

5 MISCONCEPTIONS OF PRIVATE TRUST

A Properly Constructed Trust has Many Benefits and Powers.

Not only does it provide a powerful means by which Assets and Wealth are Held and Grown, it has the ability to provide an estate Protection against potential Creditors, Litigators and Debt Collectors, among other significant Benefits.

Properly Created and Administered, A Trust may provide Stability, Family Unification Properties, Asset Protection and Substantial Limitations in Liability.

Currently there exists an enormous amount of information on the subject of Trust and Private Trust.

Some information is generally informative and correct.

Yet most publications, PDFs and “12 Step Packages” are not only lacking in valid *substance*, these “sources of Information” disseminate and contain flat out false, misleading and erroneous facts.

In an effort to counterbalance the proliferation of irreputable sources, ill advice, talks, blogs, vlogs and commentary that may pose a current or future threat to a Family’s Estate, here are 5 Misconceptions of Private Trust.

1. Wages and Earnings *paid* to and Individual are assignable to a Trust for tax purposes.

- ✓ This is a common misconception and error promoted by the ignorant, uninformed or unscrupulous.
- ✓ The entity or Individual whom *earns* and *receives* the income via check, direct deposit, or cash is typically being reported as the *receiver* of such funds, and as such, must claim the income on it's *own* tax return.
- ✓ For example, an employee with a company is paid bi-weekly for work performed under the employment contract. The check or direct deposit is issued in the *name* of the *employee* and that employee *must* claim said income on the *Individual* tax return and cannot assign the income, and subsequent tax liability to a trust. Nope. No.

2. Income or Wages Gifted to a Trust are considered a tax deduction to the Individual making the Gift.

- ✓ This is a common misconception typically attributed to the misunderstanding of the gift exclusion rules published by the Internal Revenue Service.
- ✓ Currently, The IRS allows every taxpayer to gift up to \$15,000 per an individual recipient in one year.
- ✓ According to I.R.S. Instructions for Form 709 United States Gift (and Generation-Skipping Transfer) Tax Return "...*gifts made during the calendar year to a **donee** are fully excluded under the annual exclusion if they are all gifts of present interest and they total \$15,000 or less.*"
- ✓ This means that the one *Receiving* the gift may exclude up to \$15,000 from the *Receiver's* taxable income. Not the **Donor**. Nope. No.

3. Income received by a Private Trust Contract Is Not Subject to Reporting to the I.R.S.

- ✓ A common misconception in most the information found regarding Trust is that Private Trusts do not have to report income to the I.R.S.
- ✓ This assertion is inherently false.
- ✓ All Entities effectively connected to a Trade or Business within the United States must report its income to the I.R.S.
- ✓ Bottom Line: If the Trust deals in, collects purchases with or otherwise hold Federal Reserve Notes, there is a requirement to report the use of said notes.

4. Income Received by a Private Trust Contract Is Not Subject to Income Tax.

- ✓ Perhaps the most potentially damaging of all, the claim is made to promote the sale of 'trusts' and 'trust packages' by promising the trust is Private (or Foreign) and not subject to federal or state taxation laws.
- ✓ The claim is also rooted in the basis of fact that Private Trust entities do not owe their existence to legislation therefore are not governed by legislation. Which is true, to the extent of the administration and limitation of legislation regarding the contract itself.
- ✓ The Trust, however, maybe subject to taxation on income that is not expensed, disbursed or donated to a bona fide charity.

5. The Transfer of a vehicle or Quit Claim of Real Estate Property Protects Against Actions Initiated by Original Creditors (Lenders).

- ✓ A very hazardous misconception being promoted to generate income from under educated individuals.
- ✓ This claim may accompany the promoter soliciting an individual's mortgage payments as payment for an 'Asset Protection Trust'.
- ✓ Sometimes promoters will offer a 'bond' or 'discharge' of the property with the false promise that the new 'Asset Protection Trust' will protect against the Original Creditor or Lender with the 'use' of said 'bond'.
- ✓ Be VERY careful and skeptical of any such claim.

- ✓ The transfer of property (real or personal) which is encumbered by a loan **DOES NOT** satisfy the loan, cancel the loan or protect the property from the Original Creditor!
- ✓ The 'Asset Protection Trust' may protect against future creditors assuming the 'Trust Indenture' contains certain clauses and elements, but again, a transfer of encumbered property **DOES NOT** satisfy or void the loan contract.

We trust that this information will not only dispel some of the confusion and 'myth' associated with Private Trusts.

Trusts are very powerful and their proper construction and administration are responsible for some of the wealthiest families in the world.

As the knowledge of such facts are becoming more and more mainstream, beware of those whom would put you and your family in a compromising position legally and financially while being unreachable during times of crisis and the promises made are not manifested.

If you are interested in learning more, or if you have any questions on how you may take *True* and *Legal* advantage of a properly administered Private Trust, visit www.welcometothefoundation.com and book a consultation.