Expanded Worldwide Planning (EWP) At Its Best
White Paper

The authority of Expanded Worldwide Planning (EWP) has been firmly established. *Wikipedia* has recognized our knowledge-based solutions for wealthy families by including the concept of EWP in their article on *International Tax Planning.* On this *Wikipedia* page, the six principles of EWP are explained. EWP is defined as "an element of international taxation created to implement directives from several tax authorities following the 2008 worldwide recession."

The six principles of EWP are: privacy, asset protection, tax shield, succession planning, compliance simplifier, and trust substitute.

The *Wikipedia* article goes on to say, "EWP allows a tax paying entity to simplify its existing structures and minimize reporting obligations under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS). These international assets can also comply with tax authorities worldwide."

We are taking a cue from *Wikipedia.* Our white paper features the six principles of EWP. EWP has the six principles that matter most to wealthy families throughout the world today—no matter where they are located. They are the building blocks of any successful asset structure.

Privacy

Privacy is a key element. Wealthy families are looking for ways to keep their affairs private, and still be compliant with tax authorities worldwide.

What was once private and personal becomes public and accessible to all. Computers and other electronic devices are part of our lives, whatever our opinion of them. These devices can add convenience and efficiency to our lives, but at a cost.

Electronic Privacy?

Andrew Grove, co-founder and former CEO of Intel Corporation, expressed this thought:

"Privacy is one of the biggest problems in this new electronic age. At the heart of the Internet culture is a force that wants to find out everything about you. And once it has found out everything about you and two hundred million others, that's a very valuable asset, and people will be tempted to trade and do commerce with that asset. This wasn't the information that people were thinking of when they called this the information age."

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The ancient Greeks called man, "a political animal." In today's world almost all so-called facts are politicized. It is no different with privacy. Certain groups consider the journalistic authors of the *Panama Papers* and the *Paradise Papers* heros of a free press. Others say that these same journalists were thieves, who unlawfully stole private financial data. Whatever your opinion, these events did happen, and the targets were most decidedly wealthy families throughout the world.

How does the privacy afforded by an EWP Structure protect the families whose financial information was published for the entire world to see?

The privacy principle of EWP accomplishes its objective in several key ways:

- Upon transfer into an EWP Structure, the asset is retitled into the name of the beneficial owner of the asset, similar to retitling property in a Limited Liability Company (LLC) structure.
- If there is reporting to a tax authority for the EWP Structure, only one

number is reported. This is the value of all the assets in the EWP Structure. The individual assets are not reported.
- The bank account that is usually opened in connection with an EWP Structure is opened in the name of the new beneficial owner of the assets and not the policyowner. The policyowner has full access to the funds in the bank account in accordance with the assets inside the policy.

Asset Protection

Our asset protection model is called ***The EWP Da Vinci Code.*** Our model is highly effective, yet conservative, and offers more asset protection than the recently invented options available to wealthy families. In today's world of financial transparency, there is no hiding of financial assets. **The EWP Da Vinci Code** brings you peace of mind through a long-established and secure financial structure.

Why bring Leonardo da Vince into this discussion? Because Leonardo said, "Simplicity is ultimate sophistication." We have taken this as our model in implementing EWP Structures. We invite you to do the same.

When you purchase an automobile, you do not ask if it has turn signals. Of course, this is a standard part of the vehicle. Today you may pay extra for an enhanced audio package, but you might be able to do without it. Asset protection does not come as an extra feature with EWP Structures, it is part of the package, just like turn signals on a new vehicle.

The EWP Da Vinci Code Realized

Most asset protection trusts established by U.S. settlors are considered grantor trusts under U.S. income tax law, meaning that all income of the trust is reportable on the grantor's (the settlor's) individual income tax return. Asset protection trusts do not, in and of themselves, offer any tax advantages under U.S. income tax law.

So why not create a structure that not only gives you asset protection, but the whole formidable array of benefits that EWP provides? For wealthy families, in particular those families with a connection to the U.S., an EWP Structure is arguably the most efficient structure for the integration of tax-free investment growth and asset protection.

Tax Shield

Savvy, wealthy families today are employing EWP Structures in greater and greater numbers. A hallmark of the popularity of this asset structure is its conservative and straightforward nature. This ironically allows it to achieve spectacular tax savings.

Why strain to invent a structure that will very likely draw the attention of tax authorities, because of its convoluted and aggressive design? We counsel you to stop trying to be overly clever in the design of your asset structures. Why not use a financial structure that has been used successfully to structure hundreds of billions of dollars in assets for wealthy families throughout the world. This will give you the best tax shield available today bar none.

Who Pays the Most Tax Today in the U.S.?

The most recent IRS data, from 2016, shows that the top 10 percent of income earners pay almost 70 percent of federal income taxes.

Looking at all federal taxes, the Congressional Budget Office shows that the top 1 percent pay an average federal tax rate of 33.3 percent. The data show tax rates decline with income, and the poorest 20 percent of the population pays an average tax rate of just 1.7 percent.

EWP Structure Benefits with Real Estate Investing

The benefits of using an EWP Structure for U.S. persons investing in real estate in the U.S. are substantial. For the Non-U.S. person it is even more important to employ an EWP Structure, as there are formidable obstacles faced by non-U.S. persons investing in U.S. real estate.

The primary tax impediments to foreign investment in U.S. real estate in general and in real estate funds specifically are U.S. income, capital gains and withholding taxes (30%), and even U.S. estate taxes. An EWP Structure is a well-established tax and estate planning tool that many qualified investors utilize to mitigate and manage these exposures.

Succession Planning

Many countries, primarily in civil-law jurisdictions, require forced distribution of assets at death according to strict laws and regulations. This usually takes the form of percentage shares of assets that will be distributed to spouses, children, and other close relations of the deceased. An EWP Structure executed outside the home country of the owner or policyholder is a method to mitigate these forced heirship rules.

Since an EWP Structure is executed outside the home country of the policy owner, the forced heirship laws do not apply, as the policy will be governed by the laws where the insurance company is domiciled.

This element of EWP provides a wealth holder an excellent method to enact an estate plan that conforms to his/her own wishes, and not be dictated by the forced heirship rules of his/her home country. To be successful this needs to be well-coordinated with all the aspects of an EWP Structure, as well as all the other elements of a wealth owner's financial and legal planning.

International families can eliminate the vagaries of court decisions which hinge on details of the law like *inter vivos* transfers versus testamentary transfers by using an EWP Structure. This will secure their own estate planning wishes using a legally binding contract with no need of court decisions in any jurisdiction.

The laws governing these contracts are written specifically to accommodate international wealthy families. These laws enhance not only succession planning, but provide excellent asset protection, privacy, and tax efficiency.

Compliance Simplifier

For most people a spider's web is not a positive image. For this reason EWP uses a spider's web as a symbol of an overly complicated asset structure with multiple entities and a confusing array of boxes and arrows. In its complexity, what we call a Spider Web Structure might look impressive to some, but the end result is summarized in three words: overcomplication, confusion, and uncertainty.

Our excellent alternative is an EWP Structure, which was born out of the necessity to achieve greater tax efficiency, privacy, and asset protection. The laws and regulations that govern an EWP Structure are made possible through a more stable and straightforward body of law than the more politicized tax laws and regulations worldwide.

FATCA and CRS

The beginning of the end for Spider Web Structures began in 2010 with the birth of the Foreign Account Tax Compliance Act (FATCA). The impetus was to stem the tide of U.S. persons using overseas accounts and assets for the purposes of tax evasion. The structure of FATCA is twofold. First, individual taxpayers must report their qualifying foreign income to the Internal Revenue Service (IRS). At the same time, the Foreign Financial Institutions (FFIs) that hold or process that income must report the identity of their qualifying U.S. clients to the United States.

Nine years later, the Organization for Economic Co-Operation and Development (OECD), at the behest of the G20 and the G8, proposed similar regulations under the name CRS, or Common Standard on Reporting and Due Diligence for Financial Account Information. In fact, some commentators, noting the similarities between the two initiatives, have dubbed CRS GATCA, or Global FATCA.

EWP Structures Enter the Picture

Another strong impetus that favors EWP Structures are unexpected disclosures by the press that aim to discredit worldwide financial centers, and the asset structures that are formed in them. The unauthorized publishing of documents in the Panama Papers and Paradise Papers caused financial documents to be made public that were thought to be private.

Some good came out of these disclosures in that those who sought to illegally hide assets from tax authorities were exposed, but at the cost of discomforting many innocent families who had their financial affairs paraded across the popular press.

These families sought to do no more than Judge Learned Hand adjudicated in 1934: “Any one 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. *Gregory v. Helvering*, 69 F.2d 809, 810 (2d Cir. 1934)

EWP Structures for the most part, escape these periodic, unwarranted intrusions into the privacy of ordinary citizens, since they use a more universally accepted aspect of financial planning.

Complexities of Trust Reporting

When overseas holdings involve foreign trusts, things become significantly more complex. As a trustee, grantor, or beneficiary of a foreign trust, you do not want to make a mistake that could cause significant unplanned negative tax ramifications. The way in which you must report foreign trusts to the IRS varies, depending on the type of trust that’s involved.

For an EWP Structure that is owned by a foreign trust there would be reporting for the owner of the trust, but at the policy level only FinCen Form 114 and Form 8938 are currently required, and, only the total value of the assets in the PPLI policy are reported, not the individual assets themselves.

Why engage in complex trust and entity planning that just produces overcomplication, confusion, and uncertainty—yes, Spider Web Structures? You can definitely accomplish much more with a simple and straightforward EWP Structure.

<u>**Trust Substitute**</u>

The more sophisticated tools gravitate toward the most sophisticated users of these tools. A Stradivarius violin is used by a master violinist and not a beginner. When clients and advisors initially approach us about EWP Structures, they are confused about their uses.

For the most part, what these clients and advisors have read about are the beginning uses of EWP Structures. They have not explored the upper reaches and more sophisticated uses of EWP Structures that employ these structures to their full effect. To keep to our analogy, they have picked up a beginner’s violin, and know nothing of the deep, rich, and more pleasing tone of the Stradivarius violin.

The sixth principle of EWP is Trust Substitute. An EWP Structure can sometimes be used as a substitute for a trust in some civil law jurisdictions. An EWP Structure is also a substitute for existing trust structures that families might be using, and can propel these existing structures beyond the beginner stage of financial planning. This is what we employ for the world’s wealthiest families.

Advisors Don’t Know What They Don’t Know

The confusion about the uses of EWP Structures that we mentioned in our opening paragraph is exacerbated by the system that educates attorneys, accountants, trust officers, and asset managers. There is virtually no mention of EWP Structures in colleges, universities, law schools, and the other training grounds of these professionals.

For instance, attorneys spend time learning the various uses of trusts, so they produce these for their clients, even when they are not always the best tool for the job at hand. *They don't know what they don't know.*

Trusts serve an essential purpose in planning for the world's wealthiest families, but over reliance on them is a grave mistake. If done correctly, the marriage of a trust with an EWP Structure can indeed be a happy one.

A Safe Drive to the Ultimate Destination

We will use a multi-lane motorway or freeway as our analogy to show how EWP Structures are ideally positioned to serve the needs of wealthy families worldwide. Where are EWP Structures positioned on this motorway?

The fast lane is for those drivers who are the risk takers, traveling at ever faster speeds until they hear the sound of a patrol car chasing them down. In the slow lane are those drivers who wish to drive the speed limit, or wish to travel at a leisurely pace to reach their destination. In the middle lanes are those drivers who wish to blend into the flow. Not be the fastest on the road, or the slowest. In the universe of financial planning tools, EWP Structures are traveling in these middle lanes.

These middle lane drivers are avoiding the newest innovations in planning techniques championed by those in the fast lane, and, also, staying away from strategies that accomplish little which are adopted by those in the slow lane. The drivers in the middle lanes will reach their destination safely with little risk of a confrontation with the authorities, who are concentrating on the drivers in the fast lane.

By using EWP Structures, the families driving in the middle lanes accomplish the maximum amount of privacy, asset protection, and tax efficiency, and are fully compliant with tax authorities worldwide.

Is It Legal?

It seems every few months that there is another revelation of a tax dodger using offshore accounts to avoid U.S. taxes. Here is a recent newspaper headline: “The IRS Reals in a Whale of an Offshore Tax Cheat—and Goes for Another.”

Is an EWP Structure just another one of these schemes? Our EWP Structures have existed since the early 1990s with no issues of any kind either from the IRS or the families who have employed these asset structures.

We have no less an authority than the U.S. Government Accountability office (GAO) to validate EWP Structures. The GAO provides fact-based, nonpartisan information to Congress. Jessica Lucas-Judy, a GAO director, writes:

“Obtaining insurance from offshore companies can provide legitimate federal tax benefits, as long as the insurance is genuine and taxpayers accurately report assets, claim appropriate benefits, and pay taxes owed.”

All out EWP Structures are thoroughly researched to compile with all laws and regulations that might apply to them. We undertake this both for our U.S. families and those from other countries throughout the world. A July 2020, GAO report reads:

“Offshore variable life insurance products, which are insurance policies with investment components over which the insured has certain control, may be abused if the individual taxpayer fails to meet IRS reporting requirements or pay appropriate federal income taxes. Federal regulations require that taxpayers with certain foreign life insurance accounts report this information to the IRS and the Financial Crimes Enforcement Network. The structure of life insurance products may vary and taxpayers are required to pay taxes based on the underlying type of financial product the policy represents."

We comply with all requirements for the reporting of foreign accounts. This extends to all tax authorities worldwide and the Financial Crimes Enforcement Network in the U.S. Families are informed of all their tax paying obligations both in the U.S., and any tax authority worldwide that may be involved in the transaction. This is all thoroughly researched before the EWP Structure is put in place.

Can They Steal My Money?

The answer is, "No." Why is this so? Because all your assets are held in separate accounts by a trustee. This is a similar arrangement to having a trust account at a bank. The bank becomes the trustee of the asset, but ownership does not change hands—you retain ownership of all the assets held in an EWP Structure.

Here is an example of how a separate account is defined by one of the key jurisdictions that we use to establish an EWP Structure.

"The assets of the company are segregated into separate accounts that are kept separate from the general assets of the company. The "assets of a separate account" include firstly, the specific assets owned by a company allocated and credited to the separate account. It also includes all income, interest, gains, expenses and losses incurred or earned, in respect of the company's dealing with the assets that are allocated to the separate account in accordance with the terms of the contract that relate to the establishment of the separate account."

Conclusion

Our firm, EWP Financial, serves wealthy families wherever they might reside. We offer the most advanced financial planning tools available to assist them in making the six principles of EWP the building blocks of their asset structures.

As our outstanding track record has proven, the asset structures that we build have remained solid for multiple generations, bringing wealthy families financial security and peace of mind.

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