separately. Cost seems to vary from about \$2,000 and up for one organization to about \$5,000 and up for a package of two (2). Annual fees would cover any Trustees signatures needed as well as some level of support and seem to linger around the \$350 to \$500 mark and up.

Some offer a “do-it-yourself” package with complete documentation and instructions. You may or may not be able to use it over and over again without having to purchase additional trusts. Some are more detailed than others and some have some major pitfalls detrimental to both the organization and you personally. Prices vary and can be as little as \$150 to \$1595 and up. If you are interested in this type package, we may be able to help. Please send an email including your telephone number to: [adminsolutions2@tampabay.rr.com](mailto:adminsolutions2@tampabay.rr.com)

For additional information and education on the Pure Contract Trust Organization you may wish to visit <http://www.buildfreedom.com/tl/pct01.shtml> and check out the other reports whose links are located near the bottom of the page.

If you are interested in an offshore entity, there are many vendors who offer helpful education. Pick your jurisdiction wisely and get to know your contacts. It is also a good idea to visit their offices. For an example, see [www.fx411.com](http://www.fx411.com)

**Note: Again, you must do your own research and make your own decisions with respect to who you are most comfortable working with. It is always best to choose an organization that offers some level of education with their product or service.**