

## How to Protect Your Assets with *The Squire Wealth Preservation Fortress*®

Although many people do not like to think about asset protection planning any more than they want to think about estate planning, the two are both very important and are related. Whereas estate planning generally revolves around how to distribute your assets after death in a manner that is most beneficial to the intended beneficiaries of your estate, asset protection planning has more to do with making sure you and your family get to keep what you have acquired now. This sounds simple enough, and often does not involve a great deal of effort to insure that your assets are safe and sound. However, in most cases people do not want to think about all the possible situations that could result in them losing everything they have worked so hard to create, and thus they often do not think about taking simple measures to preserve their assets from obvious and clear threats until it is too late.

We live in a dangerous world, and our lives are punctuated with situations where we may become liable to others for damages that are beyond our ability to pay. A brief and non-exhaustive list of situations which often result in liabilities that destroy assets and wealth:

- Simple business contracts that have been entered into time and time again without problem can become typhoons of financial destruction due to changed conditions outside our control.
- Errors in judgment regarding simple matters that seem unimportant at the time.
- Mistakes committed by family and/or friends (or perhaps even by us).
- Family problems.
- Driving an automobile (even when we are insured and “protected”).
- Business transactions with trusted friends executed with a handshake.
- Bad luck.

It is very important that you review the possible risks you face in your personal and business life. Once this is done it is possible to determine what actions you need to take in order to protect your assets and insure that you and your family are protected. Not everyone is the same. Not everyone needs the same level of protection. It is for this reason that we have designed *The Squire Wealth Preservation Fortress*® to be modular in order to insure that each person receives the customized care he or she needs and the protection he or she deserves.

The secret of great asset protection is “compartmentalization”. This means that your assets are separated and protected from your liabilities and risks. The ultimate example of the successful implementation of compartmentalization can be found in the USS Missouri, one of the most powerful battleships ever created and based upon the powerful Iowa Class Battleship model. The Iowa Class Battleship was designed during World War II to be fast and nimble yet tough and reliable. Too much armor would make the ship slow and cumbersome, so the US Navy focused instead on



compartmentalizing the ship so that no single strike could cripple or sink the ship. It was designed to withstand multiple strikes from torpedoes and shells without sinking. In 1989, this compartmentalization unfortunately underwent its ultimate test when an explosion in one of the gun turrets set off the magazine (ammunition supply) below the turret. This explosion was catastrophic and killed everyone inside the turret compartment, but the ship itself was able to survive the blast intact; a blast that would likely have obliterated lesser ships.

You may not need the comprehensive protection provided to the crew of the USS Missouri since you will probably not have to face Japanese torpedoes or deal with the dangers of carrying high-powered explosives, but we all have risks in our lives, and the secret to surviving when things go wrong is to make sure you compartmentalize your assets away from your risks and liabilities. Fortunately you do not need to build a mighty battleship to accomplish this task. You can do it by using standard business entities to separate your assets from your risks to insure that you get to keep what you have earned.

If you do not need a battleship armed with powerful artillery and loaded with armor, what do you need? As stated before, no one is the same, and therefore your needs may vary from those of others. The first step you need to take in evaluating your asset protection risk profile is to mentally compartmentalize your business life and assets from your personal life and assets:

- Do you have a business that you own outright or with partners?
- Does your business expose you to various risks and liabilities?
- Do you have assets that are necessary in order to carry on that business?

If the answer to any of these questions is YES, then you need to review how best to separate your business from your personal life by establishing one or more business entities to operate the business. If the answer to ALL of the questions is NO, then all you need to do is focus on protecting your personal assets.

Let us assume for the point of argument that you answered NO to all of the above questions. What would you need to protect your assets? It is our opinion that in this situation you would be well protected by using *The Squire Personal Preservation Fortress*®. Using this system you will incorporate the asset protection services of a single Limited Liability Company (hereinafter described as an LLC) with an Irrevocable Trust that will make your assets very safe from, and very unappealing to, any potential creditors. We will describe this system in greater detail later on.

If you answered YES to either of the first two questions, “Do you have a business that you own outright or with partners?” or “Does your business expose you to various risks and liabilities?”, then you need to at least establish an S Corporation to own and operate your business in addition to *The Squire Personal Preservation Fortress*®. By using the S Corporation you can separate and protect your personal assets and save some significant money on taxes. This system will be described in more detail later on.

If you answered YES to the last question, “Do you have assets that are necessary in order to carry on that business?”, then you need to seriously consider using *The Squire Advanced Corporate Fortress*®. Not only does this system separate and protect your personal assets from your business risks and liabilities, it also protects the assets of the business itself from potential litigants and

creditors. When combined with *The Squire Personal Preservation Fortress*® you will be able to obtain the best of both worlds at a significant cost savings. These systems will be described in more detail later on.

The best things about these packages is that they fit together very well, and it is easy to upgrade if you later find that you need additional protections.

### ***The Squire Personal Preservation Fortress*®**

Whether you answered Yes or No to any of the questions above, if you own property in your name, you need to consider protecting your assets. One of the key concerns for most successful individuals should be: “How to protect my Personal Property from creditors?” Yet, few people take the time to consider these issues, let alone act upon them. Usually the thing that makes people aware of the importance of asset protection planning is a lawsuit, and then it is usually too late. Successful asset protection planning requires that you protect your assets ahead of time, before something bad happens. Once you have been sued, or even have reason to believe that you may be sued, all your property; stocks, bonds, houses, and other investments, are at risk.

This is why we developed *The Squire Personal Preservation Fortress*®. *The Squire Personal Preservation Fortress*® protects your assets from virtually all risks by creating private, confidential, and valid United States legal entities to own your assets while at the same time giving you total control over those assets. *The Squire Personal Preservation Fortress*® is a rock of stability in an otherwise insecure world. It is composed of two entities: *The Personal Preservation Trust*® and *The Personal Preservation LLC*®.

First, you establish a simple irrevocable trust, *The Personal Preservation Trust*®, which usually names your children as immediate beneficiaries. You will be named as a member of the Trust Committee. The Trust Committee’s only job is to fire and replace the Trustee should the Trustee do anything that the Trust Committee thinks is wrong. This provides you with effective control over the Trust and the Trustee.

Then you establish a special type of company called a Limited Liability Company or LLC. An LLC is an entity that combines the limited liability advantages of a corporation with the ease and flexibility of management and the tax advantages of a partnership. This company, *The Personal Preservation LLC*®, will be established for the purpose of owning most, if not all, of your personal property which you wish to protect. You will then give a 1% interest in *The Personal Preservation LLC*® to *The Personal Preservation Trust*®, and retain the rest for you and/or your spouse.

Why are you doing this? The LLC has many special features similar to a partnership that are very beneficial for asset protection:

- A full LLC interest cannot be seized by creditors. If a Creditor attempts to take your Membership Interest, the creditor will only receive an “assignment” of the interest. The creditor can take away your membership interest, but will not be able to vote in the absence of the unanimous approval of all the other Members.

- An LLC can require Members to make additional contributions of capital. So if a creditor takes away your Membership Interest, the LLC may require the Creditor to make additional contributions to the LLC. If the Creditor refuses, he may lose his interest in the LLC.
- If the LLC shows a profit, it is not necessary for the profit to be distributed to the Members but can be retained by the LLC. However, the Members will be taxed on this profit even though they did not receive it. So if a Creditor takes your Membership Interest, the LLC can operate at a profit, and may be able to force the Creditor to pay taxes on profits which the Creditor never received.

A creditor who attempts to take your shares in *The Personal Preservation LLC*® will only get an assignment of non-voting shares. The remaining shares will be held by *The Personal Preservation Trust*® which will be the only entity that will be able to vote on who becomes Manager of the LLC. The Trustee will most likely be interested in appointing you or another friendly person to be the Manager of the LLC, or face termination and replacement as Trustee. As Manager of the LLC you will be able to decide whether or not you and other employees get a salary, whether or not assets are sold, whether or not profits are distributed, whether or not there is a need for additional contributions from the Members, etc. In essence, a Creditor who takes your shares in the *Personal Preservation LLC*® will not be able to vote or control the company, will not be able to force distribution of assets or profits, may have to pay taxes on income earned by the company even though it never received the profits, and will be vulnerable to demands for additional capital.

As you can see this would be a very unpleasant situation to be in if you were a creditor, but a very good situation to be in if you are trying to protect your assets. Few creditors will want your membership interest in the LLC when they realize what a hornets nest they are getting themselves into.

There are additional strategies that can be used to further enhance the asset protection abilities of *The Squire Personal Preservation Fortress*®.

- For married couples in some states a “defective” post-nuptial agreement can add an extra level of protection by insuring that the liabilities of one spouse do not put at risk the assets held by the other spouse. However, the agreement is only effective against third parties, not against the other spouse (unless the couple specifically desires this).
- If you have a business, the business should not be operated by *The Squire Personal Preservation Fortress*®, but should have its own separate business organization that may in turn be owned by the *Personal Preservation LLC*®, or held separately depending upon different circumstances. This insures that any liabilities of the business operation are separate and apart from the assets in *The Squire Personal Preservation Fortress*®. Sometimes a simple S Corporation is ideal for owning and operating a business independent and apart from *The Squire Personal Preservation Fortress*®, or perhaps *The Squire Advanced Corporate Fortress*® would make the ideal vehicle to operate your business in concert with *The Squire Personal Preservation Fortress*®.
- Depending on the homestead laws of your state, it may be advantageous to give a “future interest” in your real property to *The Squire Personal Preservation Trust*® (this is an interest

in real property that vests now, but possession only begins after your death), and to put the remaining “life estate” (your right to possess the property until your death) into *The Personal Preservation LLC*<sup>®</sup>. By dividing the property in this way, no creditor can get the entire property unless the Trustee agrees to the transfer. Upon your death the beneficiaries of the Trust receive the property with no further actions required.

Please note, *The Squire Personal Preservation Fortress*<sup>®</sup> is not a substitute for a good will or living trust. You need a will or a living trust, a power of attorney, a power of attorney for health care, and a directive to physicians.

#### HOMESTEADS IN KANSAS, FLORIDA, IOWA, SOUTH DAKOTA AND TEXAS:

Should you put your homestead into *The Squire Personal Preservation Fortress*<sup>®</sup>? For most residents of the above states this would be a mistake. Homestead laws in these states give a very attractive unlimited homestead protection that is frankly superior to that provided by *The Squire Personal Preservation Fortress*<sup>®</sup>. In Texas, for example, no one can take away your homestead or even put a lien on the homestead except for the first lien holder, home equity loans, and of course Federal tax liens. Unless you foresee Federal Income Tax problems, *The Squire Personal Preservation Fortress*<sup>®</sup> is not as effective for the homestead as just leaving it in your name (if you do foresee Federal Income Tax problems the situation changes; for more information contact us). That does not mean that *The Squire Personal Preservation Fortress*<sup>®</sup> cannot protect all the rest of your assets; securities, non-homestead land, business ventures, etc. The power of the system relies on putting your assets into the LLC which is very unattractive to creditors, and insuring that even if someone takes your interest in the LLC they will not get control of the assets in the LLC.

#### *The Squire Advanced Corporate Fortress*<sup>®</sup>

If you answered yes to the questions above regarding owning and operating a business, you need to consider not only protecting your personal assets using *The Squire Personal Preservation Fortress*<sup>®</sup>, but you also need to think about how to protect your business assets without placing your separate personal assets at risk. This is where *The Squire Advanced Corporate Fortress*<sup>®</sup> comes into the picture.

*The Squire Advanced Corporate Fortress*<sup>®</sup> is a US based asset protection system that protects an active business operation located inside the USA owned and operated by US citizens or residents. It utilizes basic corporate structures within the United States in a powerful yet cost effective manner. Using well established corporate law and tax law interpretations, *The Squire Advanced Corporate Fortress*<sup>®</sup> allows you to turn your current business into a fortress of asset protection, and an investment that actually pays for itself by dramatically reducing your taxes in a variety of ways.

First Step: We establish a US C Corporation that will be the holding company for the system. All assets of the business operation will be held by this US C Corporation, and will be protected by multiple layers of asset protection. (Please note that an LLC will most likely be used here since the LLC can be structured to be treated like a corporation for tax purposes but still retain the more beneficial asset protection features of the LLC.)

Second Step: We establish a US Limited Liability Company (LLC) that is wholly owned by the US C Corporation. All Contracts and Liabilities of the business operation will be incurred by this US LLC effectively insulating assets held in the US C Corporation such as land, equipment and accrued profits from risk. In Short: The US LLC will be the Company name that is on your business cards, contracts, invoices, etc., and the US C Corporation will be the entity that safely holds all the assets of the business.

Third Step: In order to provide valuable tax savings and further insulate the client and his or her assets, we establish a US S Corporation. This entity is treated as a pass through entity for tax purposes which results in the profits and losses of the US S Corporation being “passed through” to the shareholders without double taxation. The US LLC hires the US S Corporation to manage its operations. The US S Corporation will hire you and will be the company that pays you a salary (perhaps even acts as a payroll service for the US LLC). However, instead of paying you 100% of what it receives from the US LLC, the US S Corporation will pay you a salary of 50% (or less) of what the US LLC pays the US S Corporation. The other 50% can then be distributed to you as a profit distribution free of the 15.3% FICA withholding. This 15.3% is very significant since when you run the numbers it should be an annual tax savings of roughly double the cost of establishing this system. (More information on this is available in the following section.) There are many other tax benefits that can come from clever use of the US S Corporation in relation to the other entities. Properly structured, the US S Corporation will pay for the entire system in less than 6 months. (Again, please note that an LLC will most likely be used here since the LLC can be structured to be treated like a corporation for tax purposes but still retain the more beneficial asset protection features of the LLC.)

### **The S Corporation Basic Setup**

If you answered YES to either of the first two questions, “Do you have a business that you own outright or with partners?” or “Does your business expose you to various risks and liabilities?”, then you need to at least establish an S Corporation to own and operate your business in addition to *The Squire Personal Preservation Fortress*®. By using the S Corporation you can separate and protect your personal assets and save some significant money on taxes.

If you are doing business in the USA and you are a US citizen or resident, one of the easiest and simplest ways of protecting your assets and reducing your taxes is the good old tried and true "S Corporation" which combines limited liability protection with a convenient "pass through" tax treatment. A favorite of small businesses and investors for decades, the S Corporation provides superior asset protection by separating the liabilities of the business from the assets of the owners. No matter what type of business you have, if you enter into contracts and/or business transactions (not to mention drive a vehicle, allow clients to enter your business premises, enter clients residents and premises, hire employees and sub-contractors, etc.) that may result in something going wrong, you need the ability to limit your liabilities so that you do not lose everything you have worked so hard to obtain. Establishing an S Corporation is simple and even a Limited Liability Company (hereinafter an LLC) can be used for those like me who think the LLC is simply the greatest thing since sliced bread.

In addition the S Corporation can provide significant savings in "self-employment" taxes (the 15.3% you must pay for Social Security and Medicare as of 2007). Instead of having to pay the self-employment tax on 15.3% up to the \$97,500 cap, you can give yourself a modest salary, and take the rest of the profits as profit distributions. Although you will have to pay taxes on the profit distributions, the savings of 15.3% can add up very quickly and is a safe and secure way of saving taxes as long as you pay yourself a "reasonable" salary with withholding. For example, let us say you end up making \$80,000.00 a year net profit on your business. This means that in addition to the taxes you have to pay on net profits, you have to pay \$12,240 a year for the "self-employment" tax or \$1,020.00 a month. Although some people believe that this money is going into their retirement fund held by our friends at the Social Security Administration this is simply not the case, and in fact you would do much better if you paid only the minimum amount necessary for Social Security and set aside the rest in modest investments. If you had an S Corporation, you could give yourself a "reasonable" salary with withholding for Social Security and Medicare. Although there are many different ways of determining what is reasonable, and reasonable will vary from person to person, let us just say for these purposes that \$36,000.00 a year is a reasonable salary to pay someone else to do what you are doing, or \$3,000.00 a month. Of this amount you will have to withhold \$5,508.00 a year, or \$459.00 a month. This is an annual savings of \$6,732.00, or \$561.00 a month, which is totally acceptable to the IRS as long as you pay yourself the "reasonable" salary and withhold at the lower amount. With this example, this entire package pays for itself in six (6) months. After that it is just money in your pocket!

There are other ways that the S Corporation can save you money in taxes. Corporations can deduct much more in business expenses than can a sole proprietor or a partnership. And there are other ways of using the S Corporation that can result in significant tax savings. The savings obtained by reducing the "self-employment" tax, and in obtaining better business deductible expense treatment are just the easiest and most obvious ways.

Finally, there is the issue of privacy. Once you establish the S Corporation, you receive a Federal Employer ID Number which is the Social Security number for businesses. No longer will you have to provide your Social Security number to get paid, to get loans and to qualify for various business opportunities. The S Corporation will start to develop a credit rating of its own, and eventually should become totally independent from you as owner. Having an S Corporation allows you to separate your private life from your business life. For additional privacy you can use a Revocable Trust to own the shares and appoint a nominee officer to be named in any official papers, thus obtaining near anonymous treatment.

**ORDER FORM**  
***The Squire Wealth Preservation Fortress®***

CLIENT: \_\_\_\_\_ DATE: \_\_\_\_\_, 20\_\_

ADDRESS: \_\_\_\_\_

BUS. PHONE: \_\_\_\_\_ FAX: \_\_\_\_\_

EMAIL: \_\_\_\_\_ OTHER: \_\_\_\_\_

I agree to retain The Squire Organization, LLC to provide the following services:

- The Squire Personal Preservation Fortress®* \$ 2,000.00  
Includes *The Personal Preservation Trust®*, *The Personal Preservation LLC®*, Federal EIN, all necessary transfers, the First Year Annual Trustee fees of \$500.00, and the First Year Annual Registered Agent and Office fees of \$250.00.
  
- The Squire Advanced Corporate Fortress®* \$3,000.00  
Includes a US C Corporation (or LLC to be treated as a US Corporation), a US LLC to operate as a wholly owned subsidiary of the US Corporation, and a US S Corporation (or LLC to be treated as a US Corporation) to serve as the clients payroll service, Federal EIN, all filings to qualify for IRS S Corporation status, all necessary transfers, the First Year Annual Registered Agent and Office fees of \$250.00 for each company, and first year Nominee Officer Fee (if needed) of \$250.00 for each company.
  
- The Ultimate Wealth Preservation Fortress®* \$4,000.00  
Includes a combination of *The Squire Personal Preservation Fortress®* with *The Squire Advanced Corporate Fortress®* saving the client the expense of the formation of the US LLC. Instead the US C Corporation established by *The Squire Advanced Corporate Fortress®* replaces the US LLC established by *The Squire Personal Preservation Fortress®*. This savings is passed on to the client.
  
- The S Corporation Basic Setup* \$1,000.00  
Includes a corporation or LLC, Federal EIN, all filings to qualify for IRS S Corporation status, first year Annual Registered Agent and Office Fee of \$250.00, and first year Nominee Officer Fee (if needed) of \$250.00.
  
- Establish Bank Account* \$ 500.00  
Includes establishing checking account in the name of the company, initial deposit of \$50.00, basic check book, online banking, Visa Debit Card.
  
- Revocable Trust* \$ 500.00  
Includes formation of Revocable Trust (a.k.a. as a Living Trust) which will own the primary entity in question, and annual Trustee Fee (if needed) of \$500.00. Additional testamentary documents such as wills, power of attorney, directive to physicians, etc can be arranged at additional cost. Additional transfers to the trust can be arranged at additional cost.

I acknowledge and agree to the above fee arrangement: X \_\_\_\_\_  
CLIENT SIGNATURE

**PAYMENT INSTRUCTIONS**

Please fill out this form, forward it by fax to 1-419-710-4339 and we will contact you to arrange a convenient payment method, or mail with payment to:

The Squire Organization, LLC  
909 Silber Rd #59  
Houston, TX 77024