

How To Create Your Own Business & Financial Fortress

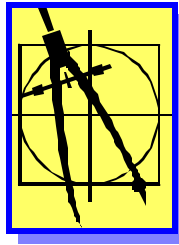
***How You Can And Must Protect Your Business
And Personal Assets From:***

LAWSUITS, TAX LIENS, JUDGEMENTS,



Plus...

***Reduce State & Federal Income Tax
Reduce Self Employment Tax
Reduce FICA & Payroll Tax
Eliminate Estate Taxes
Eliminate Probate***



The Strategy Group
“Architects of financial security”

First Things First!

***Asset Protection
&
Entity Structuring***

Financial & Estate Advisors

TORRANCE FINANCIAL &
INSURANCE SERVICES
3400 WATT AVENUE, SUITE 205
SACRAMENTO, CALIFORNIA 95821
CORP. OFFICE: 916-679-1032

3 KEY ISSUES EVERY BUSINESS OWNER NEEDS TO CONSIDER REGARDING BUSINESS STRUCTURE!



1. ASSET PROTECTION - One of the most important business decisions any business owner will ever make, is how to structure his business and financial life in order to accomplish “REAL” asset protection!



2. FLEXIBILITY OF MANAGEMENT - While there are many important issues to consider that effect the life of a business, flexibility of management is key. If a business is cumbersome to operate on a daily basis the business owner will feel trapped by his business structure. Plus, there needs to be flexibility for future growth, and options in the way you receive and distribute income.



3. TAX ADVANTAGES - If you can leap the first two hurdles, the third will be tough to get by. We call it the Tax Barrier! The question you will be asking yourself as a successful owner is; how can I disinherit my Uncle Sam? He want's to be a partner in everything I do! Making more money doesn't seem to make much sense, or be fun any more!

WHAT IF WE CAN SHOW YOU AWAY TO STRUCTURE YOUR BUSINESS THAT WILL GIVE YOU THE ASSET PROTECTION AND FLEXIBILITY YOU NEED; WHILE CREATING SOME SIGNIFICANT TAX ADVANTAGES; WOULD YOU BE INTERESTED?



First Things First Asset Protection!

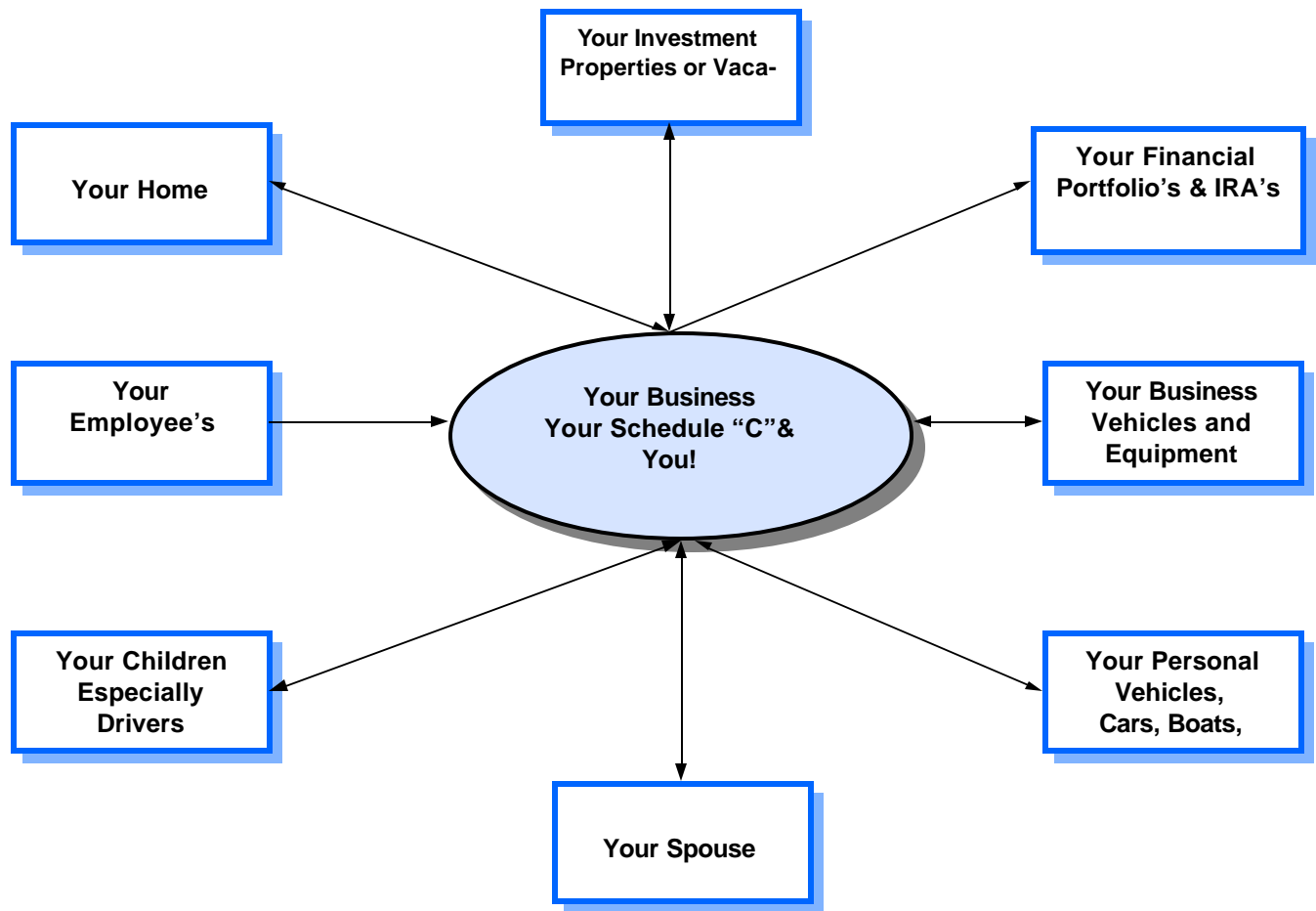
*It's not what you earn that matters,
it's not even what you save that matters.
It's what you KEEP that matters!*

- There were over 20 million lawsuits filed in the United States last year.
- If you average this number out over the life of each U.S. citizen we would each be sued *Seven Times* in our lifetime.
- If you are self employed, the odds are even greater of being sued because you are exposed to more risk than the average individual.
- If you own a small to medium size business, you are only one lawsuit away from bankruptcy; whether you win the lawsuit or not! Simply because of the cost to defend yourself.
- You may lose not only your business assets, but your personal assets as well!

The Solutions.

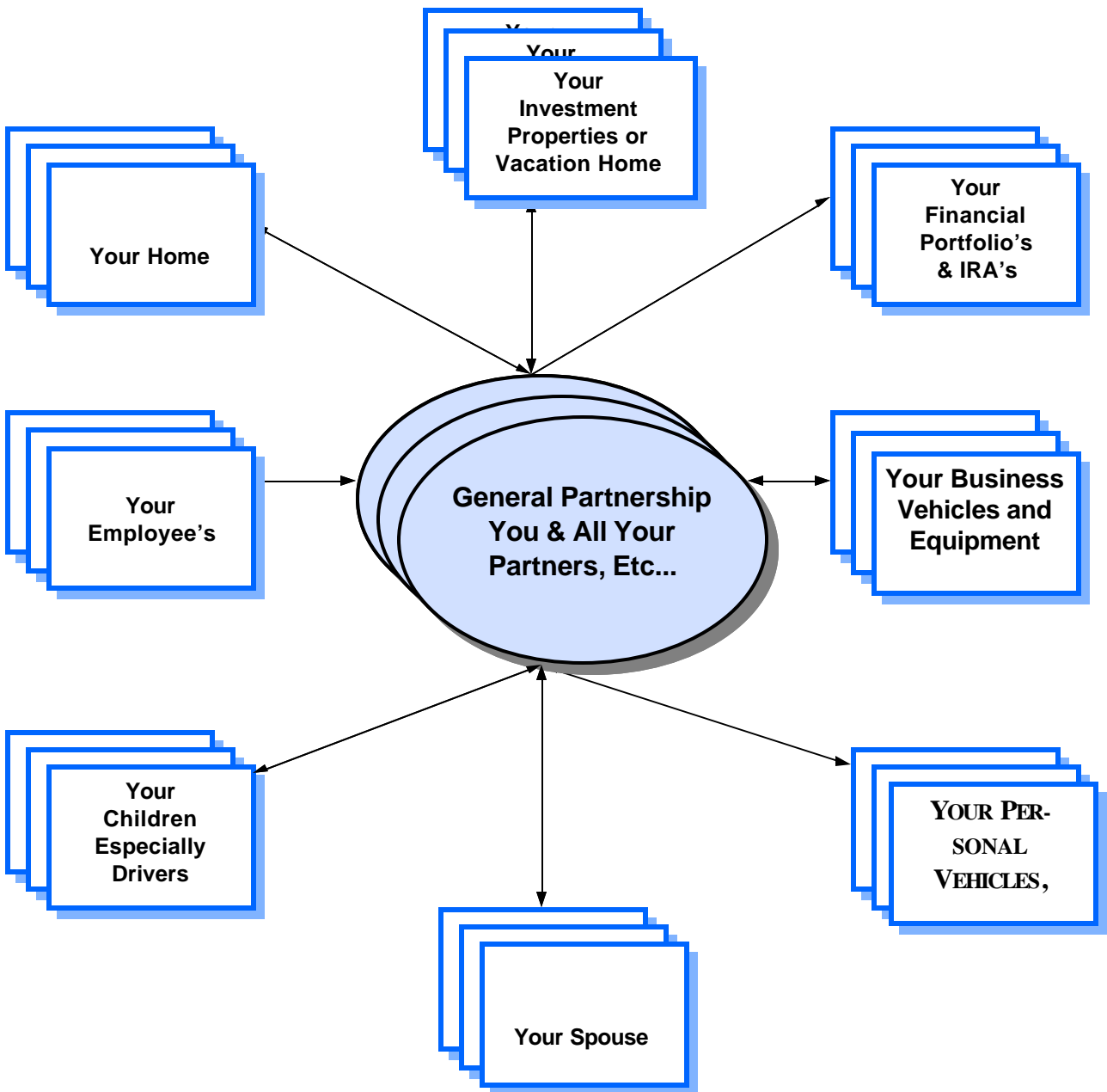
- 1. Entity Restructuring** - By using Family Limited Partnerships, Business Limited Partnerships, and various Trust structures, we are able to move your assets and profits from your business (*the greatest liability of your estate*) to these other entities; placing walls of protection from lawsuits around your personal and business assets.
- 2. Splitting Incomes** - By using multiple entities you divide your income, effectively lowering your overall income tax bracket. Moreover, you add an additional layer of lawsuit protection.
- 3. Separating Assets** - If you own property and are sued, can the person filing the law suit against you (*if they win*) take property from another person who is completely unrelated to you? The answer is no! By separating your assets you have protected them from lawsuits and judgements.
- 4. Own Nothing** - The reality is; you want 100% of the control and benefit of your assets without the liabilities associated with ownership!

THE ALL ENCOMPASSING "SOLE PROPRIETOR"



1. The arrows on the above chart show the direction that liabilities run for the sole proprietor. You can see that liabilities can come from almost any direction in the persons life. This chart applies to both sole proprietors and individuals alike. The only difference for the individual is that there is no business liability. Every other liability would be the same.
2. The main problem confronting a business owner operating his business as a sole proprietor is the question of liability. He is exposed on every front. One single incident whether personal or business can consume all of his personal and business assets in bankruptcy, a lawsuit, lien or judgement.
3. The sole proprietor finds himself in this predicament in every area of his life. Whether the liability is created by his business, his teenage drivers, his spouse, rental property, his employees, or his vacation property and equipment. You might as well draw a big circle around it all and paint a big target on it. Because the most dangerous aspect of being a sole proprietor is the fact that everything is held by the same entity "YOU"!
4. For this reason if you have an incident in any area, it can effect every area of your life financially. This is one of the most dangerous ways to operate your business and your life. Simply because your chances of having something happen in one area or another through out the span of your entire life is very high. Your living on a roulette wheel.
5. If you think this problem applies only to business owners your wrong. The average citizen, working for a company accumulating assets for retirement, or whatever their goals may be, has the same incredible risk! You can work all your life, pay off your residence and your vacation property. Position all your investments to take care of you for the rest of your life. And one accident, major health problem or lawsuit can turn to dust all these efforts! This is why, unlike most financial advisors, the Advisory Team does not just focus on accumulating wealth. This wealth **MUST** be built on the correct foundation or you can accumulate wealth all of your life to end up giving it all to doctors, attorneys or the government. **You MUST shield against this potential reality.**

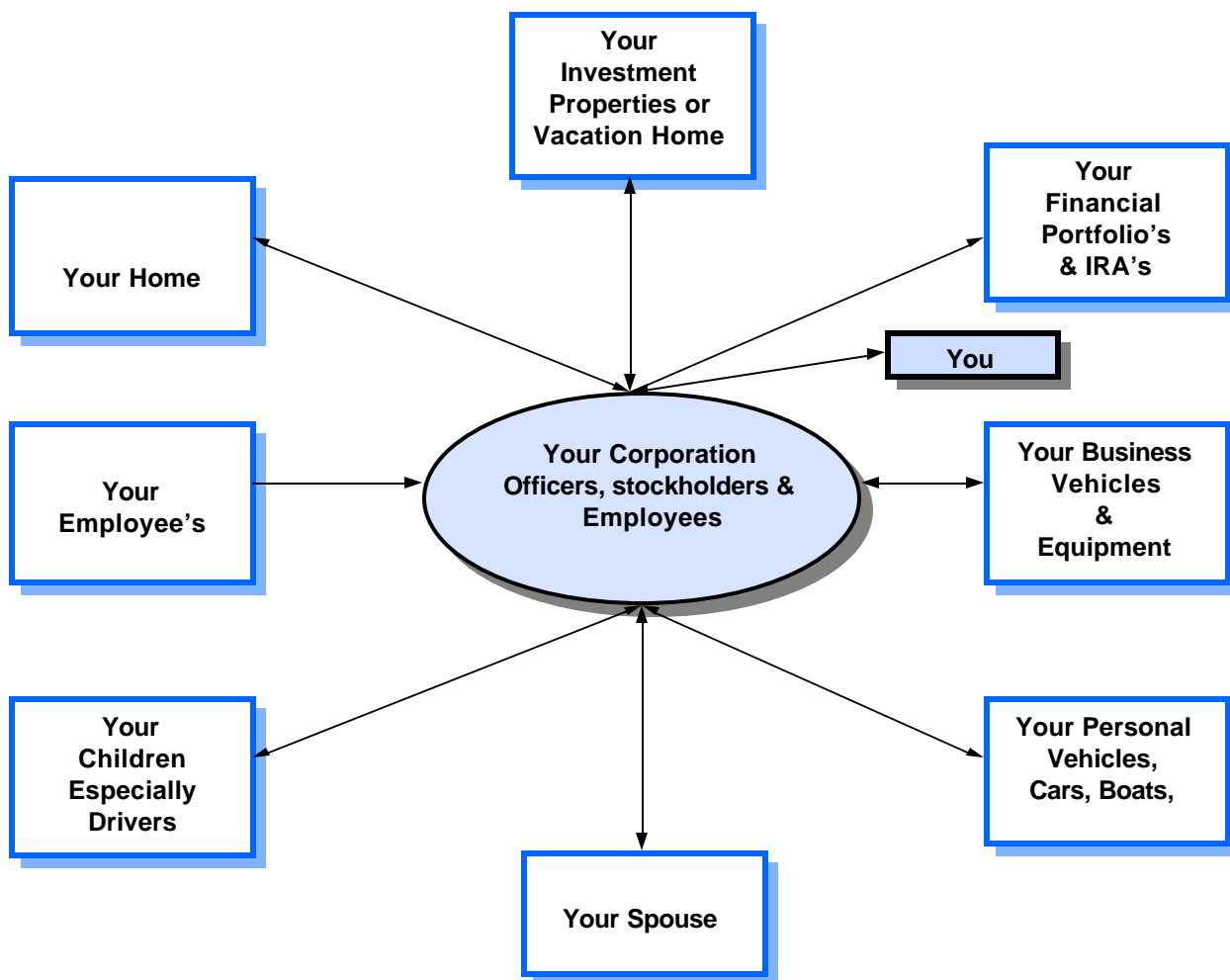
“Compounded Liability”



1. The arrows on the above chart show the direction that liabilities run for the general partnership. You can see that liabilities can come from almost any direction, including each partners personal life.

2. If there is any entity or business structure that is more dangerous than the sole proprietor this is it. You have all the same liabilities of a sole proprietorship, compounded by all of your partners. The more partners you have the greater you compound the risk of bankruptcy, lawsuits, liens or judgements. In this scenario if your partners teenage son gets into an automobile accident YOU could be held liable. All of the partners personal and business assets could be attached in order to settle the liability of the business or any of it's partners! If you think about it, you will realize that you are setting yourself up for the inevitable with this type of structure. If you are currently in a general partnership you need to restructure your company immediately! The second the lawsuit happens it's too late. This problem is something you need to take care of right away.

The Closely Held “Small Corporation”



1. The above arrows again show the direction that liability flows. As you can see, contrary to popular opinion, the small closely held corporation does not provide much more protection than a sole proprietorship or partnership. The one exception to this is a Nevada based C-Corporation.
2. We find it interesting that given the limited if any additional protection the California C-Corporation gives liability speaking; that CPA's and attorney's continue to recommend this out dated strategy to their clientele.
3. What happens is that when a small closely held corporation gets into the middle of a lawsuit, the plaintiffs' attorney does not typically just sue the corporation. They also go after the officers and primary stockholders. Who are the officers and primary stockholders of a small closely held C-Corporation? "YOU" the owner, that's who! So you end up stuck no matter which direction you turn. If they come after the business, they will end up coming after you personally as the officer and primary stockholder. If they come after you personally they will attach your stockholdings as part of your personal assets. The only reason that a Nevada corporation is different is the State of Nevada does not make it public knowledge who the officers and stockholders are; however if someone finds out you will still have the same problem. So how can we find the way out of this liability maze? In the following pages you will find two of our most common solutions to this question.



Solutions Working Together

- ◆ The major problem with current business structures is the issue of liability. You are exposed not only to your own liability, as in a Sole Proprietor arrangement, but to that of your other share holders or partners in a General Partnership or Corporation. This is a serious concern in our very litigious society. Our first goal is to solve this immediate problem. This is a critical issue that needs to be dealt with now. Before something happens, “like a lawsuit” that could prevent you from restructuring!
- ◆ Secondly, most small to medium size business owners underestimate the value of their businesses and do not realize the size of estate tax problem that could be looming in the near to distant future. This tax starts at 37% and quickly works its way up to 55%. If you don’t pay attention to this potential problem you could end up giving more than half of your estate to the Federal Government instead of to your Family. We believe this tax is designed to decimate your estate and we think this is a grave inequity. Another important goal of our company is to help as many people as possible avoid this problem. Through the right type of structure we can eliminate this tax!
- ◆ The Strategy Group recommends that you use a Limited Partnership to operate your business, and a series of irrevocable trusts to hold the assets for yourself and any of your share holders or partners. This way you will receive the Strongest Asset Protection available, along with Estate Tax Elimination, and Income Tax Minimization!
- ◆ ***Your most important decision as a business owner is the type of structure you decide to operate your business under. It will effect every other area of your business and personal life! The time to get started is NOW! Before something ,“or someone”, happens to TARGET your business.***

Carefully review the “Doe” Chart on the next page for the

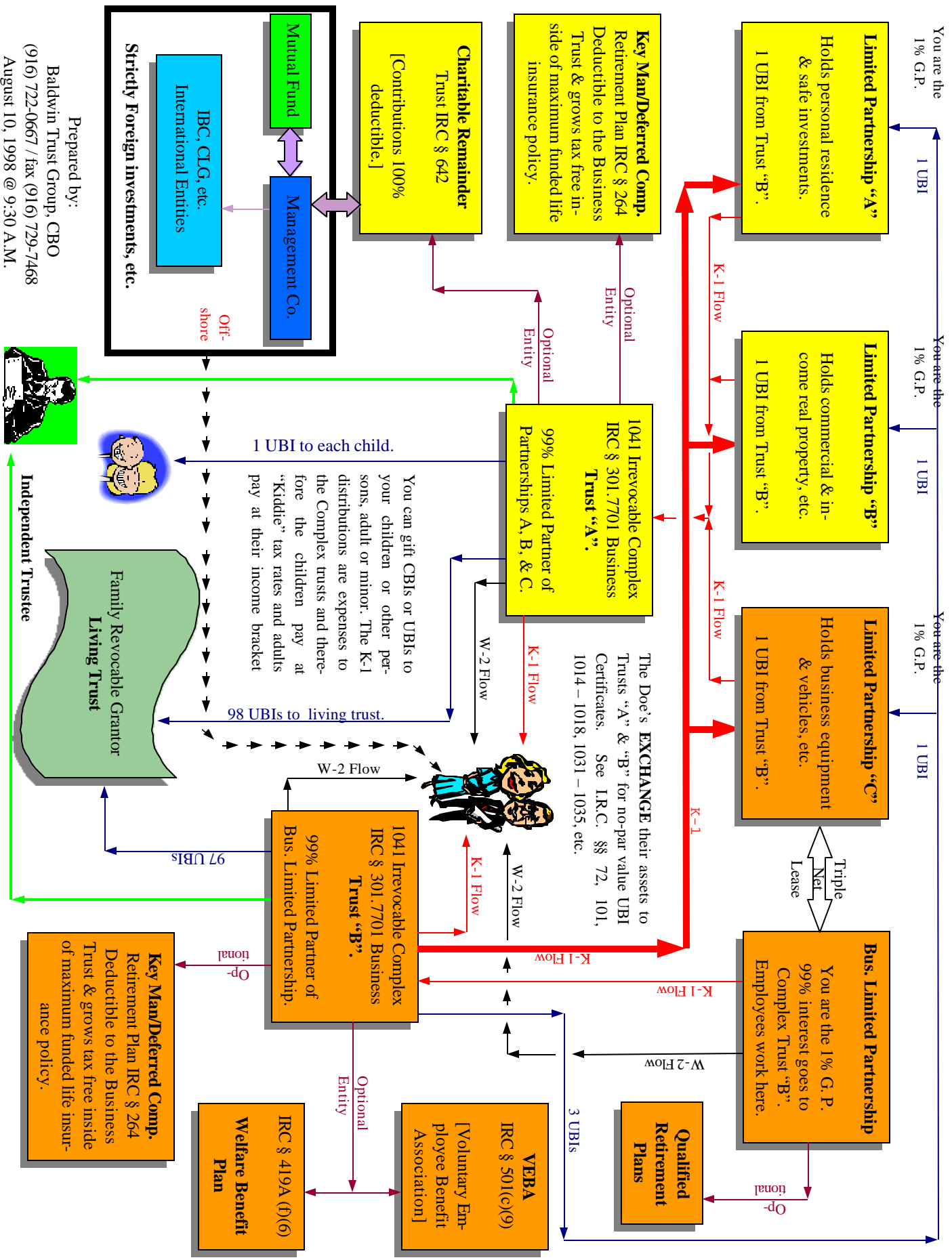
ULTIMATE

In Asset Protection and Estate Planning Strategy!

Asset Protection & Holding Structure

**ESTATE PLAN SOLUTION
For John & Jane Doe and Family**

Business & Operational Entity Structure



Prepared by:
Baldwin Trust Group, CBO
(916) 722-0667 / fax (916) 729-7468
August 10, 1998 @ 9:30 A.M.





Our Teamwork Provides Extraordinary

The Strategy Group is a specially equipped team of Attorneys, CPA's, Financial & Estate Advisors. We specialize in each of our unique disciplines, and work together in team cooperation to achieve the highest level of customer satisfaction possible. We use "State Of The Art Strategies" like; Complex Trusts, Irrevocable Grantor Trusts, Limited and Family Limited Partnerships in order to implement our strategies. The diagram on the adjacent page is a structure that works very well for many business people. This is one of the most common entity structures used. Here's how it works, and some of the major benefits.

Here's how it works....

Step 1. We set up a limited partnership as the operational entity with the husband and wife each as 1% equal general partners. The Trust is the 98% limited partner and holds all of the business and personal assets, leasing the business assets back to the operational entity or limited partnership. The operational entity (*a limited partnership in most cases*), is able to either expense out income to the trust for the rental of real property, equipment, licensing fees, intellectual property, management and administrative fees, or any other legitimate business expense. If the operational entity does not have sufficient expenses to cover all of its income, it can simply make a K1 dividend distribution to its 98% limited partner the trust. So no matter what the situation is the operational entities income can be completely zeroed out. This technique provides a significant tax and liability advantage.

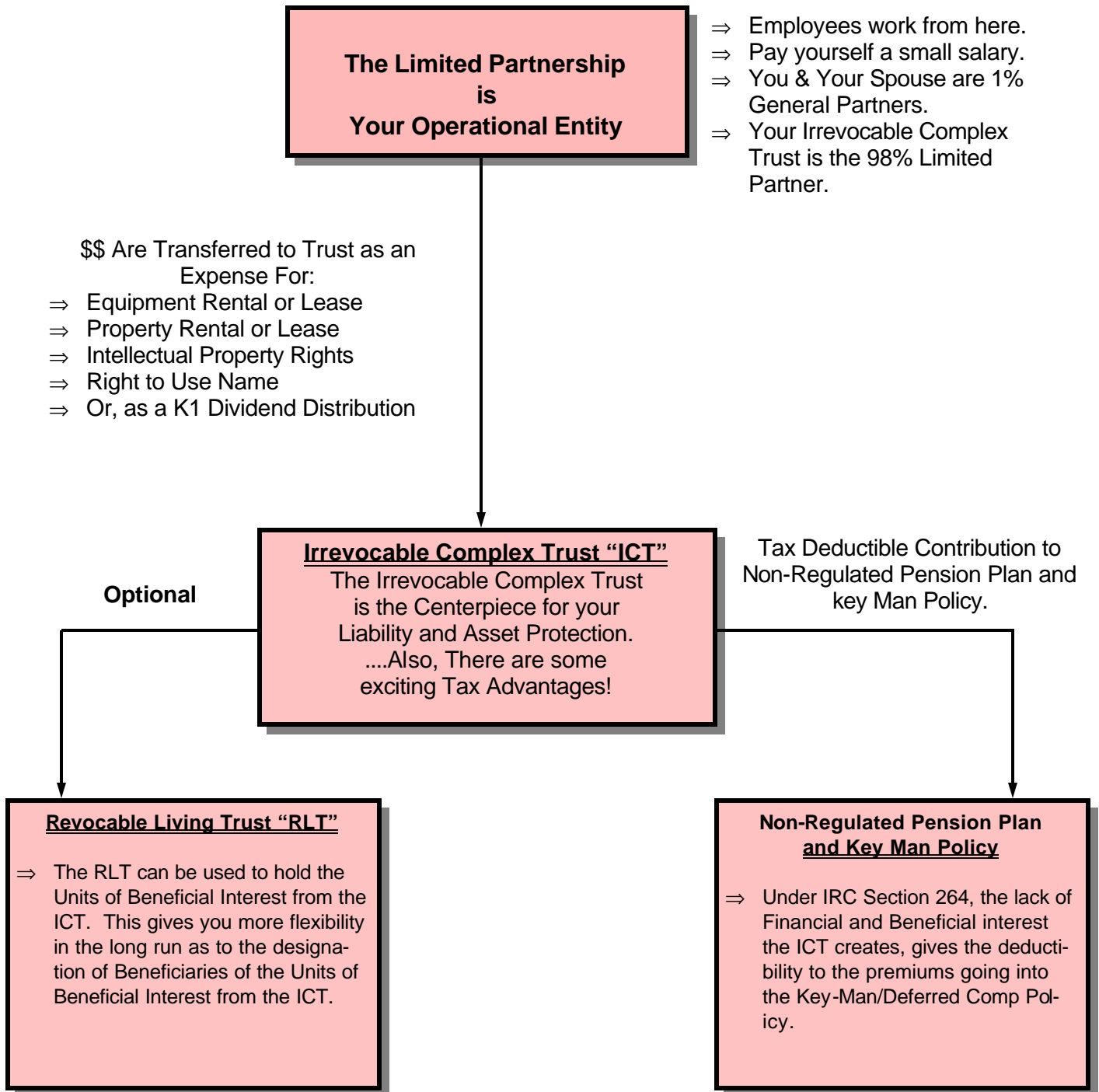
Step 2. The Irrevocable Complex Trust (ICT) is set up to hold all the business and personal assets of the business owner. The first thing this gives the owner of the business is real asset protection. If the business (the operational entity) gets sued all of the assets of the business are held by a completely separate entity. Because this entity is looked upon by the law as a separate entity with a separate tax ID number, it cannot be attached in the law suit. Therefore all of the businesses assets are protected. The personal assets of the business owner are also inside the trust, so they cannot be touched either. As you can see this can be a significant advantage when working in our litigious society.

Step 3. The business owner sets up an Alternative Retirement Plan. This is designed as a Key Man Policy / Deferred Comp program through the Trust. This investment is structured through a life insurance policy for key man purposes in order to protect the income that the owner of the business is generating for the trust. We typically use a Variable Life Insurance Policy so that the client can choose either conservative or aggressive investments to fund this plan. Because the owner of the business is not the owner of the trust, and because the trust does not hold the assets for the benefit of itself but rather the beneficiaries, it qualifies under Section 264 of the Internal Revenue Code as a deductible expense. therefore any premiums paid into this plan are deductible. Because the investment is held in the cash values of a life policy the value of the plan grows tax deferred. In retirement the trust is able to borrow the money out of the life insurance policy at 0%, in the form of a loan from the Insurance company. Because these funds are in the form of a loan, under current tax law this is non reportable income and therefore NON TAXABLE! This strategy produces such superior results that many of our clients want to put more money into the plan than they can qualify for. Take a look at the following page to get an idea of the structure.

The Solution “Entity Restructuring”

OPTION ONE: The Limited Partnership & Complex Trust Combination

For the Business Owner & the Self Employed



The Solution "Entity Restructuring"

OPTION TWO: The Limited Partnership & Two (2) Complex Trust Combination *For the Business Owner & the Self Employed*

- ⇒ Employees work from here.
- ⇒ Pay yourself a small salary.
- ⇒ You & Your Spouse are 1% General Partners.
- ⇒ Your Irrevocable Complex Trust is the 98% Limited Partner.

Gen-

**The Limited Partnership
is
Your Operational Entity**

Holds 10 Units Of Beneficial Interest

Irrevocable Complex Trust "ICT"

The Irrevocable Complex Trust is the Centerpiece for your Liability and Asset Protection. Complex Trust B holds all Personal & Safe Assets

Holds Units of Beneficial Interest from each Complex Trust
90 UBI's From Trust A
100 UBI's From Trust B

Revocable Living Trust "RLT"

- ⇒ The RLT can be used to hold the Units of Beneficial Interest from the ICT. This gives you more flexibility in the long run as to the designation of Beneficiaries of the Units of Beneficial Interest from the ICT.

Irrevocable Complex Trust "ICT"

The Irrevocable Complex Trust is the Centerpiece for your Liability and Asset Protection. Complex Trust A holds all Business Assets

\$\$ Are Transferred to Trust as an Expense For:

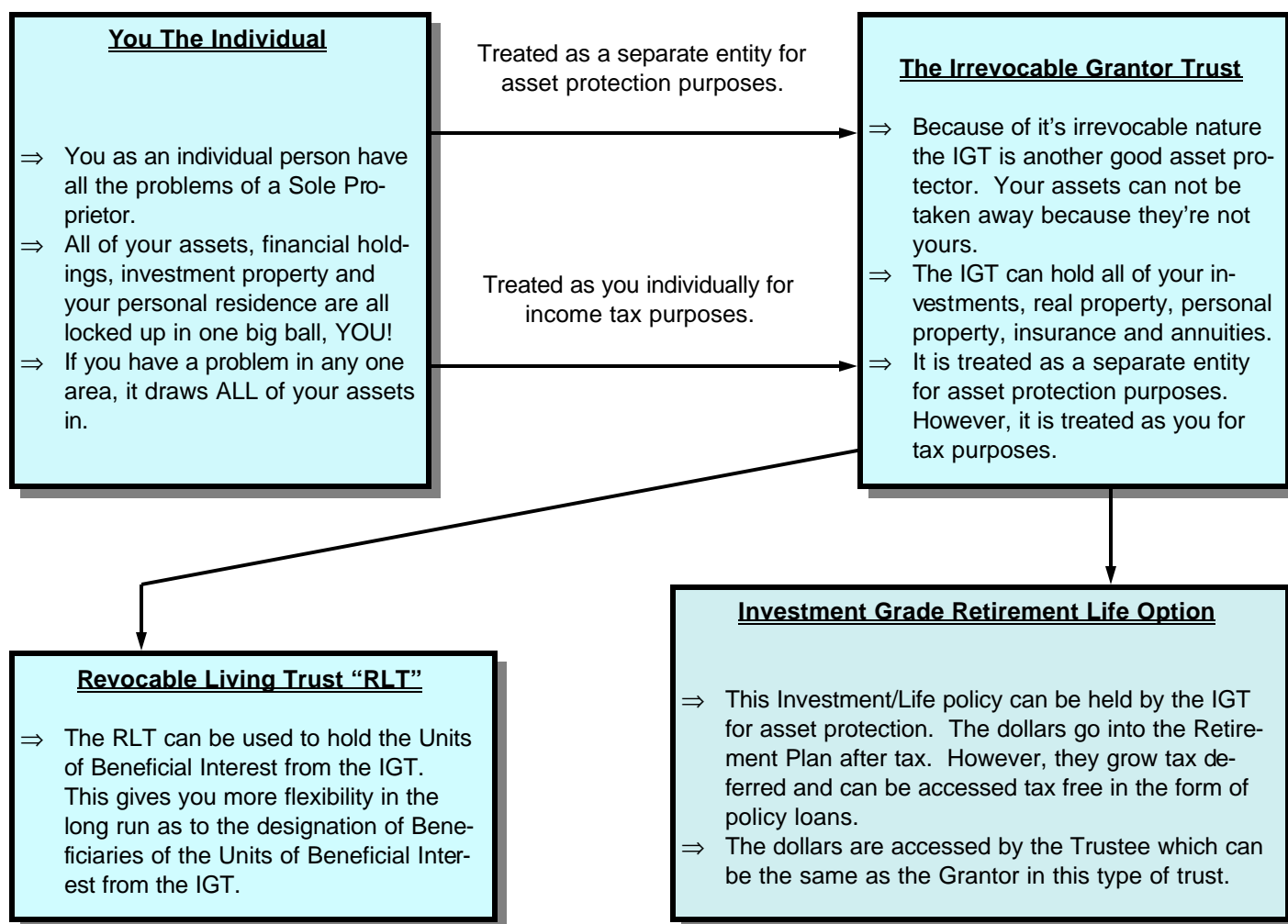
- ⇒ Equipment Rental or Lease
- ⇒ Property Rental or Lease
- ⇒ Intellectual Property Rights
- ⇒ Right to Use Name
- ⇒ Tax Deductible Contribution to a Personal Retirement Plan.
- ⇒ Or, as a K1 Dividend Distribution

Non-Regulated Pension Plan and Key Man Policy

- ⇒ Under IRC Section 264, the lack of Financial and Beneficial interest the ICT creates, gives the deductibility to the premiums going into the Key-Man/Deferred Comp Policy.

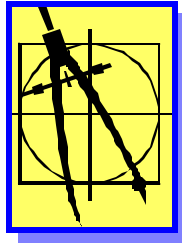
The Solution “Entity Restructuring”

OPTION THREE: The Irrevocable Grantor Trust For the W2 Wage Earner & Retiree




The Irrevocable Grantor Trust (IGT) is set up to hold all the business and personal assets of the business owner. The first thing this gives the owner of the business is real asset protection. If the business (the operational entity) gets sued all of the assets of the business are held by a completely separate entity. Because this entity is a separate entity it cannot be attached in the law suit. Therefore all of the business and personal assets are protected. As you can see this can be a significant advantage in our litigious society. The main difference between the complex trust and the grantor trust is taxation. The grantor trust is treated like the individual for income tax purposes, while giving you the protection of a complex trust for asset protection purposes.

The business owner can set up an Alternative Retirement Plan within the IGT. It is designed as a Section 162 Executive Bonus Plan. We typically use a Variable Life Insurance Policy so that the client can choose either conservative or aggressive investments to fund this plan. Because the investment is held in the cash values of a life policy the investment grows tax deferred. In retirement the owner is able to borrow the money out of the life insurance policy at 0%, in the form of a loan from the Insurance company. Because these funds are in the form of a loan, under current tax law this is non reportable income and therefore TAX FREE! Because this investment is held by the IGT it has full asset protection. This is the proper foundation to build your investments upon. So all your effort at accumulating these assets can not be destroyed in one incident. A great investment, a great strategy!



The Strategy Group
“Architects of Financial Security”



***A Non-Regulated Retirement Plan
The 401(k) Alternative***

financial & estate advisors

TORRANCE FINANCIAL &
INSURANCE SERVICES
3400 WATT AVENUE, SUITE 205
SACRAMENTO, CALIFORNIA 95821
CORP. OFFICE: 916-679-1032
FAX: 916-481-1143



The Non-Regulated Retirement Plan, A Better Alternative!

We recommend a Non-Regulated Retirement Plan, “The 401(k) Alternative” to our business owner clients. It uses state of the art financial and estate planning strategies to help you accumulate money for your future and retirement. Its foundation is Internal Revenue Code Section 264. We call it a 401(k) alternative because, it is deductible to the company just like a 401(k) when making contributions on behalf of its employees. However, the Non-Regulated Retirement Plan does not have any of the limitations or government regulations that are so familiar with the 401(k) or other qualified retirement plans. Take a look at the following comparison chart:

401(k) & Qualified Pensions	Non-Regulated Retirement Plan
You may not discriminate as to which	You can choose anyone you desire to
Maximum contribution limits.	No maximum contribution limits.
You must contribute to each employee a % of	No contribution to any employee is required.
Government regulation and form filings	No government regulations or filings.
401(k) Plans are subject to plan audits each year.	Non-Regulated Retirement Plans are
Pre-Retirement withdrawals are fully taxable	Pre-Retirement withdrawals are Tax – Free
Income at retirement is Mostly Taxable.	Income at retirement is Mostly Tax - Free.
Requires Third Party Administrator.	No Third Party Administrator is required.
Contributions to plan based on income.	Use tax savings to fund your plan!

Let us show you the numbers on the most flexible, tax advantaged retirement plan on the market! You’ll see they’re to your advantage.

The Non-Regulated Retirement Plan Using An Irrevocable Complex Trust

The following graph displays the value of saving in a Non-Regulated Retirement Plan through an Irrevocable Complex Trust; compared to a No-Load Mutual Fund, Municipal Bond, Fixed Annuity or Qualified Plan (i.e. IRA, 401(k) or Pension Plan).

The parameters for the comparison are as follows:

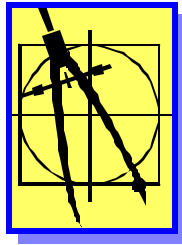
1. Mr. Hyp O. Thetical 2. Current Age 35 3. Retirement Age 65
4. Life Expectancy 85 (Dies on 86th birthday).
5. Average Annual Contribution to Age 50: \$22,500.
6. Desired Retirement Income (Age 65 to 86): \$199,640.
7. Tax Brackets During Pre-Retirement: Next 30 years (Age 35 to 65) 28%.
8. Tax Brackets During Retirement: Next 21 years (Age 65 to 86th birthday) 28%.

Some of the other assumptions regarding the types of investments and fees are as follows: The No-Load Mutual Fund has no sales charges and a 1.25% management fee. The Municipal Bond Fund has no sales load and a 0.5% management fee. The Fixed Annuity has no sales load and no management fee. The Qualified Plan has no sales load and a 2.5% management fee. This comes from a 1.25% internal management fee on the mutual funds, plus a 1.25% management fee for the Third Party Administrator of the Qualified Plan or 401(k) itself. All of these factors must be taken into consideration when trying to compare the net after-tax ultimate value of any investment. These factors have a surprising impact on the final result as you will see.

When you look at the value of the No-Load Mutual Fund in column one at year 31 you will see an accumulation value of \$1,858,005 dollars. However, the Non-Regulated Retirement Plan has a value of \$2,528,954 at year 31 (age 65), an incredible \$670,949 dollar difference. Many ask how can this be possible since the rate of return on both plans is 12% per year, with an equivalent contribution of \$22,500 dollars each year. And, the Non-Regulated Retirement Plan is based on an Investment Grade Life Insurance Policy which includes the mortality charges. What could cause such a vast difference in the account values at age 65? There is only one difference between the two columns that can have this impact on the final account values, TAXATION!

The No-Load Mutual Fund pays taxes every year while the Non-Regulated Retirement Plan's growth is completely tax deferred. In comparison to this the Qualified Plan Contributions go in income tax free, grow tax deferred, but the income distribution is fully taxable. When looking at fund balances at age 85 you will see the impact that full taxation has as compared to mostly TAX FREE withdrawals in the Non-Regulated Retirement Plan. The account value of the Qualified Plan is \$212,703 as compared to \$2,993,094 in the Non-Regulated Retirement Plan. You may ask yourself again how could this be? The Qualified Plan has more money in year 31 (age 65). It has the same rate of return 12%. Its' growth is even tax deferred! The problem is that the withdrawals at age 65 are fully taxable. This means in order to net \$199,640 per year, you need to pull out of the plan \$277,277 per year, tax it at 28%, in order to net \$199,640. Because of the taxes, you have to pull out more money, which begins to cut into the principal. Eventually, this causes the devaluation of principal to the 401(k) or Qualified Plan.

The point of these charts and graphs is to point out what a serious problem taxation is in accumulating funds for retirement. It is extremely important to determine the impact that taxes will have on your ability to accumulate that nest egg for your future. Also, it is not as simple as just deferring taxes now. There are other considerations and other taxes, like estate taxes that must be taken into consideration.



The Strategy Group
“Architects of financial security”

The Family Trust, 1041 Irrevocable Complex Trust, or Unincorporated Business Organization

**For Protecting Personal Assets and
Operating a Business**

Features

- Insulates personal liabilities from Trust assets.
- Protects assets from probate court, fees, estate, or inheritance taxes due to death of Grantor.
- As a business form, filing 1041 has major tax advantages over 1040, 1065, or 1120
- Flexible and easy to operate.
- Legally sound and proven.
- Makes obsolete A-B, Q-TIP, and other single purpose Trusts designed for death ~ not life.
- The choice of the Super Rich and Elite for enabling assets to be managed by selected beneficiaries, generation after generation, without interference.

Today there is a growing awareness of the trust and its importance as the centerpiece of estate planning. However, emphasis seems to focus mostly on avoiding probate — that insidious process which decimates your estate when you die. There is, however, so much more to consider.

What if you live? Have you given thought to what can happen to all you've have strived for ... only to have it taken away in an instant?

Your teenager gets in a serious accident with the family car; you back out of your driveway only to smack into a school bus full of attorneys' kids; your business sours and bankruptcy is just around the corner; you or your spouse are struck with an illness requiring long-term confinement and nursing care not covered by your insurance. The list goes on.

When you consider the myriad of things in life that can innocently and routinely devour your estate, vagaries of economic reality means there is so much more to preserving assets than only the avoidance of probate.

The purpose of this brochure is to present the exemplary benefits of the Family Trust as an alternative to the exposure of personal and business assets to the ravages of frivolous lawsuits, liens, and judgments, as well as the avoidance of probate, and the legal means in which all assets can be managed by designated heirs without interference or interruption, generation after generation.

What is a Trust?

A Trust is defined as a "right of property, real or personal, held by one party for the benefit of another." **Real Property** refers to land, buildings, homes, crops, or mineral rights. **Personal Property** consists of movable objects such as furniture, vehicles, stocks, bonds, or anything that is of value to you.

What is a Family Trust?

There are literally hundreds of Trusts. Some avoid probate only while others have tax advantages in certain applications. However, it is the Family Trust that remains eminent in personal and business financial and estate planning. The Family Trust acts in many ways like an individual, buying, selling, owning, spending, and earning. As a private contract, this Trust is not subject to estate or inheritance taxes since it does not die, can defer capital gain taxes in real estate transactions, and as a business entity, has extraordinary tax-saving advantages over other business forms. The Contract works in this manner:

Property exchanged [or transferred] into the Trust is done for adequate (valuable) consideration. Certificates of Beneficial Interest which are of indeterminate value serve as the adequate consideration, thus there is no gift tax to you since the transaction is an exchange. To complete the estate plan strategy, the independent trustee then gifts the Certificates of Beneficial Interest to designated Beneficiaries.

How the Trust is Organized

A Trust is a legal entity (a paper person), and as such its liability is limited similar to a corporation. In fact, corporations were fashioned after Trusts, which is why there are so many similarities.

The Trust is set up in fee simple which means the Trustees have the power (the legal right) to do anything legally they wish with the assets of the Trust! They can buy, sell, invest, build, enter into contracts, give gifts, or make any decisions they determine are in the best interest of the Trust. The Trust is not a qualified Grantor-type Trust under the Internal Revenue Code Sections 671-678.

Trust books and records, which are the Minutes, deeds, titles, and receipts, are inviolate! These are personal and private to the Trust.

You can place all of your equity into the Trust, including operation of your business. For example, assume you have purchased a home and are making monthly mortgage payments. When you place your home into Trust, your equity (*the part you do own*) is fully protected from anything you might do. And, every payment you make enhances that equity position in the Trust. If you have a bank savings, checking, or other type of account, it can also be placed within the Trust. The advantage? Since funds are held by a separate entity other than you, your personal problems will not affect its content. **See Trust Diagram A – Next Page**

Some History of Trusts

Trusts have been around since 800 AD! Trusts originally came to America from Europe and England, and were utilized by people to protect their property during the development of the colonies. One of the first Trusts in the United States was the Virginia Land Company in 1709. In 1765, Patrick Henry set up the “Robert Morris Family Trust” to protect their property from English taxes and laws. This Trust is still operating today as the “North American Land and Cattle Company” of Chicago, Illinois!

In addressing the legal aspect of this “Family Trust,” an explanation of its function under the Common – Law of England can be found in *Smith v. Anderson*, 15 Chancery Division 247 (1880). The Smith Decision established the validity and viability of these contracts in English Common Law jurisdictions beginning in 1880 and up to and including the present date. The Smith Decision has never been reversed nor has its import been nullified through passing of negating statutes in the United Kingdom, or in any other Common Law jurisdiction of the commonwealth, or otherwise. All of the various states of the United States of America, save and except for the state of Louisiana, have founded their legal system on the Common Law of England and have adopted its rule of “Stare Decisus” under which unwritten law is made through case law decision.

The states specifically adopt the Common Law of England as the law of each state “. . . so far as it is not repugnant to or inconsistent with the Constitution of the United States of America or the Constitution or laws of this state . . .”

Thus, it can be safely said that unless a specific statute or specific section of a state constitution prohibits property ownership or the carrying on of business by these entities, then they are indisputably valid.

In general, because of attacks against the upper class from the middle and lower classes; the wealthy, the super wealthy, their bankers, and lawyers were the drafters, sponsors, and administrators of three major pieces of legislation during the early part of this century in the United States:

- In 1913, the never ratified 16th Amendment to the U.S. Constitution was enacted — the so-called “Income Tax Amendment.”
- Again, in 1913, the “Federal Reserve Act” was also enacted — the establishment of an unconstitutional central bank.
- During 1916, the “Revenue Act” was passed — this is the infamous “Death Tax” (Inheritance Tax) Act.

Again, the wealthy, super wealthy, their bankers and lawyers “hired for life” a special group of attorneys to make sure that they, personally, were protected from these acts! After much searching, these special attorneys came upon the Contract Trust from Article 1, Section 10 of the U.S. Constitution. Remembering that a Trust is a private entity and in 1913 only two tax forms were published, the “Form 1040” for businesses and individuals, and the “Fiduciary Form 1041” for the so-called wealthy, also known as “a Trust and Annuity” return; the upper class wealthy placed all their property into a myriad of various forms of Trusts — such as the Ford, Carnegie, and Rockefeller Trusts.

Nelson Rockefeller, at the time of his death, had established more than 2,000 Trusts at a cost of \$800,000 each. Former President Lyndon B. Johnson had 22 Trusts established at a cost of \$200,000 each. Both the Rockefeller and Johnson Trusts were patterned after the Robert Morris Living Family Trust format.

Why a Trust? Why did Nelson Rockefeller and former President Lyndon B. Johnson spend so much money establishing so many Trusts?



TRUSTORS / CREATORS
HUSBAND & WIFE
OR SINGLE INDIVIDUAL

Certificates are
gifted.
(see step 3.)

Step 1. Declare Assets Into Trust

Step 2.
Assets are declared into Trust
by Trustor(s) in exchange for
certificates of beneficial interest.

IRREVOCABLE COMPLEX
TRUST, FAMILY TRUST
OR
UNINCORPORATED
BUSINESS ORGANIZATION
(Different names for the same entity).

Trustee manages
assets for the
beneficiary (ies)

Beneficiary (ies)

Step 3.
Certificates of Beneficial
Interest are Gifted to
Beneficiary (ies).

Trust Diagram - A

Why You Should Have a Trust, especially the “Family Trust” — a Blind Trust to Some

There are a myriad of reasons why virtually everyone should place their assets into Trust. Only you can decide what is best for you and your loved ones. The facts are clear, however, that there are some frightening events waiting to happen to assets belonging to you, and if you die without a “plan,” your State has one for you!

Here are just a few of the advantages of a Family Trust holding assets that once belonged to you personally:

- Creates living legacy for continued operation of estate
- Eliminates disputes within family over money matters
- Shields assets from personal lawsuits, liens, and judgments
- Ultimate pre-nuptial and post-nuptial agreement that works
- Completely eliminates estate and inheritance taxes
- No fees or delays when a death occurs
- Private and confidential
- Beneficiaries cannot challenge Family Trust as with other types of Trusts

And for the Business Professional . . .

Completely eliminates “predatory” litigation of target defendants. Target defendants include physicians, lawyers, accountants, architects, civil engineers, financial planners, insurance agents, stock brokers, investment wholesalers, and syndicators. Others not so obvious include manufacturers, real estate developers and builders, and corporate directors. When all of your assets are safely in Trust, the frivolous lawsuit, lien, or judgment does not just go away, it simply does not happen. However, you must act before disaster strikes!

The Family Trust Avoids Probate, Too

There is so much more to formidable estate planning than simply the avoidance of probate. However, no plan could be complete unless probate and all estate taxes no matter how much an estate is worth, are eliminated. Ignorance isn't bliss for your heirs. Why should you work all of your life to have a major portion of your valuable assets taken by the state or federal government? That is exactly what will happen if you do not have the proper Trust or think the “will” is just fine. Every city, county, and state (except Louisiana) has a probate court. Attorneys assist the probate court at the expense of your estate to officially establish if a will is genuine; and if there is no will, these attorneys will attempt to locate heirs for the purpose of transferring property to those heirs or to the state. Depending on the state, there are up to approximately ninety steps involved in the probate process, and each and every step costs the estate money!



When your property is safely ensconced within a Family Trust, that Trust owns the property; and should you die, the trust is still owner of the property. There are no probate, estate, or inheritance taxes, since the transfer of property titles occurred prior to death. Therefore, assets transferred to a Trust prior to death means:

- No probate court or its costs
- No attorney fees
- No executor fees
- No estate taxes
- No inheritance taxes
- No administrative fees
- No appraisal fees
- No waiting periods
- No forced sale of assets at fire-sale prices
- No public disclosure

Notice, **there is no public disclosure**. The Trust is both personal and private! It has often been said that it is not the dead that suffer, rather the living! The living suffer because they have lost a loved one and have suffered the loss of what the loved one had striven for all of his or her life because of the unnecessary confiscation of property by predatory litigation.

More on the Horrors of Probate . . . Or Who Will Obtain Money and Property Following Death?

The following are but four examples of many, attesting to the horrible costs and injustices of present day Probate Court:

#1 — Mr. Albert H. Wiggin — retired Chairman of Chase National Bank, New York, N.Y.

Left a gross estate of:	\$ 20,493,990.00	
a. Premature debt payment	-\$ 243,250.00	
b. Probate expenses	-\$ 1,257,530.00	
c. Death Taxes	<u>-\$ 13,364,530.00</u>	
 LEFT TO SURVIVOR:	 \$ 5,628,680.00	 (Percent to Survivor: 27% Loss: 73%)

#2 — Mrs. Winifred Hilderbrandt — widow of an Oil man, Oklahoma City, Oklahoma

Left a gross estate of:	\$ 299,000.00	
a. Premature debt payment	-\$ 56,170.00	
b. Probate expenses	-\$ 21,840.00	
c. Death Taxes	<u>-\$ 67,260.00</u>	
 LEFT TO SURVIVOR:	 \$ 153,730.00	 (Percent to Survivor: 51% Loss: 49%)

#3 — Mr. Hyde Stewart — Postman, Ohio

Left a gross estate of:	\$ 22,864.00	
A. Administrator of estate	-\$ 2,077.00	
B. Attorneys	<u>-\$ 3,500.00</u>	
 LEFT TO SURVIVOR:	 \$ 17,287.00	

A local newspaper reporter, out of curiosity, checked the local city telephone directories in the public library and found five heirs in 3 days.

(Percent to survivors: 00% **Loss: 100%**)

#4 - Mr. Charles Guettinger, Postal worker, left a gross estate of \$4,500. Eight years after his death, his two sisters each received \$400.

(Percent to survivors: 17% **Loss: 83%**)

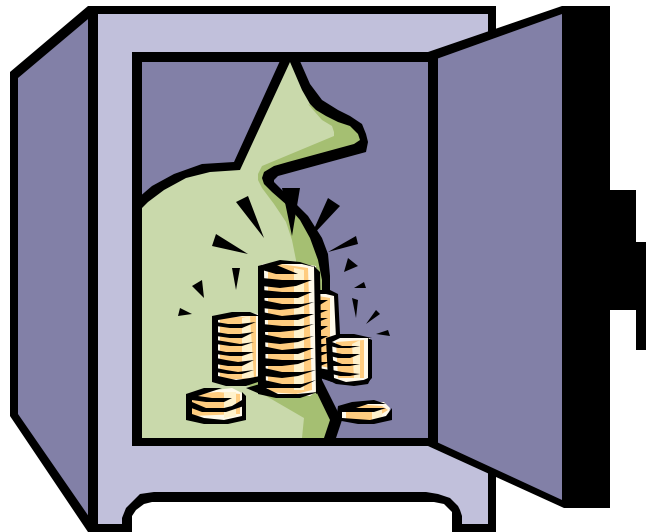
When there are **double** deaths in a family, up to 92% of the estate generally is lost in taxes, fees, and legal expenses! Federal estate taxes **begin** at an incredible 37% and can go to 55% or **much** higher!

There is a Lot More to Life than Death!

The Trust described in this brochure remains eminent as the centerpiece of any estate plan for both operating a business and preserving personal assets. It is truly a "Living" Trust. Since this type of Trust has such extraordinary benefits while you are alive, it will give you peace of mind knowing as you continue through life, your valuable assets are preserved for you, your family, and your designated heirs. Remember, *if an estate can be decimated by the myriad of things in life that can happen to it, then of what value is pursuing only the "avoidance of probate" if there could be nothing left to probate.*

The Family Trust.

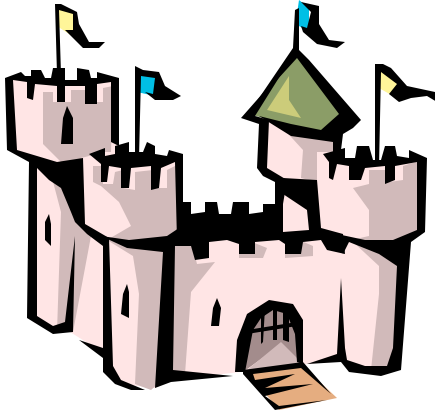
Protecting your valuable assets now and in the future.



**TORRANCE FINANCIAL &
INSURANCE SERVICES
3400 WATT AVENUE, SUITE 205
SACRAMENTO, CALIFORNIA 95821
CORP. OFFICE: 916-679-1032
FAX: 916-481-1143**

TRUST COMPARISON TABLE

	Irrevocable Complex	Irrevocable Grantor	A-B Living or Revocable	Will Only	No Will or Trust
Must there be probate?	NO	NO	If Challenged	YES	YES
Will assets in trust avoid all Federal estate & Inheritance taxes	YES	NO	NO	NO	NO
Will my assets in Trust be included in my estate when	NO	YES	YES	YES	YES
Can I create a true estate legacy for generation	YES	NO	NO	NO	NO
Are my assets shielded from personal liability	YES	YES	NO	NO	NO
Are business actions shielded from personal	YES	YES	NO	NO	NO
Pre-Nuptial or Post- Nuptial Advantages?	YES	YES	NO	NO	NO
Can be broken or altered by beneficiaries?	NO	NO	YES	YES	N/A
Can be operated as a business entity?	YES	NO	NO	NO	NO
Cost of Death, beginning with estate taxes.	NONE	37% - 55% of amounts above \$1,300,000 married	37% - 55% of amounts above \$1,300,000 married	37% - 55% of amounts above \$650,000	37% - 55% of amounts above \$650,000
Can set up a tax deductible Retirement Plan?	YES	NO	NO	NO	NO



Eliminate Probate Fees & Estate Taxes

Estate Planning Defined

***I want to give what I have, to whom I want,
the way I want, when I want. And if I can
save every possible Tax, Court Cost and Fee!***

Many of us go through life accumulating personal and business assets, creating wealth for ourselves and our families, never realizing the serious impact that wealth transfer taxes (estate & gift taxes, court costs and probate fees) are going to have on the estate we intended to leave to our family.

Our goal as a company is to help you build that estate you are dreaming of for your family. However, once we have helped you build it we are not going to forget to put that moat around it. We are going to dig deep, fill it with crocodiles, and make it as difficult as the law will allow for your estates financial enemies, lawsuits, liens, judgements, bankruptcy and taxation, to cross that moat.

This is how we differ from most financial planners and CPA's who simply dabble in the area of estate planning. Most will only focus on the arena of asset accumulation and will not even consider how to protect those assets they're accumulating from all the potential pitfalls. If they do recommend something they will show you a strategy (revocable living trusts), that will only partially eliminate estate taxes, and will give you absolutely ***no asset protection!***

In comparison, the Strategy Group guarantees to eliminate probate fees (6% to 22% of the gross estate) for "fully funded trusts" and reduce estate taxes (37% to 55% of estate) for married couples at death by doubling the family "lifetime" estate tax exemption. Plus while your building your estate provide you with one of the highest levels of asset protection available on the market today!

You only get one chance to get this right and it can effect you and your family for a lifetime. Call us and get a second opinion, it's the right thing to do!

The Strategy Group Mission Statement

“Through a long term, trusted advisory relationship, we work with our clients in reaching their life goals, by creating true and permanent wealth in their lives”.

We will accomplish this not only by providing excellent financial and estate advisory services. We combine this with “State Of The Art” asset protection services. Because it’s not what you earn that matters, it’s what you keep! With the current trend of predatory attorney’s and oppressive taxation it’s not easy to keep anything at all.

By gathering complete information on your current situation. Then spending some time with you finding out about your priorities, risk tolerance and life goals. We will then be in a position to assess your current financial situation and compare that with where you would like to be.

You will then work with a member of our team in developing a financial strategy that will assist you in reaching your life goals. Along the way we will always hold fast to our Mission Statement and our desire to be your partner in creating true and permanent wealth for you and your family.

The Strategy Group Brokerage Philosophy

Mr Brian Torrance began in 1991 and later changed to Torrance financial Group in 1993. Since his beginning, he has never represented just one company over another. The Strategy Group also believes that as advisors we can provide better service to our clients if we research the market place for the best companies that will fit our clients needs. We want our loyalties built around our client relationships rather than a single relationship with one insurance or investment company.

Our clients appreciated this client first philosophy where the entire benefit plan was developed around our clients needs. Compared with the typical sales approach where a salesman tries to sell you a service or product whether you need it or not.

Our commitment to the brokerage philosophy and value based selling, where the clients goals always come first; led us to develop a step by step

The Strategy Group Client Development Process

process when dealing with our clients.

◆ STEP I -

The first step is the initial meeting between the Advisory Team member and you the client. At this meeting we will introduce ourselves, ask you a few questions about your current situation to determine suitability, and explain the benefit of our services.

◆ STEP II -

At our second meeting we focus on gathering information about you and determining your goals individually and for your company. We will use this information in order to develop an integrated plan that will give you clear steps to reach your life goals. (If time permits Step I and II can be combined).

◆ STEP III -

This is the meeting where we will present the comparative analysis of your current financial position in light of your life goals and where you would ultimately like to be financially. we will then present our solutions as to how you can accomplish your goals. If you like our proposals we will then move forward to implement our solutions. Our goals with each of our clients is to create as much wealth as possible, while protecting the wealth created. In other words, we want to help you build your castle, however we want to make sure that you put a moat around it!

◆ STEP IV -

Our fourth and subsequent meetings will be to deliver any benefit plans or investment portfolios, and make sure everything is on track and going as planned. If your goals have changed and we need to make an adjustment in the plan we will do so at this time. Or, perhaps your risk tolerance changes and you desire to be in a more aggressive/conservative investment allocation. We will make these adjustments at this time also. If you have a trust, you may have questions on its day to day operations as well. These meetings help keep you the client focused on reaching your goals. They help keep us, as your advisors informed on your current financial situation. So we can work together to make your dreams a reality!

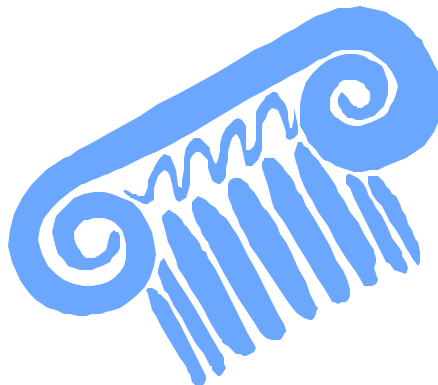
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ELIMINATE ESTATE TAXES
REDUCE INCOME TAXES
SHIELD AGAINST:
LAWSUITS, LIENS, JUDGEMENTS
AND BANKRUPTCY

**For More Information Contact Your
Financial Advisor Mr. Brian Torrance
3400 Watt Avenue, Ste. 205, Sacramento, CA 95821
Corp. Office: 916-679-1032 Fax: 916-481-1143**



The Strategy Group
6966 Sunrise Boulevard
PMA 246
Citrus Heights, California 95610
United States Of America
