

# THE PURE CONTRACT TRUST USER MANUAL

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## SECTION 1 — HOW TO ACTIVATE THE PURE CONTRACT TRUST

The Pure Contract Trust will not become a meaningful instrument for you, nor will it protect you and preserve your assets, until you accomplish the following steps. These steps should be accomplished as soon as possible after you receive your documents.

The Pure Contract Trust has been very carefully designed to provide the Managing Director(s) (through the Minutes of the Trust) the power to manage and enjoy the assets of the Trust. Since this is a "do-it-yourself" document, you must, with diligence, accomplish some very necessary procedures. In order to protect your privacy, you are going to establish a new identity insofar as any official records are concerned, i.e., you may no longer hold title to any real or personal property, bank accounts, IRA, annuity, or any other types of accounts which are of public record.

Having purchased the use of a Pure Contract Trust, you've created a "sovereign individual entity" that operates according to Hale v. Henkel. Now you have to make some further strategic decisions:

- Do you personally want to operate as a sovereign individual, or as a "person" subject to statutory jurisdiction? If you receive social security payments, pension checks, medicare benefits, etc., you may want to continue operating as a "person" subject to statutory jurisdiction.

- If you decide to change your status to sovereign individual, then you need to choose between two major approaches for doing this:

(a) You "go the whole hog" and rescind your birth certificate, social security number, driver's license, car registration, etc.;

(b) You use the Build Freedom Sovereignty [Affidavit of Truth](#) to declare your sovereignty — while retaining your social security number, etc.

- Which assets and activities will be owned and performed by you personally, and which by the Pure Contract Trust?

### **Checksheet of Steps You Need to Take**

Please check off the steps as you complete them.

Make the personal sovereignty decision.

If applicable, decide which personal sovereignty approach you want to use. Implement your decision.

Decide which assets and activities will be owned and performed by you personally, and which by the Pure Contract Trust.

Have your signature(s) notarized (on page 2 (as "second party") and page 3 (as "Managing Director") of the "Agreement and Contract" that follows immediately after the "Minutes").

- In the Minutes of the Trustee Meeting, it was voted that the Managing Director(s) would enter into an Agreement and Contract to manage and administer the business matters of the Trust. By signing first as accepting the appointment and then agreeing to the contract (both signatures in the presence of a notary public), you legally become the official Managing Director(s). Without the notarized signatures, you have no contract.

Obtain a PO Box or maildrop address which is solely for the use of trust business. Ideally this address should not be linked to you personally, e.g., you establish this address without showing personal ID that will establish a link to you. A "friend" could establish the address for you and give you the keys. Or you could pay a "homeless person" with ID \$25 or \$50 to do it for you.

- Do not have personal mail sent to that address, nor any trust mail sent to your home address.

- For extreme privacy and security, you could organize your affairs so no banks, utility companies, credit bureaus, or government agencies know your physical address. To organize this, utility accounts need to be opened in names other than yours.

\_\_ Read the entire Pure Contract Trust document several times to become thoroughly familiar with its content. Study this entire manual thoroughly. Then review the reports of the Pure Trust Package.

\_\_ Appoint a Certificate Holder.

- Who do you choose? A trusted friend or family member who will speak or act for you if you cannot speak or act for yourself. He or she is the protector of the Trust, much like an executor of a will, and should be someone who can be trusted to fulfill the instructions left in the Minutes regarding the Trust estate and affairs.
- As soon as possible, write a letter of instructions to the Certificate Holder. It could be compared to writing instructions to the executor of your estate. Write it like you are going to leave this world as soon as you sign the letter.
- Write the Certificate Holder's name on the Certificate in pencil. This is to give you maximum flexibility to appoint a new Certificate Holder, should this become necessary. Also write the Certificate Holder's name in pencil on page 2 of the Minutes on the line just before the words "100 Units."
- The Certificate Holder can also be a second trust. (In other words, the second trust can be a Certificate Holder of the first trust. Rather than an individual, the Certificate Holder is another trust.) Either the Certificate Holder or Managing Director of the second trust would then perform the function of Certificate Holder for the first trust.

\_\_ Name the Successor Managing Director(s).

- A Successor Managing Director needs to be named in the Minutes for the Certificate Holder to appoint in the event of the demise of the current Managing Director(s).
- If there is more than one Managing Director named in the Minutes and in the event of the demise of one of the Managing Directors, the Trust will continue on without interruption by the other Managing Director(s). However, in the event of simultaneous passing of all Managing Directors, the Successor Managing Director(s) would take over.
- Think of the trust as a horse and you, the Managing Director, as its rider. If a rider of a horse dies, you don't kill the horse, you don't give it a new name, you don't change its director, you don't change ownership... you just get another rider. So who do you want to ride the horse? Who do you want to take over if something happened to you today?
- If you died today, and you had a chance to look over your shoulder, what do you need to tell the new rider? Who is left behind? Are they mature enough, do they know enough, and if you named them as Successor Managing Director, could they do the job?
- For your children to be named Successor Managing Director, they need to be over 18 years old and mature enough to handle the affairs of the Trust. If necessary, select someone else you trust

(e.g., a brother, aunt, or uncle) and bring them into the picture. You contractually tell them in writing everything you want them to do:

"In the event of my death, there is a letter in the top left hand drawer of my desk. It's made out to you and it will give you specific instructions — where the documents are, what you need to do. I need you to manage the trust for my children, teach them all they need to know, and when they reach the age of 25, turn the trust matters over to them, by appointing them Managing Director(s)."

- Since your power to contract is unlimited, the only real limit to your contract powers is your imagination. For example, you may have an agreement which states that if the successor managing director accepts the position, his acceptance is also his resignation effective 24 months from today.

- Your three children can be made co-managing directors upon the death of both you and your spouse, and any trust transaction over \$5,000 must be signed by all three.

\_\_\_ Open a bank account for the trust (if you so desire).

- See [Section 2](#) — Banking.

\_\_\_ When the checks arrive, write a blank check payable to the name of the trust and sign it.

- It does not have to be the very first check in the book. Do not date it or put any amount on it. This can be used in the event of the demise of the Managing Director(s) by the Successor Managing Director(s) to withdraw funds and open a new account for the trust for them to manage.

\_\_\_ List the real property that will be exchanged into the trust (example, land) on 'Schedule A' — page 18 of the trust document.

- The proper language to use is "exchange it for units in the Trust." This is for unencumbered property. If there is a mortgage on the property, a lien may be placed on the property by the Trust. This assures that, in the event of your death, the equity in the property would become the property of the Trust if the property were to go through probate.

- You may need to re-record the trust document in the county where you have any real property that you wish to exchange into the Trust. If you want to do this, you may want to use the extra cover sheet provided at the time you obtained the trust document. Record the nineteen (19) pages of the Contract and Declaration of Trust (extra cover sheet plus 18 pages that follow). **DO NOT RECORD THE MINUTES OF THE TRUST.** The county recorder charges between \$20 and \$40 to record the document, depending on the county. It may take several days for the recording process. Some counties require that you indicate in the upper left-hand corner of the Cover Sheet the wording, "MAIL TO: (Your name and address)," even when you request to pick up the originals on the appointed date. You may want to use (on a temporary basis) another address. When you have completed all the recordings, you may then want to close out the temporary

address, or not renew it. Do not use your home address! On the other hand, if the county does not require you to fill in the "MAIL TO:" information, pick up the originals yourself. The official date and time of recording is usually the time when you first hand the documents to the recording clerk, however, it would be a good policy to inquire on this matter at the time of filing. In general, it's better to personally pick up anything you have recorded, rather than having it sent to you by mail.

- If you're not exchanging any real property into the Trust, it's not necessary to re-record the trust document. Nor do you have to file the trust when recording a lien against any real property. Keep the titles to any real property exchanged into the trust with the Minutes in a safe place. Keep titles to property held in your personal name separately.

\_\_ Exchange real property into the trust.

- See [Section 3](#) — Exchanging Real Property

\_\_ List any personal assets to be exchanged into the trust on 'Schedule B' — page 19 of the trust document.

- It's not necessary to name every cuff link and garden rake, just the main items of value — valuable tools and equipment, jewelry, camera equipment, guns, furnishings, artwork, furs, etc. The phrase "and all other personal articles" can be used to describe the miscellaneous items. The list should also be included with the Minutes.

\_\_ Decide how to handle your vehicles.

- Change all vehicle insurance coverage into the name of a trust (if vehicles are free and clear).
- If the title to the vehicle is in the name of the trust, and if the vehicle is free and clear, the individual may obtain insurance coverage on himself as the driver of the vehicle (much like for a rental car) in his individual name and name the trust as Lien Holder and as an Additional Insured. Allstate Insurance is one carrier known to issue such coverage. Typical requirements are \$100,000/\$300,000 plus \$50,000 property damage. This should eliminate having to secure commercial insurance.
- Place Mechanic's Liens on the vehicles (see [Section 4](#) — Liens). Whether vehicles are owned by a trust, or not, liens should be placed against them by a trust. This is advisable, whether they are owned free and clear, or whether they are being financed.

\_\_ Change your life insurance so that the Owner and the Beneficiary are the trust.

- A life insurance policy needs to be owned by the trust, and the trust needs to be the beneficiary as well. Obtain from the life insurance agent an Assignment of Ownership and an Assignment of Beneficiary to make the changes. The trust then makes the premium payments. Otherwise, the proceeds go into your estate and are subject to probate. If the spouse is the beneficiary, the

proceeds go into his/her estate without probate upon the first death, and are then probatable upon the spouse's death.

\_\_ Change the name of the owner of any investments you have to the name of the trust.

- The trust will now be the investor, not you. The investment can keep earning without income tax consequences. Merely tell the holder of your investment that you want to make a name change.
- You cannot exchange such assets as IRAs and tax deferred annuities without first cashing them out and paying the taxes. You can leave the IRAs and tax deferred annuities untouched, but you risk losing them to an attacking attorney. Use the Minutes of the contractual agreement to accomplish this exchange. County recording is not necessary.

\_\_ Transfer the details of your will into the Trust Minutes.

- If you'll retain some assets in your name, then you'll need a will that covers only these assets. If at a later time some of your property is exchanged into a trust, then you need to draw up a new will that only covers the assets you personally own after the exchange.

Even if you have no assets or very minimal assets, you probably still want a will, so that the portion of your affairs which remains in your personal name is handled the way you would like. Chances are that you'll use trust(s) for a substantial portion of your assets, maybe even most of your assets. Likely still remaining, however, will be at least some assets (even if only of small value), various keepsakes and family heirlooms, furniture, and other such items. Of course, even *these* sorts of things can be placed in trust(s). However, you may still want to allow an Executor you appoint the option of probating (under a will) the smaller remaining portion because: (1) Some items may become a part of your personal belongings after you've established the trust(s) and for one reason or another they don't end up in the trust at the time of death. (2) Some items may be overlooked and the will can act as your "backup" to cover these items. (3) You may want to intentionally keep some personal belongings such as furniture in your personal name (except rare antiques or other very valuable furniture which might be better protected in the trust(s)). One reason for doing this would be to "blend in," in the sense that self-described "authorities," lawyers, and others who might for one reason or another scrutinize your affairs after your death, would not then have reason to believe something was unusual about your affairs. It's just possible that it's "lower profile" to show to the world in your own name some of the normal sorts of possessions most people have, so that there's less reason for anyone to think you may actually have been much more sophisticated in the handling of your assets and affairs (e.g., your clever use of trust(s)!).

In most states, estates of under a certain value (for example, \$30,000 or \$50,000 or other amount depending on which state) are not required by statute to be probated. All estates may be probated under statute, but for estates under the statutory limit it's not required.

In using trust(s), chances are that in good faith and well in advance of death, you're making it so that the value of your estate is likely to be below the statutory "probate required level." However,

you may still want to allow an Executor you appoint the option of probating (under a will) the smaller remaining portion because: (1) It's possible assets could end up in your personal name after you do the bulk of your trust(s) efforts but prior to death; in this event, you'd want to make sure that probate is handled as you wish. It's difficult to know in advance, for positive sure, whether this will happen or not. (2) Even if the assets in your estate end up being below the "probate required level," you may still want to have the estate probated.

Why is this so? In some cases, probating this smaller remaining portion would finalize matters concerning your estate sooner (as an example: you could have your Executor/Personal Representative (PR) "close out" your estate ("finalize it" by court order) within a matter of months after your death rather than having to wait until a 2 or 3 year statute of limitations ran out for claims that "this estate should be opened for probate"). In some cases, however, the act itself of probating the estate may be higher profile than not probating it (reason: various "publication" requirements under the probate statutes make the act of probating itself a matter of published public record — this "high profileness" can be somewhat mitigated by making such publications in the most obscure legal journal available).

Interim summary: If your estate (property outside of trust(s)) does indeed end up below the "probate required level," your Executor/PR should have the option of deciding whether or not to probate. You could discuss the matters raised in the preceding two paragraphs with your Executor/PR in advance. You can be very firm to your Executor/PR on this decision, or allow substantial discretion on the part of the Executor/PR. You can do this by some combination of: (1) Oral instructions before death; (2) "Letter of Last Instructions."

**Brief background on intestacy statutes:** In most states, if you have no will and your estate ends up being probated, the estate is probated under the intestacy statutes in the state of your last legal residence.

Having no will is no guarantee your estate won't be probated. How could a probate occur even without a will? (1) The value of your estate (assets you didn't place properly in trust(s)) ends up being above the "probate required level." Or, (2) a "legal heir" or creditor of the estate demands a probating.

If there's no will, "legal heirs" may demand a probating in a Probate Court. "Legal heirs" are those who have a legal right to inherit your assets by certain percentages and in certain prescribed order of priority, under statute, if you have no will. In most states, the first legal heir is a spouse, if any. Next in line are children, if any. Next after that are parents, if still alive. (In some states, parents may come before children.) From there, the order may vary from state to state and includes such categories as siblings, grandchildren, and so on.

If you have a will appointing a trusted Executor/PR to look after the non-trust-protected portion of assets, then you probably stand a better chance of avoiding probate. If you don't have a will — and you have enough property (not in trust) that a "legal heir" or creditor might be interested in having a probating — then a Probate Court will appoint an "Administrator" to look after your estate. Such an Administrator may not be a highly trusted person you'd prefer — you've given

up control of who looks out after your estate. (To emphasize again, this applies only to assets you haven't placed into trust by proper methods.)

**How to Actually Execute the Will in a Low-Profile Way:** To avoid undue intrusion into your financial affairs, you could use one of the widely-available "Do-It-Yourself-Will Kits" which are readily available from legal services/supply stores, "Mail Boxes Etc. USA," specialty stationary stores, and similar retail outlets. Follow the instructions for witnesses, recording at the county recorder, and so on. They're designed for ordinary people with no prior legal background to do it themselves.

If you must use a lawyer, mention only the assets you intentionally are not placing into any trust(s). Those are in fact the assets which will be part of your estate. If the lawyer asks about other property he/she thought you might have once had, simply say those assets no longer belong to you (if the lawyer is really nosy, you could say a "family entity now owns them" or a "company entity now owns them"). Keep in mind that lawyers have a vested interest in protecting the "system," particularly the probate system. They get bigger fees, the more assets that pass through conventional probate without trust(s). The explanations offered in this paragraph should be sufficient to answer any questions. Property that no longer belongs to you personally has nothing to do at all with your estate!

The preceding thoughts about wills apply to property you still personally own. Most of the assets that once belonged to you personally you have at the point in time discussed herein probably exchanged into trust(s), well in advance and in good faith. You, as Managing Director(s), through the Minutes of the Trust(s) instruct the Successor Managing Director(s) as to how the assets should be handled or distributed. In effect, the Minutes "becomes your will" (for the assets in trust). It should be remembered that it's not necessarily wise to attempt too much control from the grave. Properly-trained Successor Managing Director(s) assure a successful on-going Trust.

Once the trust has become "operational," the Minutes detail your wishes to the Successor Managing Director(s).

## SECTION 2 — BANKING

### Introduction

How you handle your banking transactions is very important to the privacy and safety of your assets. To some extent, "regular banks" operate as snitches for the IRS and other government agencies. According to the U.S. Supreme Court, bank records don't enjoy any privacy protection — see [Report #PCT06](#).

Another factor to be considered is the likelihood that the US\$ will be completely wiped out during the next 5-10 years. In that case all \$ bank deposits and other \$-denominated instruments such as social security, retirement funds, insurance policies, mutual funds, company stock, CDs, government and corporate bonds, etc. will become worthless — or very nearly so.



For greater privacy, safety, and security, consider using the Anthony Hargis gold bank in Orange County, California. Mailing address: Anthony L. Hargis & Co., 17220 Newhope St. #201, Fountain Valley, California [92708]. Phone: (714) 957-1375.

### **Trust Recording Number**

The trust document has been filed in the official public records of the County indicated on the cover page of the document. The Recording Number is the official identification number for the document and can sometimes be used for opening a bank account and other such matters where an identification number is required.

The recording number consists of 9 digits. This recording number appears on all the pages of the document that have been filed with the County Recorder's office. Note that in Maricopa County, Arizona, the County Recording number which appears on the pages following the cover page has only 8 digits due to a "floating zero," as explained by a representative from that office. Therefore, always use the 9-digit number which appears on the cover page.

### **Legislation**

Officially called the Financial Recordkeeping, Currency, and Foreign Transaction Reporting Act of 1970 (Public Law 91-508), the Bank Secrecy Act requires banks to maintain records of deposit slips and the front and back of all checks drawn for over \$100. But since it would cost too much to sort checks to comply with the law, banks routinely microfilm all checks regardless of value (there may be a few exceptions). Banks are required to maintain records of any extension of credit in excess of \$5,000 (except real estate mortgages). The law mandates the reporting of "cash" transactions (deposits or withdrawals) in excess of \$10,000, and this often drops to \$3,000 or even \$2,000 by administrative regulation.

Banks are required to ask the individual opening a bank account for his or her Social Security number or taxpayer identification number before a new checking or savings account may be opened. The bank is to make a list of customers who fail to supply the number within 45 days. This list, which includes names, addresses, and account numbers, must be available for inspection by the Treasury Department if called upon. There are some exceptions to this requirement: ambassadors, ministers, foreign attaches, representatives of international organizations, foreign students, and foreigners temporarily residing in the U.S. But for the average American citizen, the number is required. (However, keep in mind that the Privacy Act of 1974 (P.L. 93-S79) requires that federal, state, or local agencies must inform individuals whose Social Security number is requested whether such disclosure is (1) mandatory or voluntary, (2) the basis of authority for such solicitation, and (3) uses which will be made of it.)

Naturally, the cost of photocopying billions of checks is tremendous— a spokesperson for the American Bankers Association says that this provision of the law has cost billions of dollars since its inception! But the government feels there is a purpose in it. According to official word, the Bank Secrecy Act was established to fight "organized and white-collar crime," which is a noble enough goal. But some civil libertarians see it as "legalizing government espionage of American banks, business people, and ordinary citizens." In the words of Supreme Court Justice William Douglas, "I am not yet ready to agree that America is so possessed with evil that we must level all constitutional barriers to give our civil authorities the tools to catch criminals."

Several government agencies have taken advantage of this Bank Secrecy Act to pry into bank accounts of suspected criminals and tax evaders. On the surface, the average law-abiding citizen could find no objection to such action. But such excessive, unrestrained powers can lead to abuses.

Several individuals and groups have challenged the constitutionality of the Bank Secrecy Act, but in each case the Supreme Court has ultimately ruled in favor of the government. The most famous case is U.S. vs. Miller, decided April 21, 1976, a fateful day for financial privacy. Mitchell Miller was charged with selling unlicensed and untaxed whiskey, and under a grand jury subpoena his bank was forced to turn over copies of his bank accounts, without his knowledge, to Treasury agents. Miller argued that the bank's policy of microfilming checks, as required by the Bank Secrecy Act, was an infringement of his Fourth Amendment rights (the Fourth Amendment prohibits "unreasonable searches and seizures" of private papers). The Supreme Court ruled that Miller had no "expectation of privacy" in his bank account and that bank records are actually the property of the bank, not the individual customer. As Justice Lewis F. Powell, Jr. stated: "The depositor takes the risk in revealing his affairs to another, that the information will be conveyed by the person to the government."

Civil libertarians, financial experts, and many newspaper editors strongly criticized the Supreme Court decision. *The Washington Post* said that it made "financial privacy something of a joke." The Final Report of the Privacy Commission observed, "The Miller case said, in effect, that government no longer has to operate within the strictures of the Fourth and Fifth Amendments when it wants to acquire financial records pertaining to an individual; that what were once his private papers are now open to government scrutiny. What amounts to mere curiosity will suffice as justification if government agents want to see them." This, coming from a report commissioned by the government itself, is particularly frightening.

Fortunately, some legislative action has been taken to reduce wholesale government inspection of bank records. The state of California, for example, includes in its constitution the "inalienable right" to personal privacy and, since 1972, requires that authorities must show probable cause of a criminal act before gaining access to bank records.

The 1976 Tax Reform Act requires that the IRS notify an individual when a summons has been served on his bank (or any other third party, such as credit card companies), thus giving the individual the opportunity to intervene. At first, Treasury bureaucrats objected strenuously to this new imposition. Attorney General Griffin Bell argued before the House Ways and Means Committee that "this radical departure from existing laws [will] stultify the IRS's every investigative move." So far, however, this has not been the case. During the first three months of operation, 8,732 IRS summonses of personal information were issued, and in only 365 instances did taxpayers challenge the summons. In only 22 of those instances did the taxpayer successfully intervene in a bank record summons, and so far, all of these have been resolved in the government's favor. The Justice Department was crying wolf when it predicted that the IRS would be "stultified"; government snooping really hasn't been restricted much at all. As the Privacy Commission notes, "While it may deter baseless investigative activity, it gives the individual little with which to impede IRS access... To be sure, the individual may go to court,

but when he gets there he has nothing to say, because he has no legal interest to defend or to balance against the government's desire for the record."

Finally, in late 1978, Congress passed the Financial Privacy Act, which essentially overturned a portion of the Supreme Court ruling in U.S. vs. Miller. The law now states that government investigators must notify an individual and give him the opportunity to challenge the search before his records are turned over to the government. Banks, savings and loan associations, and credit card companies are covered by the new law.

The 1978 Financial Privacy Act has had one serious effect on the government's efforts to see an individual's bank records. Individuals who have challenged the government's request to see their bank records have waited up to nine months before the case is heard in federal court! This time delay has been the only real benefit of the privacy law for bank customers. Once the case has reached court, judges have invariably sided in favor of the government.

How personal is your "personal" checking account? How much information can someone uncover by digging through your bank records? Go through a couple of months of checks you've written — it will be a worthwhile exercise. You'll be astonished at how much your monthly bank statements reveal about your activities: places where you shop and dine, names of friends and relatives, your church or favorite charity, organizations you belong to, political affiliations, and clubs.

Electronic fund-transfer systems are a matter of concern to the Privacy Commission and to civil libertarians. There is already a centralized clearinghouse that transfers funds electronically. A nationwide electronic banking system could easily be used to track the movements of individuals. As with credit cards, the transactions could be traced to specific "points of sale." Combined with the Customs nationwide computer system, electronic funds transfer gives the government a master system to control the personal and financial lives of all Americans.

The information in canceled checks can be a mirror of your whole life, a reflection you may not want seen by the wrong set of eyes — like those of a government or commercial investigator who adds two and two and gets five. A checking account may be a distorted mirror of your life.

Now that you realize how public your private bank account is, what can you do about it? To eliminate the possibility of intrusion on your bank account, consider the following practical methods:

Negotiate a contract with your bank that sets down the ground rules. Insist that the bank notify you whenever a third party asks to see your records. Reserve the right to see and correct any records the bank might keep on you. Your chief aim is to uncover the bank's policy on third-party requests for your records, and to find out to what extent the bank will preserve the confidentiality of your financial dealings. Of course, the difficulty lies in finding a cooperative bank.

You may want to have all banking for a business operated out of a Trust performed by a management consulting firm (a second Trust). Then, to make certain that you fulfill your

contract as the manager of the business, the management consultant firm (second Trust) can file a general lien against you. If anyone investigates the first Trust, they find no bank account.

### **Social Security Number**

In theory (and legally) you're not required to list your Social Security number to open a non-interest bearing checking account or a safe-deposit box, or to apply for a loan. It is, however, mandatory for a savings account because the bank must report interest earnings to the IRS, but no such interest is earned on "Non interest Bearing" accounts. The Bank Secrecy Act, however, requires that banks make every "reasonable effort" to obtain a taxpayer identification number or Social Security number within 45 days of the opening of a new account. Also, a list is to be made of all customers who fail to supply the bank with the number. In practice, the bank retains the list and will turn it over to the Treasury only if a request is made, which is seldom. A spokesman for the American Bankers Association has stated that he is convinced that many people simply report a fictitious Social Security number because the government has no program of checking the accuracy of the numbers. Furthermore, the Social Security number is an imperfect identifier. The Privacy Commission reports that several million individuals have more than one Social Security number. In addition, one number may sometimes be used by more than one individual. This isn't supposed to happen, but as an example, a surprising number of young workers use their parents' numbers.

Over the years, the Social Security number has become the most-used number for personal identification, and it is not just the government that is doing the asking. Originally it was intended solely for processing Social Security benefits and withholding. In fact, the card specifically states that it is not to be used for identification. But, it soon became very convenient to use this same number for income tax identification, especially when self-employed taxpayers began to pay into Social Security. Then, when the Bank Secrecy Act of 1970 was passed, the Social Security number became the simplest way to identify bank accounts of taxpayers. Many states now use the Social Security number on drivers' licenses, thus making the number available to anyone requiring identification. Lately, all kinds of businesses and financial institutions have been requesting the Social Security number, including insurance companies, manufacturers, brokers, and car dealers. Merchants ask to see a driver's license every time you write a check. Despite the warning on the Social Security card that your number is "not to be used for identification purposes," that's exactly what is happening. Our advice is to avoid giving your Social Security number unless required to do so by law. Stand up for your right to privacy!

For some important further information, see Report [#17A: Secrets of the Social Security Number](#) and Report [#TL19: How to Bank with Greater Privacy](#).

### **Commingling of Funds**

An attacking attorney may attempt to pierce a Trust by trying to show that you, as an individual, and the Trust, are the same person. Therefore, you must not use funds that already have been associated with your Social Security number, and associate them with the Trust. If you use Trust funds and associate them with an account in your personal name, that is also commingling. Commingling can be described by the following examples:

1. If you deposit any salary or paycheck made out to you personally into the account established for the Trust, that is considered commingling. If you want the money to end up in the Trust, the check that you deposit should be made payable to the name of the Trust. If you deposit a check for services rendered that is made out to you (for which you paid no taxes), into the Trust, that is commingling (and could be considered tax evasion). If you deposit a check from the Trust into an account in your name, that is also commingling.

2. If you take cash out of the account established for the Trust (and it is not salary, dividends, or a loan), and spend it on yourself, that is commingling. If you buy an object with funds from the Trust account (and it is not salary, dividends, or a loan) and then you record personal title to that object, such as an automobile or real estate, that is commingling. However, if you buy an object from Trust funds and record the object in the Trust name, that is not commingling.

The primary object is to treat the Trust as a separate entity or third person. For example, you would not give money to a third person without something in return, such as an IOU or stock, and you would not expect a third person to give you money without something in return. Do not commingle!

### **How to Open Bank Accounts**

One of the first steps to financial privacy is keeping your bank account confidential. Banking services — checking and savings accounts as well as loans — seem almost indispensable in today's highly mobile society. A checking account offers a convenient way of keeping track of income and expenses. It permits you to pay for goods and services in person or by mail and it's a relatively safe place to keep idle money (until the US\$ collapses).

Unfortunately, your bank account is also vulnerable to official government snooping. This is especially true since the passage of the Bank Secrecy Act of 1970 — a misnomer if there ever was one. And, as we have indicated, your bank account is a revealing account of your financial situation and your personal life.

For complete privacy, eliminate any and all personal bank accounts. A separate bank checking account may be opened and maintained for each Trust, but is not necessary. This will afford the same access to funds but will give privacy.

To open bank accounts for Trusts, you may have to become more resourceful and visit several banks. If you persist, learning more as you go, you'll eventually succeed. (Sometimes this is a great learning experience on how to better apply the Power Message Principle! — see Report [#PCT05](#).)

It would be better to select a bank where the Managing Director(s) are not personally known. The Social Security number of the Managing Director may be on file and a bank clerk may inadvertently incorrectly connect the Trust with the Social Security number of the Managing Director. There should be no reason for you to have to divulge your Social Security number. You are not responsible for the debts of the Trust as the Managing Director.

You may want to interview the New Accounts Representative of the bank before opening the account. Walk into the bank with a friendly attitude and request information from the New Accounts Representative as to what they require for opening a non-interest bearing account. The typical opening amount is \$100. Certain questions will likely be asked, such as, "personal account or a business account?" Since the Trust name sounds like a business account and the bank representative must put it into one of the two categories, the likely answer may be that it is in the business category. Another question might be, "Is this your Trust?"; the answer is "NO, I'M THE MANAGING DIRECTOR." (Unless it's absolutely necessary, you never say to a government bureaucrat that you're the Managing Director.)

Ask the bank representative for a copy of the signature card and the usual accompanying information booklet about deposit accounts so that they can be taken and read. Certain statements on the signature card should be read carefully so the Managing Director(s) are aware of what they would certify by signing, e.g., "...under penalty of perjury." Be fully aware of the contract entered into when a bank account is opened. The bank may or may not allow the signature card to be released without first opening an account.

Later, call and make an appointment with the New Accounts Representative you interviewed to actually open the account. If documentation of the Trust is requested, provide COPIES ONLY of 4 pages of the Trust. These pages are:

1. Cover Page showing the Recording;
2. Signature Page showing signatures and notary of signatures;
3. Page 3 of Minutes showing the appointment as Managing Director with the authority to open and maintain a bank account
4. Page 2 of Agreement and Contract showing the signatures of Trustees and the Managing Director(s).

The bank may also ask for Minutes specifically instructing the Managing Director(s) to open the account. If so, you simply draw up the Minutes and present them.

Another possibility is to set up a [Wyoming Trust](#) with a name different from that of the Pure Contract Trust. Once the account is open you tell the bank that the business is expanding and you're opening a division called [name of Pure Contract Trust]. In some states they don't even ask for any formal DBA (doing business as) proof. You can then deposit checks made out to [name of Pure Contract Trust] in the Wyoming Trust account. You stamp the back of the checks: [Wyoming Trust name] dba [name of Pure Contract Trust].

Yet another way to open an account is to ask for the requirements to open a non-interest bearing account for a Sole Proprietorship. You should, of course, do only what's lawful!

When asked for an identification number, you might say, "Oh, you mean the government number?" and when they answer, "Yes," read out the County Recording Number, which is, in fact, a 9-digit government identification number. Have the number written on a separate piece of paper and refer to it. It's perfectly lawful to do this as it is a government recording number. However, the bank representative may not be familiar with this type of number being used as an

identification number and if the bank clerk says the computer will not take it, request that they override it (because it's a government 9-digit ID number). If this does not work, take your business somewhere else! You could also say, "Our legal department has given us a directive. Our account cannot be connected to any Social Security number because we are merely the fiduciaries. This is not our money and if you report the income under this account, we have committed a fraud and we do not want to go to jail because you made a mistake."

If there is to be more than one signature on the account, request that the card be taken so that the additional signers may sign it. The bank may still want a card to be signed and left with the bank. When signing, indicate the title, "Managing Director," or abbreviate it as "Mgr. Dir." The new policy for most banks is that you cannot mar the signature card in any way. In other words, do not strike out words such as "Under penalty of perjury." Just get the account opened.

When asked for identification (they need to know who the person opening the account is), show them a driver's license (but not if it has a Social Security number on it — if it has, take it to the motor vehicle registration and request that it be reissued without the Social Security number and with a new driver's license number, not the same old one!) or use a passport or any other picture ID.

If they ask for your personal Social Security number, politely decline, saying something like, "It's my personal policy to not give out my Social Security number, unless it's demanded by law. Because this isn't a personal account, do you absolutely need my personal Social Security number?"

Checks may be ordered at the choice of the Managing Director. Do not have a personal name imprinted on the checks, just the name of the Trust. For purposes of continued privacy, use a PO Box or maildrop mailing address, and do not have a phone number imprinted. Do not start with check #1. Start with a higher number (such as 500). Store clerks are trained to look at the number. Lower numbers are not "a good risk."

Cooperate totally with the bank representatives at all times. Answer all questions asked, but do not volunteer any unnecessary information. Be friendly at all times. Do NOT become rude or make a scene in any way. If at any time it's apparent that a good rapport has not been established with the bank representative, go to another bank. Most banks are very willing to accept money and open an account! Remember, bank clerks have been instructed to follow certain procedures and by opening the Trust account, the person may not be familiar with the procedures. Most likely they will be inexperienced with this type of transaction and you may need to be patient.

### **Prudence**

Maintain only the necessary amount of funds which you need to operate the account. Use checking accounts (whether personal, business, or for the Trust) for routine deposits and expenditures only. We realize it could become very cumbersome and time-consuming to discontinue all checking accounts, however, it is something you may wish to consider, depending on your needs. Most people do use checks, credit cards, and charge accounts, and the person who doesn't use them may stand out as different and thus draw the attention of some investigator or

snooper. The person with a low profile is probably the person with a modest credit report and bank account that tells nothing of significance.

The solution is to use checking accounts for ordinary or routine expenses. Sensitive purchases or deposits should be made outside normal checking accounts. These might include contributions to religious or political organizations, purchases of gold and silver coins, opening of a foreign bank account, mail-order purchases of books, firearms, and other personal products, loans to friends or relatives, and investments. The same applies to deposits. Care should be taken. Deposits imply income, even though in reality it could be repayment of a loan, reimbursement for travel, or a gift.

### SECTION 3 — EXCHANGING PROPERTY

#### **The Importance of "Exchange"**

The Acknowledgment of Exchange deals with the subject of exchange, which is not a sale or gift.

ACKNOWLEDGMENT OF EXCHANGE (page 16, Affidavit). "This exchange does not constitute a sale or gift, and confirms the Creation of this Pure Contract Trust Organization." (Signatures of Creator and Exchangor).

The Creator and Exchangor have proclaimed that the exchange is not a sale or gift. Is it necessarily true that just because the Creator and Exchangor said that this exchange is not a sale or gift, that every court will accept that argument? Not necessarily. There may be courts that might not side with that argument.

Sometimes it is wrongfully concluded that the Trust Units have minimal or no value, since there is no monetary declaration. Trust Units could easily have a value greater than the property for which they were exchanged. The idea that property has no value because it cannot be expressed immediately is not a necessary condition to the meaning of an adequate consideration in an exchange. Property can and does have value, without having a determinable market value at the time of exchange.

The Trust Units that were exchanged for the property are non-assessable, non-taxable and non-negotiable. They are of indeterminable value and have no reportable value. In other words, the Trust received property at no gain or loss. The following case law helps to explain the meaning of the word, "exchange" as contrasted to "sale."

"There is no difficulty about the legal meaning of the word, "exchange." It is a word of precise import and sharply distinguished from a sale. "Exchange" means the giving of one thing for another. It excludes the idea of first measuring the respective things in money value and then settling or paying any difference." Chicago, G.W.R. Co. v. Postal Tel. Cable Co., 149 F. 664.

The court said that the term, "exchange" means exactly what the word imports; it means the giving of one thing for another, and it does not include measuring the monetary value of a thing before settling the transaction.



"A "sale" means for money. An "exchange of property" is a mere barter or trade. The very purpose of money is to have a medium of exchange so that the borrowing or trading or bartering can be dispensed with." Ewers v. Weaver, 182 F. 713.

Here the court said that a sale means for money, and an exchange does not involve the use of money. The very purpose for money was to do away with an exchange.

"Exchange" is barter, and carries with it no implication of reduction to money as a common denominator." Postal Tel. Cable Co. v. Tonopah R. R. Co.

The court said that to exchange is to barter, and when there is an exchange, there is no implication of money as a common denominator.

"Exchange means the giving of one thing for another. Any transaction into which money enters, either as the consideration furnished by one party or as a basis for measuring the value of the thing transferred, is excluded." U.S. v. Rodenbough, 21 F. 2d 781.

The court very specifically says that when you exchange, you are giving one thing for another. Any transaction into which money enters is not an exchange.

The U.S. Supreme Court has ruled that:

"If property received in exchange has no fair market value, it does not represent a taxable gain to the recipient." Burnett v. Logan, 283 U.S. 404.

All of the above case law reinforces the intent of the Creator and Exchangor when they exchanged real and/or personal property for Certificate units of indeterminable value.

Now let's discuss the term, "gift" as mentioned in the affidavit of Acknowledgment of Exchange on page 16 of the Contract. The Acknowledgment of Exchange said that "this exchange does not constitute a sale or gift." We concluded that it was not a sale, but an exchange.

But could it be a gift? Can the exchange of Certificates for property be considered a gift? The real value of the Trust Units only becomes evident when actual distributions are made to the Certificate Holders. As long as no one has realized a gain that can be translated into a monetary value, there is no gift. Thus exchanging property into the Trust never constitutes a gift.

However, if assets of the Trust are distributed to the Certificate Holders in accordance with clause 6, either during the life of the Trust or after termination, then such distributions could be regarded as gifts. If there is any tax liability, it would be to the Certificate Holders for the monetary value of the assets received. Certificate Holders may become liable for taxes when a realized gain occurs, such as an allocation or distribution by the Trustees.

A further conclusion is that since the Trust Certificates have no initial determinable value, any exchange of the Trust Certificates to other persons would also be an exchange of indeterminate value, and therefore no gift tax would be due.

The above case law relating to the term "exchange" provides the reason why property is exchanged into the Trust, rather than "transferred."

### **Kinds of Property that can be Held in Trust**

A trust may own any property, real or personal, legal or equitable, which is in existence and which has value. Basically, this means that there's no limit to what a trust may own. It's only limited by what you have to convey into it.

Fill out the appropriate information on the form, have it notarized by signing it before a notary public. A deed needs only to be signed by the Grantor, the one granting the property to another. It does not have to be signed by the "Grantee," the one to whom the property is being granted (the Trust). Record the deed by taking it to the office of the county clerk, County Recorder or whatever office records property "transfers" in the county. There will be a minimal filing fee required to be paid in advance. It's advisable to always personally pick up anything that is filed, if it cannot be done right away, instead of having it mailed to you.

If property needs to be exchanged into a Trust, usually the Trust needs to be recorded in the county where the property is located, even if the Trust was originally filed in another county.

Some offices of the County Recorder may require an "Affidavit of Property Value Form" or something similar to be filled out. Their reason is that the assessors use the data to develop tables and schedules for the uniform valuation of properties based on fair market value. This form typically allows for an exemption to the "Affidavit of Value." Sometimes, an exception is made for "transfer of title from a person to a trustee or from a trustee to a trust beneficiary with only nominal consideration therefor" (or similar wording). To avail yourself of the exception, you write the reference number from the "Affidavit of Value," identifying the exception, on the face of the deed before filing.

### **Transfer of Vehicles**

If there is no lien on a vehicle, take the title and registration to the motor vehicle department and request that it be re-registered into the name of the Trust. Typically, the cost for this is minimal. Some states require verification of insurance at the time of registration. See Report [#PCT09](#) for much more information on this topic.

### **Life Insurance**

Life insurance is one type of property commonly owned by individuals which can be included in their estate for probate and estate tax purposes. Most people are unaware that regardless of who is named as the beneficiary of the insurance, its face value is placed in the estate of the person who owns it. Ownership is determined, among other things, by who pays the premiums. To avoid this large amount of money being subject to probate, life insurance should either be converted to cash, or the ownership of the policy exchanged into the Trust. The Trust should also be made the beneficiary of the policy.

You could instruct your insurance agent to change the beneficiary on personal policies to the Trust. However, this leaves a paper trail. You could cash out all existing policies. Then there could be a Trust that has an insurance policy on your life. See also Report [#PCT09](#).

### **Transferring Stocks, Bonds, Etc.**

Stocks and bonds could be held by a Managing Director as an assignee for the Trust. However, this could be regarded as commingling. The safest way would be to sell stocks and bonds, then have the Trust buy stocks and bonds — in a manner that doesn't leave any unnecessary paper trails.

Assets such as IRAs and tax-deferred annuities can be exchanged into a Trust without first cashing them out and paying any taxes usually demanded. However, such an exchange would leave a paper trail.

You can leave IRAs and tax deferred-annuities untouched, but then they remain part of your estate, subject to attack, probate, etc. You could cash them out, paying whatever penalties you absolutely have to, and then exchange the proceeds into a Trust.

### **Encumbered Real Property**

A property that is presently encumbered should be further encumbered with a mortgage, trust deed, or lien. (Readers are specifically advised to ensure that whatever is done in this respect is lawful — see [Section 6](#).) If the property is free and clear, then it's NOT necessary to encumber it; it can be simply exchanged into a Trust. Encumbering property may be done through a trusted third party or through another Trust for which you are the Managing Director. Make the total of the encumbrance on each property in excess of its current market value. The encumbrance you place on the property should exceed the value of your equity in the property.

An "Assignment of Beneficial Interest" form could be used to exchange your equity in the property into a Trust. However, this would create a paper trail between you and the Trust.

### **Paper Trails**

In general, the safest is to arrange your affairs in such a way that no paper trails are left, linking you to the Trust. Leaving paper trails can be disastrous. For example, suppose some IRS terrocrats decide to make an example of you. They do some investigation. They discover that you used to own a house. They discover that you exchanged the house into a Trust. Then they discover that you still live in the same house. They simply evict you and sell the house. Realize they often behave as if they're above the law. The judges and police will almost certainly be on the side of the IRS.

So, then what's the use of exchanging property into a Trust, if the IRS can simply "walk over" it as if it didn't exist? Well, the IRS has limited resources and can "go after" only a small percentage of people. So the Trust still eliminates probate, estate taxes, and capital gains taxes. Furthermore, there is a way to pretty well stop the IRS from doing anything, even if there is a paper trail from you to the Trust. A second Trust (or some other entity) can file a lien or mortgage against the house. (Readers are specifically advised to ensure that whatever is done in this respect is lawful — see Section 6.) There absolutely must be no paper trail between you and the second Trust (or other entity).

IRS terrocrats have quotas. They have to produce or face the wrath and terror of their superiors. (Internally, the IRS also operates on terror!) In deciding whether or not to "go after" someone

they do some cost-benefit analysis. So they discover you've exchanged your house into a Trust. They consider grabbing the house. But then they discover that the house is encumbered for more than its market value. If they were to seize it, they would have to pay off the prior encumbrances. There would be no profit in it for them. The IRS terrocrat proceeding with such a seizure would face the wrath and terror of his superiors. So he'll go after "easier pickings" — the less sophisticated people who did nothing to protect their property, or who exchanged their property into Trusts without adding further protection in the form of additional encumbrances.

### **The Best Strategy**

The safest is to organize your affairs so that everything you now own gets exchanged into one or more Trusts — leaving no paper trails between you and the Trusts(s). For additional protection, there are always other Trusts or entities holding liens or mortgages against the property-holding Trust(s). Also consider moving some of your assets offshore. You may also arrange matters so you become invisible to bureaucrats. They have no address where they can find you. No bank, credit, or utility accounts that can lead them to you. See also Report [#PCT09](#).