

Secret Benefits of Trusts

Tips and Techniques to Build, Profit From and
Protect Your Real Estate Portfolio

Trusts Work

I believe in trusts. I've used them for 30 years. Trusts continue to deliver results and allow me to build a profitable, flexible and secure portfolio of real estate investments. Trusts are not as widely understood as other entities, but they are much more flexible and just as solid as their alternatives. I've used a trust for every real estate deal, note, mortgage and IRA investment that I have ever done. For real estate, I buy, manage, rehab, partner, finance, gift, and sell exclusively in trusts. I also hold options in trusts. Over the years, I've expanded my use of this valuable tool and added some very profitable and helpful techniques: Land trusts, personal property trusts, and IRA checkbook trusts are all excellent vehicles that I use profitably and successfully, and I can teach you how to use them, too!

All IRA investments in real estate, notes, mobile homes, vehicles, personal property, receivables and other instruments are held in the Checkbook Control Trust. This allows you to reinvest IRA funds rapidly since all note and rent payments go to a local bank account that you control without operating. The ability to reinvest the money without the cost or delay of going through the custodian increases the velocity of the money and the yield. Students of mine who use this particular trust tool have been able to significantly grow their IRA account in a relatively short amount of time.

Personal Property Trusts have come into use more recently and are used to hold title to mobile homes, vehicles, securities and all other personal property in privacy. They have many of the benefits and attributes of land trusts. For notes, I buy, manage, partner, fractionalize, wrap, sell partials, sell parts of payments, parts of balloons, pledge, and sell strictly in personal property trusts.

In this E-Book, I'm going to share some of my most profitable strategies, as well as some of the tools for protection that trusts offer. The top 10 are only a few of the dozens that accrue when holding investments in trust. More importantly you have a completely different way to operate your investments; a whole new operating system. As in a computer operating system there is Word, Photoshop, Excel, Outlook, Media Player and more. And then, since you are converting real estate to personal property many other strategies are available that are not possible with regular real estate.

Trusts Have Been Used for Centuries

The trust concept is not complicated. A trust is simply an arrangement between two parties where one party puts his property in the name of the other party and "trusts" him to hold it for the first party's benefit. It is a simple contract between the trustee and the beneficiary. Trusts have been used widely since the mid-1500s in England and came to America with English Common Law. Farmers and landowners placed their property in the name of a local Nobleman in trust for the farmer. King Henry VIII often

seized properties from landowners, saying the trusts were invalid. The courts ruled that as long as the Trustee had affirmative duties the trusts were valid. This concept came to the US with English Common Law. It predates every type of corporation, LLC, partnership, etc.

A trust law was passed in Illinois in the 1890s. It became the standard procedure for holding title in Illinois. It was placed in the Florida statutes in 1963. Shortly thereafter 27,000 acres of land were purchased near Orlando in private, the future home of Disney World.. This "revocable trust" can be used in all 50 states and provides dozens of benefits including avoiding probate, judgments and disclosure of the beneficiary. There is case law in all states covering the use of these trusts and some states require specific duties for trustees in addition to the basic powers contained in deeds and trusts.

An IRA Checkbook Control Trust has been in use for over 10 years and allows the IRA owner to have the custodian invest his funds in this trust and are held in your local bank. An independent and unrelated person signs the checks. This is a hybrid trust that can own real estate and personal property. Investors are able to buy, sell, option, lend, lease and use many other strategies quickly, without the cost or delay of going through the custodian.

Acquire a New Operating System for Your Real Estate

We are talking about a more global approach to real estate investing using land trusts. Of course one of the main benefits of using trusts is the ability to shield your assets from opportunistic legal actions, but the benefits go far beyond just asset protection. When you know how to use them properly, trusts provide a multi-faceted approach to building wealth. These tools are little understood or used by investors today, but they are powerful, legal, and easily implemented when you know how to use them. I liken the range of tools trusts provide to the operating system on your computer. With trusts, Investors can acquire a new operating system for their real estate. Just as Windows Vista includes word processing, spreadsheet, e-mail, contact management, Photoshop, and more.

A land trust as an operating system delivers benefits in all phases of your real estate business. It provides a management structure, a partnership and syndication system, a financing alternative, an estate planning tool, a firewall, and much more.

Again, to treat the land trust as merely a title holding entity ignores many of its best features. A trust provides the software for many investment strategies that deliver a host of benefits to its users. For example:

An Acquisition Technique

The trust is an excellent device to use in negotiations. The principals are unknown and must be consulted for approval of any changes. Unless, the negotiator has authority to accept certain terms. The transaction can be private, especially if the property is deeded into trust by the current owner and that the beneficial share is purchased immediately thereafter. This offers many benefits concerning the purchase price, seasoning issues, unreasonable gain, closing costs, and more.

In 1963, shortly after Florida approved a land trust statute, over 27,000 acres of land was purchased near Orlando by a number of trusts and corporations. This privacy of intent is available to any person or entity and is used often to acquire parcels from multiple owners.

This third party negotiation lessens the stress and improves the outcomes.

A Management Structure

The anonymity of a trust is helpful in managing any property since the trust terms dictate allowable behavior, payment rules, deadlines, maintenance requirements, refunds and dozens of other procedures that must be followed because the trust dictates. Tenants, neighbors, code enforcement, zoning and every type of bureaucracy are involved and sometimes confused by the trust rules.

The lack of personal involvement makes dealing with difficult tenant situations less stressful, more impersonal and more enforceable than face-to-

face dealings. Some investors probably make up the rules as they go, so I am told.

The property manager is merely an agent for the trustee and is obliged to go by the letter of the law, as directed by the trust terms. Disagreements or tenant requests must be forwarded to the trustee, who in some cases must get the approval of the beneficiary, which is often a difficult and lengthy process.

A Partnership and Syndication Facilitator

The privacy and flexibility of a land trust is a much more facile device for sharing real estate ownership with several people than through the use of tenant in common or joint tenant interests which must be reflected in deed recordings. The change in ownership through assignments of beneficial interests can be done privately without witnesses or notaries.

The speed, privacy and cost of partnering within a land trust are far superior to the alternative. The partners can take their proceeds in different directions upon the sale of the property. Some may do a 1031 exchange and some may take the cash. This is very difficult, costly and time-consuming in a partnership.

A Financing Alternative

Lending or borrowing in a land trust is faster, less expensive and safer than with the use of a deed-of-trust or mortgage. The Uniform Commercial Code procedures are well established in the law and can be used by investors in land trust properties. Typically, a note is signed by the borrower, a security agreement represents a deed-of-trust, a collateral assignment of the beneficial interest is made by the borrower to the lender as security for the loan. Upon default, the procedure to acquire the property is quicker and less expensive than a foreclosure.

As a borrower, by putting your lender in the position of greater safety, less expense and shorter recovery time you should be able to borrow money at a lower rate, faster.

An Estate Planning Tool

Probate is avoided with trust properties by listing the successor beneficiaries in the trust agreement providing for the orderly transfer of property to desired parties and also avoiding the need to probate the estate in different states.

A Gifting Platform

Gifting beneficial shares is much easier using certificates of beneficial interest representing the current \$14,000 limit. It can be done privately without deeding interests in the public records.

A Closing Choice

Since the ownership of real estate in a trust is considered personal property, it can be bought and sold privately without the use of title or escrow agents. The shares of beneficial interest can be transferred without witnesses or notaries. A private sale or purchase or 1031 exchange can be closed in your office or remotely. It is recommended to use a contract of purchase and to complete a HUD-1 closing statement. The form can be found on the HUD website@hudclips.org

A Firewall and Spam Filter

Just as your Anti Virus software keeps unwanted messages and other intrusions off of your computer, a trust serves the same function for your real estate. The common annoyances like junk mail and intrusive neighbors are much easier to handle and selectively respond. The trust delivers virus protection and filtering of unwanted messages far superior to Norton or McAfee software. Tenants, rejected applicants, contingency fee attorneys, tradesmen, salesmen, all variety of bureaucrats, and other undesirables will find it next to impossible to penetrate these protections.

Trusts - Top 10 Benefits

There are several dozen separate benefits that come with the use of these trusts. Some are quite rare but over the years I have seen most of them come into play at one time or another. Like health insurance, you may never need some of the coverage but it is there for you if required. My top 10 are listed below. Others may be more interested in the estate planning or asset protection features of trusts.

1) Privacy Of Ownership. Many benefits to investors stem from the fact that the identity of the beneficiary is not on public records and can be difficult to find. Tenants, bureaucrats, creditors, tradesmen, salesman and others are blocked. The trust is a firewall and a spam filter. It stops all unnecessary communication with the owner.

2) Personal Property Trust can be used. This trust is for holding notes, mobile homes, securities, as a **manager of an LLC**, and other uses. It is not well understood in the marketplace and adds another level of privacy and safety.

3) IRA Checkbook Control Trust is possible. Your IRA funds can be in your corner bank and immediately available. All rents, note payments, etc. are deposited there and can be reinvested quickly without the cost or delay of going through the custodian. Compared to an LLC, the Trust has no formation fees, annual fees, or annual reports.

4) Financing can be done under the UCC. Foreclosure is easier with a Collateral Assignment of Beneficial Interest. This is the security for the debt. When unpaid **you already have the beneficial interest.** You notify the

trustee. This is the process used for personal property like mobile homes, trucks, aircraft, etc. nationwide.

5) New Investment Tools Are Available. A contract or lease of the beneficial interest and other personal property techniques are available. The trust changes ownership **from real estate to personal property**. These additional methods offer great benefits for leasing, financing, creating condos, selling fractions, exchanging, and more.

6) Purchase or sale price is not disclosed. No public record exists for the sale price or the purchase price. The beneficial interest can be **purchased in private**. In Florida, the transfer tax must be paid to the state, but only references the trust, not the address.

7) Partner In Private. Partners can hold and trade Beneficial Interests without recording anything in the courthouse. Share percentages can be changed among the partners with a **simple assignment of beneficial interest** and notice to the trustee.

8) Avoid Probate. Title passes to the successor beneficiary, upon death. This can be a major benefit to a family in the midst of other problems. Beneficiaries can be **changed at any time** without the difficulties of changing a will.

9) Reduce Litigation Costs. Contingency fee attorneys avoid trust lawsuits. Incidents such as dog bites, fall down the steps injuries, and other minor and

sometimes dubious claims are **often declined by the law firms**. The data comes from a long and broad history.

10) Judgments Don't Attach. Judgments against beneficiaries or partners do not attach.

Exclusive Trust Investment Tools

After getting established with the trust operating system and buying all future real estate and notes in trusts, a number of procedures and strategies become available that are not possible without trusts. Previously owned property should be placed in trust as soon as possible. Even though you were the previous owner, it is not certain that you have any interest in

that property. The next tax bill goes to the trustee and you segue off the public records. Some of these unique tools follow.

1) Buy Into Trust. The buyer has the property deeded directly from the seller to a land trust. There is **no public record of the beneficiary**. The BI can be sold, leased, partnered, financed, etc. in private.

2) Seller Deeds To Sellers Trust. The seller deeds the property to a trust. They are the beneficial owner of the trust. There is **no transfer tax or sales price recorded**. The investor buys the beneficial interest and pays the transfer tax to the state. No record of the price. No seasoning issues.

3) Sell a Trust Property With Terms. The seller sells the beneficial interest on a Contract For Beneficial Interest. This is a sale of personal property and **no ownership rights are passed** until all payments are made. This resembles a Contract for Deed and is useful for small deals where the buyer is responsible for taxes, insurance and repairs.

4) Sell A Beneficial Interest Partial. The seller may sell any percentage of a beneficial interest to **raise funds or take on partners**. Partners can buy and sell interests among themselves, privately.

5) Lease - Option Property. Lease options are good device to secure better tenants, higher rents and longer tenancies. The tenant receives a **Contract for Option**, which avoids the need to foreclose an option tenant.

6) LLC Manager. Use a personal property trust as a **manager of an LLC**. There is no public record of the person performing the LLC. A co-trustee can sign the tax return. This co-trustee is employed one day per year, the day the tax return is signed.

7) IRA Funds. Use a hybrid trust; a combination land trust and personal property trust To **Take Checkbook Control of IRA** funds from the custodian to your corner bank. This trust can own real estate, notes, stocks, bonds, mobile homes, etc. All rents, note payments, flip profits and other **income are deposited in your** bank and can be reinvested quickly without the cost or delay of going through the custodian.

8) Personal Property Trust. This trust is for holding **notes, securities, mobile homes** and all types of personal property. It can be used for vehicles, watercraft, machinery and other causes of risk to **insulate the item and the owner** from other assets. It is not well understood in the marketplace and provides another level of privacy and safety.

9) Seller Finance. There is a large demand for seller financing from buyers who are not eligible for bank loans. They pay **above market prices and above market interest rates**. Use the Uniform Commercial Code for seller financing with a Security Agreement, Note, and a Conditional Assignment of Beneficial Interest for collateral. Foreclosure is much easier and less expensive.

10) Borrow on a Property. To raise funds at the **lowest interest rate**, give the lender 100% of the beneficial interest of the trust holding title to your

property. You have the option to pay the amount plus interest on your agreed terms. If you do not pay, the lender does not have to find you or foreclose. He already **has the beneficial interest** of the trust.

11) Payoff Debt with Tax-free Funds. Buy a portion of the beneficial interest with the seller holding financing for the balance. The debt is **convertible to ownership** and the balance can be acquired from 1031 exchange funds, using tax-free money.

12) Create a Condo. A trust can be used to **condominimize a property**. An Agreement Among Beneficiaries lists the rules, fees, etc. This process is **quicker and less expensive** than having Condominium Documents drawn up and approved.

13) Sell Part of a Property. Sell a portion of the beneficial interest for the house for a \$500,000 tax-free exemption under **code section 121**. Retain a portion for the land value. Lease the land to the buyer for a year. Then sell the land to the buyer for an additional \$500,000 **and do a tax-free exchange**.

14) And More... There are many more strategies being used with real estate, personal property and IRA accounts that are only possible through the use of a trust. They provide asset protection, estate planning, **more profit, great flexibility and more privacy** than any other method. They can be used in conjunction with LLCs, Corporations, Partnerships and other trusts.

Getting Started.....

Changing your business model to trust operation is a simple process. There is a deed to a trustee and a trust agreement. As stated earlier, the trust agreement is simply a contract between two parties, the trustee and the grantor. Other ancillary documents are used to buy, sell, amend, mortgage, lease and otherwise operate the property. You will find no more paperwork, and not much less but the benefits are vast. Acquire the ability to form your own trusts. A skilled trust attorney is always recommended but seldom found. Attorney's who don't practice this type of law and don't understand it will often tell clients to use an LLC. However the case law is solid and the use of trusts is established as a credible and effective tool for investors. My students when told not to use trusts, will challenge their attorney to tell them why, from a legal perspective, trusts should not or can not be used. Except for some rare cases with specific reasons, attorneys are not able to give a reason with a valid legal basis.

Over 25 years ago, I partnered with attorney Mark Warda, the author of "Land Trusts for Privacy & Profit" book, and together we have been teaching land trust seminars since 1985. Our class is approved as CE credit for attorneys, CPAs and Realtors in Florida and some other states. Of course we would like for you to purchase our complete trust program. We know it is a solid, well researched and well used program. But more importantly, we really do want to encourage you to protect what you've built and protect your investments. If you don't buy our course, educate yourself. Find an

attorney in your area who specializes in and understands the law behind, trusts.

CONCLUSION

In summary, Trusts provide effective tools that should be well understood and utilized by real estate investors. Trusts have many individual benefits; collectively, these benefits can be combined and can offer a totally new method of operating your investments and creating a profitable, well protected, flexible portfolio. This summary of privacy, safety, flexibility, asset protection, firewalls and spam filters are compelling reasons to learn about trusts and put them to work in your investment business. I am here to help you succeed, and I hope you'll learn more about trusts and use them in your investing.

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