

BENEFITS OF CORPORATIONS AND TRUSTS

Canary Girl, [14.04.20 11:22]

Snake posted some terrific information last night about the benefits of Corporations and Trusts. He added illustrations and answered questions. My next post is the transcript. Thank you, Snake!

Canary Girl, [14.04.20 11:23]

BENEFITS OF CORPORATIONS AND TRUSTS

by Snake on April 13

Posted by him in the Planning Room

Query to Snake -

What is the pros and cons of having a corporation how does it differ from a trust?

Snake replied -

The biggest difference is the Corporate Shield it offers to shareholders. There are tax deductible fringe benefits the corp can take to lower the tax liability but the Trust can take those benefit deductions as

well, the difference being when properly structured if you are the beneficiary of such benefits can be tax deductible to you individually while still deductible to the Trust. The Corp is authorized and subject to State laws while the Trust is under the State Trust Acts. I have both but for different reasons and benefits

Well we own a cattle ranch which operates on just under 1,000 acres in a state with oil and gas depletion allowance. Were you to place the land in a Corp you loose this depletion allowance. However when running cattle and raising grass and hay in order to raise and sell calves as well as having the necessary equipment to cultivate, give animals the required vaccines and shots, tag their ears as well as own bulls to continue to impregnate the heifers and have children and grand kids you wish to provide higher education funds as well as first car gifts upon high school graduations, you must be willing to improvise.

So the land is owned individually as Community Property. The cattle operation is a Limited Liability Corp. The farming equipment and water wells are owned by individual Living Trusts divided equally between the Bride and me. The cattle are owned by another Trust for benefit of the kids and grand kids for educational and vehicle purchases. The bulls are owned by a sub trust for successful cattle impregnation and calf births for stud services. Could go on and on about all the out buildings as well as the ranch house but hopefully the next will disclose the purposes behing all this.

We as owners of the real property enter into an agreement with the LLC to lease them the land for operational purposes. They in turn rent all the equipment from a trust in which we are primary Grantors/Trustees of as well as the kids/ grand kids to lease all the cattle from and agree to provide all necessary involvement as directed towards the livestock. They further agree to pay a stud fee for each calf born from the bulls owned by the kids/grand kids trust at point of auction/sale of the calves. These trusts agree to provide many fringe benefits to us as Grantors/Trustees due to our incredible value to keep this entire operation operating.

There are multiple applications to utilizing these concepts such as leasing equipment to over the road haulers, oil and gas drilling rigs etc where you own and employee a leasing contractor but structure the trusts or LLC's for your personal benefit and Canary Girl your housing projects for seniors would be an ideal application to utilize various trusts to garner a good cash flow stream for putting it all together

Query to Snake -

Where does handling of medical expenses for Snake and his Bride fits into scenario.

Snake answered:

Medical and Dental Reimbursement plan where we pay individually all expenses as they occur during the year and prior to any tax filings by the Land Trust we submit those expenses for reimbursement which are tax free to us and tax deductible to the Trust

(I) Sincerely hope this provides some window to encourage you folks to explore, there is some paperwork and record keeping involved but what I have saved over the years was well worth it

The Foundation Name is RAGGS ~ Random Acts of GOD's Graces

Texas Snake, [Apr 13, 2020, 7:03:00 PM]:

Point being for every dollar the trust(s) take in you have a corresponding expense to offset

Much of this exercise may well disappear should the tax code change but under current Code Regs we are secure

Canary Girl, [14.04.20 11:23]

If there is anyone I fear being unable to develop a plan it is you Canary Girl look for a Board Certified Estate and Gift Tax Qualified attorney and seek his counsel as to who he knows with those qualifications you seek in your advisors, may very well be that attorney can provide all the documentation and you then employ contractors to oversee the operation from day to day

Not sure if I mentioned but much of this I described can be Sub Trusts under the main Trust if operations are conducive to the overall business plan all operating under the same EIN number and tax filings

Query -

Snake Sir how do you recommend we transfer funds from a account to the trust as grantor and still be head trustee ? or what should be best to do.....

Snake replied -

Just like that you can be both Grantor and Initial Trustee or if multiple Trustees then Head Trustee

The Grantor declares that she has set aside and caused the transfer of all of her

right, title, and interest in and to the property described in Schedule A to the Trust (together with any other property added to the Trust, the “Trust Property”) for the use, benefit, and enjoyment of the beneficiaries named herein.

(a) Appointment of Trustee The Grantor may at any time appoint, substitute,

or otherwise change the person designated to act as trustee or successor trustee hereunder. The Grantor is not required to give notice to or obtain the consent of any such trustee, successor trustee, or beneficiary before making such changes.

Herb hope you were still here to see the answer to your question is all in how you structure your documentation

Yes (I) did work for Hutton but left that firm in 77 or early 78 for a different firm and then started my own broker/dealer

Texas Snake, [Apr 13, 2020, 8:17:35 PM]:

I am Grantor and initial Trustee to my Trust with Bride as initial Successor Trustee and then down thru the children with a Bank Trust Department (Corporate Entity) named as final Trustee should all other

successor trustees be unwilling or unable to serve. This provides for the execution and dissolution of Trust and the bank knows nothing of their appointment and only bells Trust for work they need to perform to collapse the trust if no family member steps up. The Bride's Trusts mirrors this concept.

I sincerely hope I am making these posts understandable and not confusing anyone or making this seem like brain surgery as it is really pretty simplistic as far as the documentation it is learning your new role and understanding you own nothing you just control everything.

By leasing (your vehicle), your Trust will provide you a new fully expense-free-to-you vehicle as a demonstration of just how important you are to the success and continuation of the trust which will deduct that expense as an offset to earnings

If there is one most important clause to be sure your Trust has included it follows:

(d) Spendthrift Provision. No interest in the principal or income of any trust created under this Declaration may be anticipated, assigned, encumbered, or subjected to a creditor’s claims or legal process until it is actually received by the beneficiary. This spendthrift provision constitutes one of the material purposes of the trusts created hereunder.