EWP Stories-3

Expanded Worldwide Planning
International Tax Planning

Stories

Part 3: Tax Shield

EWP adds tax deferral, income, estate tax benefits and dynasty tax planning opportunities. Assets held in a life insurance contract are considered tax-deferred in most jurisdictions throughout the world. Likewise, PPLI policies that are properly constructed shield the assets from all taxes. In most cases, upon the death of the insured, benefits are paid as a tax free death benefit.

The best comment made about the tax benefits of PPLI is from the October 1994 article in *Offshore Investment* by Professor Craig Hampton:

> "I was visiting a gentleman at his home in the Piccadilly district of London. It was explained to me that his net worth exceeded $100 millionU.S. by a substantial margin. I noticed the presence of a computer terminal on a large desk in his den. It was surrounded by reams of paper dealing with offshore investing.

It soon became apparent that his affluence was due to his own efforts when he said to me:

> "You're a bright young man who obviously knows his craft. But what can you tell me that I don't already know about finances?"

I leaned forward and made this simple statement:

> "Through the creative use of international life insurance, your financial affairs can be arranged so that you will never have to pay income taxes for the rest of your life!" The gentleman took serious notice, and thus was born the Hampton Freeze."

The ***Hampton Freeze*** is the name coined for the various PPLI designs developed by Professor Craig Hampton in the early 1990s. These designs were utilized in cases where the premium was over $100M, but can also be employed for PPLI policies with lesser amounts of premium.

Oddly enough many of the tax benefits used for the sophisticated designs like the Hampton Freeze utilize the same tax benefits common to all life insurance policies:

- tax-deferred growth of internal cash value;
- no capital gains tax;
- no income tax;
- ability to access cash value through tax-free loans;
- tax-free death benefit, if structured properly.

This is why savvy, ***wealthy families*** today are employing PPLI 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 tool that has been in use since Ancient Rome—life insurance? This will give you the best tax shield available today bar none.

Part 1

George Allbright was skimming over the arid, parched landscape of New Mexico in his Eurocopter Mercedes-Benz EC-145. This stylishly, well-appointed helicopter, costing $7 million dollars, could maneuver effortlessly between the narrow red-rock canyons near his home. But minutes from his home were some of the poorest tribal communities of the Navajo Nation.

Some of these communities have been compared to Third World countries because of their economic struggles and their lack of basic modern water and energy systems. Most of the state's Pueblo villages, Navajo chapter houses and Apache communities are isolated and have little or no access to the already poor infrastructure in New Mexico.

George's source of great wealth was also a product of sharp contrasts. He was a non-smoker who founded a chain of stores that sold cheap cigarettes. He was raised in a large city, Detroit, yet now was one of the largest landowners in the U.S. He had used his prodigious capital from the sale of his cheap cigarette stores to purchase ranches across the United States.

George skillfully landed his helicopter on the helipad a short distance from his split-level modern home that was cut out of a cliff overlooking acres of pristine desert landscape. He had no neighbors in sight, and he liked it that way.

After his flight, he sat on his veranda overlooking the silent and serene desert, dotted with creosote and mesquite. He savored his favorite single malt scotch, Laphroaig, with its strong peaty taste.

His cell phone vibrated loudly on the glass table. It was a number he did not recognize.

“Hello,” said George.

“Good afternoon,” said a well educated voice. “Let me get straight to the point. We have not met, but my company, Conservation for Nature, would be interested in working with you. You have plenty of land, and we have the expertise to give you excellent tax breaks.” He went on to detail the large tax deductions they were offering.

“Your timing could not have been better. My accountant has just told me that I need to consider ways to reduce my taxes. I have looked into conservation easements before, but the tax deductions that you propose are much better than I have heard of before. Yes, I would be interested, very interested. Please call me back tomorrow.”

George had had a simple plan in amassing millions of acres of ranch land. He wished to keep it away from developers. This is just what conservation easements accomplished.

He also was feeling guilty about not properly figuring out how he was going to pass on his wealth to his family. If he could pay less in tax, he would have more to pass on to his wife and children. This thought gave him pleasure.

George marveled at his good fortune to receive such an opportune call. Was it too good to be true?

A Brief History of Taxation

We will be concentrating on the ‘shield’ aspect of the tax shield, but before we go into more detail, let us speak briefly about the 'tax' aspect of our subject. What is the history of this thing we wish to shield?

In the ancient world there is recorded a system of taxation in Egypt around 3000-2800 BC. Documents show that the Pharaoh would tour his kingdom twice a year to collect taxes. In the Bible, we find this quote,

> "But when the crop comes in, give a fifth of it to Pharaoh. The other four-fifths you may keep as seed for the fields and as food for yourselves and your households and your children," Genesis (chapter 47, verse 24, the New International Version.)

America was tax-free for much of its early history. This changed at the time of the Civil War, when large debts were incurred to fund the war against the South. In order to help pay for the war, the Congress passed the **Revenue Act of 1861**. The tax was levied on incomes exceeding $800 and was not rescinded until 1872.

In 1913, the **16th Amendment to the Constitution** was introduced to pave the way to an income tax by removing the proportional to population clause. It was quickly followed by an income tax on people with an annual income of over $3,000. This tax touched less than 1% of Americans.

World War I led to three Revenue Acts that cranked up tax rates and lowered the exemption levels. The number of people paying taxes in the U.S. increased to 5%, and separate taxes were introduced for estates and business profits.

By 1940, the need for the U.S. to prepare for war and support its allies led to even more aggressive taxation. People with incomes of $500 faced a 23% tax and the rates climbed up to 94%. The average annual income at this time was $1,000. By 1945 $43 million Americans paid tax and the yearly receipts were in excess of $45 billion, up from $9 billion in 1941.

Who Pays the Most Tax Today?
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.

Part 2

Jack Newcastle pursued his position as a lawyer at the IRS's Global High Wealth Group with zeal. Many of his colleagues would call Jack a zealot. He was an unabashed crusader against abusive tax schemes.

What was not so common knowledge was that his grandfather's law firm was destroyed for backing one of these abusive tax schemes. Because of this, the life of a rich, successful partner at a major law firm was denied to Jack. Jack sought revenge on those who had robbed him of his prestigious partner position.

Jack was walking down H Street, heading towards the Treasury Building. His mind felt dull, far from the clear, scientific thinking required to succeed on his current audit case. The Baroque grandeur of the city plan of Washington D.C. was lost to him.

Jack was lost in thought about the latest developments at the office. He was part of the Global High Wealth Group audit team that was undertaking an audit of Conservation for Nature, the company that had contacted George about the purchase of his land.

Things were not going well on this audit. The promoters of this syndicated conservation easement scheme were successfully bending the law to their advantage at every turn.

A conservation easement, in its original, legitimate form, is granted when a landowner permanently protects pristine land from development. In that scenario, the public enjoys the benefit of undeveloped land and the taxpayer gets a charitable deduction.

By contrast, these promoters were finding appraisers willing to declare that land parcels purchased by the promoters have huge development value, and thus were worth many times the purchase price. They then were selling stakes in the deal to wealthy investors who extract tax deductions that are often five or more times what they put in.

The Global High Wealth Group was introduced with the aim of stopping just this type of unscrupulous promoters. Unfortunately for the IRS, the Global High Wealth Group was not working as expected: with bureaucratic end-fighting and being woefully underfunded, the initial euphoria at its launching was short lived. They also had experienced no steady leadership with three directors in the past five years.

At the beginning of the audit, the promoters seemed easy targets. But as they progressed with the audit, they realized that they were dealing with more savvy characters.

All this brought Jack to his office in a sour mood.

Jack’s cell phone rang. He did not recognize the number, but answered anyway, “Hello.”

“Jack is that you,” said a strangely familiar voice.
“Yes.”
“This is George.”
“Man, it’s been a while.”

George telephoned Jack because he remembered that he had taken a position at the IRS, and he might know something about Conservation for Nature. After a few minutes of catching up, George asked him about Conservation for Nature, and was told about Jack’s ongoing audit.

They agreed to speak the following day, as Jack had reached the Treasury Building, and needed to go into his office.

George felt the pleasure of connecting with an old friend, but he knew the story of Jack’s grandfather, and how bitter Jack was at having to accept a position at the IRS. Jack gave only negative comments about Conservation for Nature. Could Jack be trusted? Would his advice be tainted by his personal history?

PPLI Benefits U.S. Persons with Real Estate

The benefits of using PPLI for U.S. persons investing in real estate in the U.S. are substantial. Why don’t more U.S. persons take advantage of these benefits? We maintain that it is because of profound misunderstandings about the **Investor Control Doctrine** and the diversification requirements of variable contracts under IRS code section 817(h).

Ironically, these misunderstandings have been clarified by the Webber decision, Webber v. Commissioner, 144 T.C. No. 17 (June 30, 2015). In the popular press, and in many tax journals, this same Webber decision was interpreted as the ‘nail in the coffin’ for PPLI.

Let us explore how the Webber decision makes it clear that in a properly structured PPLI policy, U.S. real estate can be held and still be fully compliant with the IRS. We will do this through the lens of what the Webber decision tells us about the Investor Control Doctrine and the diversification requirements of variable contracts under 817(h).

These are the key points of the Webber decision that support the inclusion of U.S. real estate in a properly designed PPLI policy:

✦The egregious flaunting of what is known as the Investor Control Doctrine by Jeffrey T. Webber, William Lipkind, his attorney, and the manager of his Insurance Dedicated Fund (IDF) (Butterfield Bank) has blinded advisors and their clients to an essential point in the tax court's decision. Judge Lauber, the presiding judge, found no objection to the private companies and other investments that were placed as in-kind premium in the two PPLI policies that were in question. There is nothing in the rules regarding PPLI either before or after Webber which would prohibit the use of private company securities, actively operated and closely business interests, and real estate enterprises within a policy IDF or Separately Managed Account (SMA).

✦The Tax Court's key issue was the fact that Mr. Webber was on the board of every company in which the policy invested, invested his own funds from his personal wealth and his IRAs, and that he negotiated the terms of every loan on behalf of the company and then gave the instruction to Mr. Lipkind and Butterfield Bank. The court states, "The record includes more than 70,000 emails to or from Mr. Lipkind, Ms. Chang (Webber's accountant), the IDF Investment Manager, and/or Lighthouse (the insurance company) concerning petitioner's "recommendations" for investments by the separate accounts. Mr. Lipkind also appears to have given instructions regularly by telephone."

✦IRC Sec 817(h) provides a detailed overview of the investment diversification requirements of variable insurance products. The regulations address a wide range of investment alternatives that are not found in retail variable life and annuity products such as direct investment in real estate, and commodities.

✦Treasury regulations 1.817.5 provide very detailed guidance on the investment diversification rules. The regulations interpret these rules for investment asset classes such as real estate, and allow for a period of time to meet the diversification requirements of IRC Sec 817(h). For non-real estate accounts, the regulations provide for a one-year period to meet the diversification requirements. Real estate accounts provide for a five-year start up period and a two-year liquidation period.

✦The court states: “The “investor control” doctrine posits that, if the policyholder’s incidents of ownership over those assets become sufficiently capacious and comprehensive, he rather than the insurance company will be deemed to be the true “owner” of those assets for Federal income tax purposes. In that event, a major benefit of the insurance/annuity structure--the deferral or elimination of tax on the “inside buildup”--will be lost, and the investor will be taxed currently on investment income as it is realized.”

✦It is clear from reading the Webber decision that, if Mr. Webber had followed the very language stated in his policy, his PPLI structure would have worked, and complied with the Investor Control Doctrine and the diversification requirements of 817(h). The court record reads: “As drafted, the Policies state that no one but the Investment Manager may direct investments and deny the policyholder any “right to require Lighthouse to acquire a particular investment” for a separate account. Under the Policies, the policyholder was allowed to transmit “general investment objectives and guidelines” to the Investment Manager, who was supposed to build a portfolio within those parameters.”

Part 3

When Jay Edwards began a land appraisal project, he had a single goal—to produce the highest valuation possible. He had had 30 years to hone his skill of inflating appraisals. When he had done retail appraisals at the height of the refinancing boom in the early part of this century, his services were in high demand.

The promoters at Conservation for Nature, want a high valuation, because that in turn produces a large tax deduction for its investors. On one deal in South Carolina, they had acquired a property of 28 acres for $1M, then raised about $9M from investors who bought the property.

The investors made an easement donation based on a claimed value for what the land would be worth if developed as a multifamily resort. Jay's appraised projection produced a tax deduction of about $39M. The tax write off for investors: $4.00 for every $1 invested.

Of late, the promoters at Conservation for Nature, were pressing Jay for higher and higher numbers. His increased consumption of cigarettes and alcohol was keeping pace with these higher numbers. A number that was going in the opposite direction were his hours of sound sleep. He could not remember when he had last had a restful night's sleep.

Jay had become a character in an old joke; the one the Mafia hired. It went like this.

The Mafia needed a new accountant, so they interviewed three people. They asked the first interviewee, "How much is 2 + 2?"

"Four," he answered.

"Sorry, that's not right," said the Mafia boss.

They asked the next candidate, "How much is 2 + 2?"

"Four, of course," he said."

"That's not right," said the Mafia boss.

They asked the third accountant the same question.

He responded, "What number do you want it to be?"

The Mafia boss said, "You're hired."

The joke was now becoming stale. Conservation for Nature was being investigated by the Department of Justice. The Tennessee state real estate appraiser board brought a formal complaint against Jay, after a detailed review of one of his easement appraisals found an inflated valuation riddled with errors and omissions.

Threatened with loss of his Tennessee license, Jay voluntarily surrendered it instead. However, he continued to work for Conservation for Nature in states where the appraiser for a conservation easement was not required to be licensed by the state, and continued to ply his disreputable trade.

PFIC + Subpart F + GILTI = All Redefined with PPLI

Distributions from a properly structured PPLI policy are distributions from a life insurance policy. Like all policies, both U.S. and issued in other jurisdictions around the world, the distributions are subject to the tax code sections that apply to life insurance.

In a properly structured policy, one can withdraw all basis in the policy, which are the premiums paid, tax free, and take very low cost loans to withdraw the remaining funds. The costs of these loans is equivalent to an administrative charge, and is usually in the range of 25 bps. When the policy is held until the death of the insured life, the amount of the loan is merely subtracted from the death benefit, therefore, the loan need not be repaid.

The 2017 Tax Cuts and Jobs Act (TCJA), has brought an increase in taxation for those who have subpart F income. Just like Passive Foreign Investment Company (PFIC) income, subpart F income can be structured inside a PPLI policy, and, therefore, shielded from tax. PPLI has been used for many years to shield PFIC income.

TCJA gave us a new section of the tax code, Section 951A. For those who have an interest in a controlled foreign (CFC), particularly if they are not C corporation shareholders, there is a new opportunity to use a PPLI structure to shield this income from tax. Section 951A gives us Global Intangible Low-taxed Income (GILTI), which if held in other than a C corporation, has very unfavorable tax consequences that can be greatly mitigated by using PPLI.

Hedge Fund Life Insurance

One distinct benefit of a PPLI policy is the ability to place tax inefficient investments like hedge funds into a tax-friendly environment. Some advisors have even coined the term, Hedge Fund Life Insurance, to highlight the advantages of combining hedge fund investments and life insurance into one tax-advantaged asset structure.

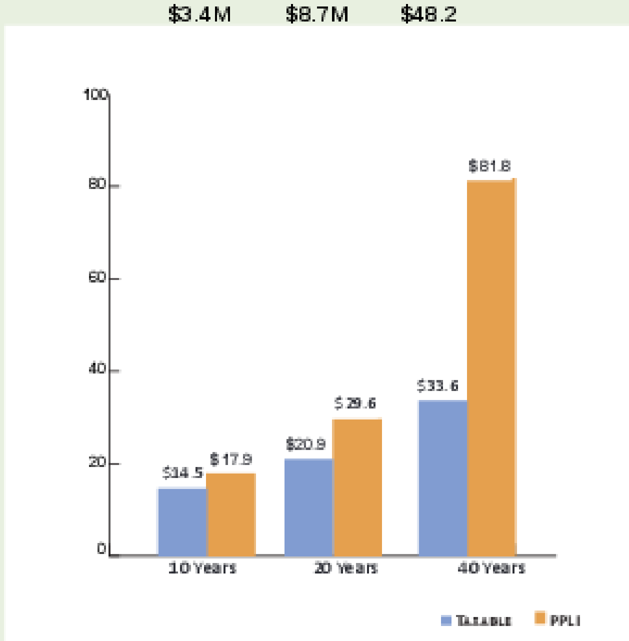
The numbers tell an excellent story in the chart below.

PPLI TAX BENEFITS VS. FEES AND EXPENSES

PER $10 MILLION INVESTED

Assuming identical gross return rates of 6.5% per year, assets in PPLI reach substantially higher levels over time because the income and **capital gains generated are not taxed.**

$3.4M $8.7M $48.2



1. Assumes a 6.50% return net of investment management fees and advisor fee in the PPLI separate account.
2. Assumes a hypothetical combined tax rate of 49.62% on taxable earnings (37% federal, 8.82% NY state, and 3.8% net investment income) and 20% tax rate on dividends and long-term capital gains. Hypothetical split is 60% short-term gains (ordinary income) and 40% long-term gains and dividends. Actual results will vary.
3. These calculations make assumptions as to future investment returns, mortality costs and administrative expenses that are not guaranteed. Actual resuts may be higher or lower. The contents of this chart are provided strictly for informational purposes.

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The chart compares a taxable investment to one held in a PPLI account over the long-term. The very clear winner is the PPLI account. Even over a ten year period there is more than $3M more in the PPLI account. The chart does not even show the death benefit which is always more than the cash value account. In a properly structured policy, the death benefit is also tax-free, making a PPLI asset structure the undeniable victory in the quest for tax efficiency.

Part 4

George had spent the last evening researching conservation easements, and concluded that they were a good thing. He had also reviewed his tax situation, and realized that the tax deductions that they offered would reduce his tax bill significantly. Perhaps he should work with Conservation for Nature. He had plenty of land, and they had the years of experience. A good combination, he thought.

Later in the morning, Jack telephoned. He spent nearly an hour telling George that the promoters at Conservation for Nature were crooks, and that George should definitely stay clear of them.

Now George was perplexed. He trusted Jack; they had been good friends ever since their time in Detroit. Jack was giving him very concrete reasons why he should not do business with this company. He decided to reevaluate.

A few minutes after his call with Jack, his cell phone buzzed noisily on the glass table in front of him. He jumped up suddenly. He had survived serving in Afghanistan, that is where he learned to fly a helicopter, but loud, sudden noises were still a problem for him.

“Hello, George,”
“Yes?” George said in a wary tone.
“I am calling you back from Conservation for Nature.”

The voice was no longer polished and sophisticated. The caller was drunk, and he knew who it was. An old college friend of his, they used to go out drinking together. Jay could barely articulate his words. Odd that he could now recognize the voice.

He knew Jay well. Jay still owed him money. Jay was the kind of guy who would sleep with his best friend's wife.

Jay was desperately trying to launch into his well rehearsed sales pitch about the company he was working for—Conservation for Nature, but was hardly intelligible. That was enough for George.

"Good bye, Jay. Please don't ever call me again."

The Tax Savings Are Very Significant

Let us summarize the tax advantages of holding investments in a PPLI asset structure:

✦Tax-deferred "inside build-up" of policy cash values. The industry has preserved the tax preferred treatment of life insurance for decades.

✦Non-recognition of capital gains. The policyholder has the ability to switch investment options within the product without triggering taxation. Life insurance separate accounts are legally the owners of the investments within variable insurance products. The life insurer receives a reserve deduction equal to its investment income.

✦The policy's basis is its cumulative premiums. Once the policyholder has recovered his basis in the contract, the policyholder has a contractual right to a policy loan which allows the policyholder to borrow up to ninety percent of the policy cash value. Policy loans with a net cost of approximately 25 basis points per annum also receive income tax-free treatment. The policy loan is subtracted from the policy's death benefit, so it never has to be paid back.

✦Income tax-free death benefit. The policy cash value grows on a tax-free basis. The policyholder can access investment gains within the policy on a tax-free basis during lifetime, and beneficiaries receive the death benefit income-tax free.

✦Estate tax-free death benefits through the use of third party ownership of the policy, such as an irrevocable life insurance trust ("ILIT"). IRC Sec 2042 provides that as long as the insured does not retain any incidents of ownership within the policy, the death proceeds will not be included in the taxable estate of the decedent.

PPLI Benefits Non-U.S. Persons with Real Estate

There are many obstacles that non-U.S. persons face in 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. Adding PPLI in combination with trusts and LLC elements eliminates or mitigates these taxes.

Here is a list of the obstacles faced by non-U.S. persons investing in U.S. real estate:

✦Effectively Connected Income (ECI): Although non-U.S. investors' gains from U.S. stock are generally not taxable, income and gain from their real estate investments are generally taxable under the ECI rules. Specifically, rental income and/or gains from the sale of U.S. real estate are both generally treated as ECI. U.S. source rental income allocable to a foreign investor is typically not entitled to any treaty preferences. ECI is generally taxed to such foreign investors under the same tax rates that apply to U.S. taxpayers, and foreign investors that receive ECI are required to file U.S. federal and state income tax returns. Finally, the the Foreign Investment in Real Property Tax Act (FIRPTA) rules described below can also transform sales of stock (or other equity interests), and/or capital gain dividends from REITs into ECI.

✦FIRPTA: Enacted in 1980 to combat perceived unfair advantages for foreign investors in U.S. real estate, FIRPTA imposes significant taxes on dispositions of U.S. real property interests. Specifically, Section 897 of the Internal Revenue Code of 1986, as amended, essentially treats such gain as ECI. In addition, complicated withholding tax rules apply with regard to U.S. counterparties in such transactions.

✦Non-US Regulatory Concerns: In addition to U.S. tax issues, non-U.S. investors can have non-U.S. tax and regulatory concerns. For example, non-U.S. investors may need to comply with certain informational reporting requirements in their home jurisdictions.

Significant investment capital for U.S. real estate transactions and funds has been and will continue to be raised from non-U.S. investors. In light of this fact, it is important that real estate advisors, investors, and owners understand the tax challenges, as well as the potential solutions, involved when non-U.S. investors invest in U.S. real estate. PPLI is an integral element in these solutions.

Part 5

George sought the solace of flight. He needed to sort things out.

Lifting off his helicopter into the desert at sunrise in the relatively cool of the morning, he knew answers would come to him. Not through pressing, but by letting go of the questions, so the answers would appear without effort. This was his time-honored method of solving problems.

His own desert property was about 5,000 acres, adjacent to the Navajo Nation that was 17.5 million acres. He only wished that geographic size mattered for the Navajos. That they had been given what they deserved for their land.

A certainty gripped him as he sped low atop a treeless mesa where the bottom would unexpectedly drop out from under him to reveal a spectacular panorama below. He enjoyed this jolt, like what you feel on a roller coaster ride when you descend without warning from a long slow ascent.

A few minutes on the phone with Jay did what all Jack’s well reasoned arguments could not do. If Jay worked for Conservation for Nature, it was not a company he would do business with.

Yes, he could use a tax deduction, but not one that would land him in trouble with the government. George wished a structure that was simple and straightforward like himself. Where would find such a structure? He did not know, but the search would now begin.

He was satisfied. George had learned to live with contradictions and not let them bring him down. These internal struggles could produce something higher, if you handled them properly. His life was a testament to this proper handling. “Keep your eye on the answer, not the problem,” he told himself with a smile.

Outstanding Results Realized

We will compare the various structures generally used by non-U.S. persons for investing in U.S. real estate with the addition of PPLI. Adding the PPLI advantage is a cost-effective way to give clients additional return on their investments and legitimate, enhanced privacy in their structures.

An insurance solution using PPLI or a Private Placement Variable Annuity (PPVA) contract can greatly simplify or eliminate many of these issues and make long term investing even more appealing.

All foreign Investors are exposed to a myriad of US tax consequences, including withholding taxes (30%), capital gains, and even U.S. Estate Taxes. Life insurance, and specifically PPLI, is a well-established tax and estate planning tool that many qualified investors utilize to mitigate and manage these exposures.

Most structures can remain intact with the simple addition of a compliant life or annuity policy. PPLI can accommodate most custodians, managers or funds, making the transaction as simple to set up as a trust.

PPLI also provides simplified reporting and confidentiality. The policy is reported once, and not the assets held or underlying investments. The owner reports a life policy, and not that they are investors or hold assets in the U.S.

The Summary Chart below compares using PPLI with other commonly used structures. The small additional expense of adding PPLI to a structure gives the non-U.S. person many additional benefits that cannot be achieved otherwise.

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PPLI with IDF vs. Other Real Estate Structures

	Trust with LLC	Dual Corporation	Individual & LLC	PPLI with IDF
Capital gains tax on gain	20%	35%	20% (if over $400,000, 15% or less)	0%
Medicare tax at 3.8%	Not necessarily	No	No	0%
Files tax returns in personal name	Not necessarily	No, but need to disclose foreign shareholders and related party transaction	Always	No
Excess interest expense carries forward to offset gain from sale.	Yes	Yes	Yes, but limited	No
30% withholding tax on related party interest payments	No	Yes, unless treaty jurisdiction lender	No	No
Limits on deductibility of interest expense	Yes (90%)	Yes (60%)	Yes (80%)	No
Estate tax protection	Yes	Yes	No	Yes
Distribution creates additional withholding	No	Yes	No	No

If an EWP Structure had been used….

If an EWP Structure had been used, these salient features would have been of great benefit to George.

- An EWP Structure is a holistic tax shield. Once assets are placed in an EWP Structure, they are exempt from income tax and capital gains tax. No need to seek out patently fallacious tax deductions like those offered by Conservation for Nature.

- If George had had his chain of cigarette stores in an EWP Structure, he would have paid no capital gains tax when he sold it. As it were, he paid tens of millions in tax.

- When George began purchasing ranches, these purchases could have been made inside his EWP Structure with the funds he received from his cigarette stores. Each of these ranches would become a separate investment inside his Structure. He could buy and sell ranches inside the Structure with no tax consequences.

- Upon George's death, all the ranches would pass tax-free to his heirs in a properly designed Structure. All appreciation in the ranches would pass tax-free to his heirs. There is currently a provision for a step-up in basis at the death of the owner of real estate in the tax code, but this can be easily taken away with a change of administration in Washington D.C. At this present time, it is rumored to be under consideration for removal from the tax code.

Please ***Contact Us*** for any questions you may have.

by Michael Malloy, CLU TEP RFC.

CEO, Founder @***EWP Financial***