

Reasons to Use a Land Trust

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Reasons to Use a Land Trust (Currently 54)

What Is A Land Trust?

Before enumerating the benefits of using a Land Trust it is important to understand exactly what a Land Trust is and how it works. A Trust (of any kind) is merely pieces of paper, albeit legal paper. There are many different kinds of Trusts but this publication will deal only with the Illinois “Type” Land Trust.

In so many words, a Land Trust is a legal arrangement whereby title to a property is held by a **Trustee** and all the benefits, rights, and powers of ownership are retained by a person (or entity) called a **Beneficiary**. The rights and duties of these players are spelled out in a duly notarized and signed document called the **Trust Agreement**. Typically, the Trust Agreement is NOT recorded.

Only real property can be placed into a Land Trust, so all of your personal property must be handled in some other way (i.e. a Personal Property Trust).

The following is a list of reasons to use an Illinois “Type” Land Trust:

1. Avoids Probate

One of the biggest costs to your real estate net worth could be the fees to pass your property through the probate process in court. This expense can run as high as 10% of the gross estate. Placing your property in a Land Trust provides a smooth conduit to your heirs without going through the probate process. Why pay attorneys and the court system to process your real estate through legal systems when it is not necessary? When you die with your property in a Land Trust the beneficiary receives the transfer of the subject property by

contract of law with the transaction requiring no judicial process or treatment to effect the change of ownership. Upon your death the property passes to the beneficiary outside of the courts and remains a private transaction without public notice.

Furthermore, a land trust will help avoid **Ancillary Probate**. For example, owners of California real estate who live outside of California (i.e. are residents of another state) will be subject to California probate upon their death. Ancillary Probate is avoided by placing real estate into a land trust (in California they are called “Title Holding Trusts”) because the beneficial interest is personal property, not real property.

2. Ease of Transferability

Any investor with experience buying and selling real estate using the conventional public process of preparing a deed, signing mortgage papers, and recording the transaction can easily remember the laborious process. When you deed your property into a Land Trust, subsequent transfers are easy to conduct and are very private. With the stroke of a pen a beneficiary can be assigned or a trustee can be fired and a new one appointed. No public notice is required and all changes are conducted within your personal file folder in your office.

3. Judgments Against the Beneficiary Do Not Attach to the Property

Because the trustee of a Land Trust is the real property owner (legal and equitable title holder), judgments adjudicated against the beneficiary do not attach to the property. The reason for this is that the interest of the beneficiary is a **personal property** interest in the Land Trust...NOT a real property interest. Since the trustee owns the legal and equitable interest in the property any judgment against the beneficiary personally would not attach to

the property. This allows an individual with judgments and or liens to buy and sell real estate freely without having to worry about those judgments or liens attaching to the property.

Note: Some investors use an LLC or Corp. to hold title to their real estate investments. However, if you own all your properties in one entity like an LLC or Corporation, a judgment against that entity will create a lien on ALL property owned by that entity. Therefore, it is best to put each property into its own land trust to insulate one property from the other.

4. No Partition

This element of the Land Trust agreement provides that the Land Trust can not be separated or fractured by judicial procedure. This keeps an angry partner or co-owner from forcing the division of or sale of the property by petitioning a court for a public auction sale. The language for this provision is written into the Land Trust agreement and applies to married beneficiaries as well.

5. Easier Management with Multiple Owners

The trust agreement can be drafted to provide the specific management responsibilities of the property manager (does not have to be the beneficiary) so that the management of the property is not a joint decision of all beneficiaries of the trust. This creates a specific course of action for the management of the property in the trust with the trustee being the front person for the public's view. Management can be removed from multiple owners and vested in the hands of the property manager without day-to-day interference from the multiple owners.

6. No Costs Upon Transferring Beneficiary

If a real estate investor is selling or buying a property outside of a Land Trust the fees for transferring ownership can be significant depending on the jurisdiction the property resides in. In a Land Trust the "assignment of the beneficial interest" of the trust can transfer the

control of the property (and the tax benefits) to another party or parties with no cost to the transaction. No one is aware of the transfer. No awareness No cost!

7. No Registered Agent Needed

The Land Trust document is a pass-through agreement with none of the entity requirements of a limited liability company, sub chapter “S” corporation or a regular “C” Corporation. Usually an attorney acts as your “registered agent” with these above entities, which gives the attorney more opportunity to charge you ongoing fees. A registered agent is not required of a Land Trust.

8. Legal & Equitable Interest in Trustee's Name

A Land Trust gives legal and equitable title to your trustee thus your name is not found in the public records. The trustee's name is recorded in the county records (via the Deed to Trustee) as the real property owner. This is the first step in providing the beneficiary's anonymity from the public's eye. Consequently, the beneficiary is not in the chain of title.

9. Income and Expense Conduit

Many investors think that a Land Trust is an entity that requires a separate tax return to be filed with the IRS. A Land Trust is not a structure that the IRS recognizes as a taxable entity and thus all income and expenses for a property held in a Land Trust are passed directly to the beneficiary and reported on her/his/its tax return (see *Revenue Ruling 92-105 and IRS Code Section 677*). The only time an entity i.e. a limited liability company (LLC) would have to file a tax return for the income and expenses on a property would be if the LLC is the beneficiary of the Land Trust. This type of ownership holding strategy I discuss in my Land Trusts Made Simple – Advanced Home Study Course that can be obtained on my web site at: www.landtrustsmadesimple.com

10. Trustee Has No Personal Liability

One of the interesting parts of a Land Trust is that all directives, orders or conditions of the Land Trust can be spelled out very clearly in the trust agreement. One of these provisions is the trustee will NOT be personally liable should an action be brought against the property or the trust. The beneficiary will hold the trustee harmless from all costs of defense and personal liability. The trustee is only liable for violating the duties of the trustee (which violate the trust agreement---or fraud by the trustee). This gives the personal trustee a level of confidence that any action against the property will not financially affect him/her. This makes a person more acceptable to becoming a personal trustee for a Land Trust.

11. No Annual Fees Like Other Entities

This reason for the use of a Land Trust is similar to #9 above in that the Land Trust does not carry annual or ongoing fees (if you setup the trustee properly). Should you use a corporate trustee (i.e. The First National Bank of Any Where, USA) the trust department of this institution will charge you fees for setting up the trust, administration of the trust on an annual basis and every signature required of the trustee. They will also require that you use their trust agreement, and charge you every time you have them conduct any business with the trust. You can manage your Land Trusts so much more easily and without the burden of annual and reoccurring transaction fees by simply using a personal trustee. This is another major reason for learning as much as you can about Land Trusts and their management so you can keep the costs of creation and ongoing administration to a minimum

12. Estate Planning Benefits

The Land Trust has great estate planning benefits. The grantor can design the property management strategy, the transfer upon death, and any other contingencies that face the trustees and beneficiaries upon death. The grantor can arrange the transfer upon death to

one or more parties without the cost of a court processed transaction and immediately. The real estate assets of the estate can pass-on to the children or beneficiaries with privacy and ease of transfer. This can eliminate the county reassessing the property for tax increases due to NO knowledge of the transfer.

13. Less Expense with Grantor Creating the Trust

I have been advocating the use of Land Trusts for over 30 years. I highly recommend that each investor take the time to study the Land Trust laws of their own state. Most states will allow the grantor (personally setting up the trust) to create his/her own Land Trust agreements and the ongoing management of same. This gives the real estate investor reason to study all the provisions of the law, past court cases, and other practitioner's publications. The more you know about creating and managing your own Land Trusts the less expense is involved. Outside the cost of recording the Deed to Trust at your courthouse you can keep the expenses to a minimum. So the grantor can create the trust, deed the property into the trust, record the deed to trustee and sell the property all with his/her own actions with the strike of a pen and a few notary signatures.

14. Avoids the Due-On-Sale Clause

Even though I feel the Due-On-Sale issue is a non-issue especially in this real estate climate we are experiencing, it still needs some discussion. Technically most mortgage documents are written with a clause stating that if there is any transfer of ownership or interest to a third party the lender has the right to call the loan due and payable. The author of this writing has never seen a due-on-sale clause accelerated in their 40+ years of investing. It is still possible to trigger the due-on-sale clause via the terms of the note and mortgage. A smart property owner can form a Land Trust, deed the property to the Trust, record the transaction with the county recorder's office and then assign the beneficial interest to the trust to a buyer

without anyone being the wiser (i.e. privacy is accomplished). Learn more about this in my Land Trust Made Simple – Basic home study course @ my website:

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15. Privacy of Ownership

This is probably the number one reason why Land Trusts were invented. Land Trusts have been around for over 500 years, but most modern day users do so to hide the ownership of their property. Once you have placed your real estate into a Land Trust you have converted your interest from real property to personal property. You no longer “own” the property, you own the **Beneficial Interest** in the trust. The benefits to this process are many but undoubtedly one of the most sought after benefits is anonymity. Do you really want everyone in your town knowing all that you own? This would be like taping your personal financial statement to the back of your shirt. A side benefit to using Land Trusts is that you not only keep your name out of the court house records, but you become less of a target for **Identity Theft**. A Land Trust helps you become more private with your personal affairs and is the first step in asset protection.

In this day of rampant litigation and out-of-control identity theft is it any wonder that I suggest that everyone use a Land Trust to hold real property? We all need to understand the terrible ramifications of exposure to frivolous lawsuits. There are people and their lawyers in our society that think it is easier to sue you than to work for a living. They will file suit just to get you to cough up an out of court settlement...because you will. Secondly, your name, social security number, driver's license, health records and financial records are available for almost anyone on the planet to steal and use for their own benefit. A Land Trust is the first step to privacy and starts you thinking about this subject on a very pragmatic basis. Keep your personal identity and information out of the public's eye. This

will mitigate the exposure to losing what you have worked so hard for over the years. From 2010 to 2016 there were over 200 million breaches of personal information in America. Currently, there are 27,000 identity thefts PER DAY! Go to privacyrights.org and check out the identity theft epidemic for yourself. You can order my 200+ page book **Privacy and Asset Protection (Identity Theft Prevention)**. Or, order my complete **Privacy and Asset Protection Home Study Course**. Both can be found at www.landtrustsmadesimple.com

16. No Federal or State tax Return Required

The basic Grantor revocable Land Trust (used by most real estate investors to hold title to their investment property) is considered a “pass-thru” entity by the Internal Revenue Service. This means that neither the Trustee nor the Beneficiary needs to file a separate tax return for the Land Trust. The beneficiary of the Land Trust merely reports the income and expense items from the property (held in the Land Trust) on his/her personal 1040 (schedule E) tax return.

17. Keeps Sales Price Private

If you want to sell the property held inside your Land Trust, you can do so by selling the Beneficial Interest of the Trust...not the property itself. By selling the Beneficial Interest you are actually selling **Personal Property** and the transaction is not recorded (some states do require notification of the local taxing bodies). Therefore, the sale of the Beneficial Interest is a private transaction that is NOT recorded in the public records. Only the **Trustee**, **Beneficiary** and **Assignee** (person buying the Beneficial Interest) are aware of the transaction.

18. Fracture Interests Without Being “Partners”

Unlike direct ownership by deed, owning the Beneficial Interest in a Land Trust allows for the easy transfer of percentage interests to other “owners.” For example, if you owned a 100 % interest in a Land Trust via your Beneficial Interest, you could gift a \$14,000 interest to each of your children each year with no tax consequence. Furthermore, you could sell a fractional interest to anyone (or another entity) and create co-owners easily and inexpensively. If co-owners own their interest via **Personal Property Trusts** they can avoid being classified as “General Partners” and the attending potential liability.

19. Ease of Linkage to Other Asset Protection Entities

Land Trusts were not designed to be good Asset Protection devices. As stated above, Land Trusts were designed to hide the ownership of the property from the general public. However, when other entities are combined with Land Trusts, Asset Protection benefits can be obtained and compounded. One of many potential structures might involve an out-of-state **Limited Liability Company** as beneficiary of the Land Trust. By putting each property into its own individual Land Trust and then making an LLC the beneficiary, the owner is “insulating” each property from the others and preventing a nexus for a lawsuit.

20. Non-judicial Repossessions of Real Estate Sold on Contract

This is a concept that many people will not understand immediately. If you sell the Beneficial Interest in a Land Trust (instead of a Contract for Deed) and the buyer defaults, you DO NOT HAVE TO FORECLOSE the interest. Typically, if a contract buyer defaults on his payments the seller must go through a lengthy and expensive judicial foreclosure proceeding. However, since the contract sale of a Beneficial Interest is a personal property sale (governed under the Uniform Commercial Code) judicial foreclosure is not required.

This saves the contract seller an immense amount of time, aggravation and legal fees (and a lot of sleepless nights).

21. 1099 Not Required for Beneficial Transfers

Since the sale of the Beneficial Interest in a Land Trust is selling personal property—not real property, the requirement to file a 1099 does not apply.

22. Ease of Operating Across State Lines

There is no Federal Land Trust law. All Land Trust regulations are formulated at the state level. Because of the **Full Faith and Credit Act** all states have agreed to recognize each other's laws. Even if your state recognizes the validity of a Land Trust, we suggest you consider using a state other than your own for the **situs** of your trust. By using an out-of-state Land Trust (and Trustee) you put yourself in a position to apply for federal jurisdiction in litigation matters relating to the Land Trust. Federal court is a different “animal” when compared to state court and requires a more complicated legal process and higher legal fees for your opponent. If you use an out-of-state Land Trust (and Trustee) to hold title to property in your state and the beneficiary of the trust is an out-of-state Limited Liability Company (from yet a different state), you can only imagine the confusion created by this labyrinth.

23. Ability To Insert Poison Pills

A poison pill is language inserted into a contract to stop adversaries from thwarting the intentions of the contract. For example, if the **Power of Direction** to a Land Trust is assigned irrevocably to an out-of-state (or out of the country) third party, it would be very difficult for a judge to order the beneficiary to direct the Trustee to sell the property (or assign the Beneficial Interest) in satisfaction of a creditor. The heart of a Land Trust is the

Trust Agreement. This agreement is nothing more than a contract that falls under the purview of contract law. As such, two people may agree to do anything as long as it is not illegal or against public policy.

24. Abundance of Case Law to Support Land Trusts

As mentioned above, Land Trusts have been in existence for over 500 years. Surfs use to put their property into Land Trusts to protect their property from the King. Over 100 years ago the Land Trust concept was brought to America and was first used by Chicago Title to help a developer subdivide his land. For most of the 1970's and 1980's an attorney who worked for Chicago Title, Henry Kenoe, was considered THE one and only nationally recognized expert on what is now considered the **Illinois Type Land Trust**. Only six states have actual Land Trust Statues on their books. But, most all other states recognize the validity of the Land Trust. Therefore, most states default to Illinois' 100+ years of case law when making legal decisions regarding Land Trusts.

25. Many Attorneys Lack Training in Land Trust Law

Lawyers are taught very little if any Land Trust law in law school. Only those attorneys that seek out specific education and training can council would-be Land Trust clients. Consequently, there is a lot of miss-information about Land Trusts promulgated by uninformed attorneys, real estate gurus and financial counselors that frankly do not know what they are talking about. The good news is that once you become knowledgeable in Land Trust law for your area, you can operate with little resistance from your peers.

26. No Recordation of the Trust Agreement

This feature is one of the hidden benefits of using a Land Trust. There are two documents that make up a Land Trust; A **Deed in Trust** and a **Trust Agreement**. The Deed in Trust is recorded at the county recorder's office for the county in which the property is located. The Trust Agreement (the contract that sets forth the terms of the agreement between the Trustee and the Beneficiary) is NOT recorded anywhere! No other form of business entity has the equivalent privacy element as the Land Trust.

27. To Avoid Loan "Seasoning" Problems

In 1982 the Garnes-St. Germain Act was passed by the United States Congress. This new law allowed all Americans to put their **personal residences** into an Inter-Vivos Trust without fear of mortgage lender's due-on-sale clause. Since the Land Trust is a type of Inter-Vivos trust, it became legal to put property into a Land Trust and it was considered still titled in the original owner's name. This meant that the lender could not call the loan due because of the transfer from the title holder to his Trustee for a Land Trust. Consequently, some real estate investors have the seller of a property put the property into a Land Trust with the seller the beneficiary. Then, the seller/beneficiary assigns his interest in the Land Trust to the investor. Since this assignment is not recorded anywhere, technically the title is still in the original seller's Trustee's name and the chain of title has not been broken for seasoning purposes.

28. To Save Title Insurance Premiums

The best way to take title to property is directly from the seller to your Trustee. If you never take title, you will never be listed in the chain-of-title at the Records office. Another benefit to having the title transferred directly from the seller to your Trustee is that the title

insurance policy will be issued in the name of your Trustee. If subsequently you sell the Beneficial Interest the title insurance is still valid and in force (with no additional costly title insurance endorsements). Also, if you change Trustees (via death, termination or natural succession) the title insurance policy continues to be legally binding under the title company's "Definition of Terms" which extends coverage to "...those who succeed to the interest of the named insured by operation of law..."

29. Negotiating Technique for Sale or Purchase

When Walt Disney devised a plan to acquire thousands of acres of Florida land to build Disney World he used hundreds of Land Trusts to acquire land prior to construction to avoid price escalation. With multiple Trustees acquiring land in different names (for different Land Trusts) no one ever figured out what old Walt was up to. When the process was finished, Walt had all the Trustees deed their interests into one Land Trust so he could then begin construction of his dream. Can you imagine how prices would have increased if the word had gotten out what Disney was doing? The Disney Company saved hundreds of thousands of dollars by keeping the acquisitions private and out of the public purview.

30. Provides Non-Recourse Financing

When you buy or refinance a property using a Land Trust the Trustee (as the legal and equitable title holder) will sign the mortgage (and maybe the note depending on the lender's requirement). However, the Trustee signs his or her name as "Trustee only and not personally." Typically, the Trustee will also stamp an Exculpatory Clause beneath his or her name that exonerates the Trustee from ANY personal liability. This, in effect, makes the debt non-recourse financing. Depending on the sophistication of the lender they might require

the beneficiary to sign the note and or a guarantee of the note for additional security. This would obviously make the financing full-recourse.

31. Lowers Real Estate Taxes (Prevents Re-assessment)

If you are buying a property that is already held in a Land Trust you should buy the Beneficial Interest instead of taking title personally (assuming there is only one property in the Trust). If you buy the Beneficial Interest there will be no transfer tax and the local taxing bodies will not have the knowledge to increase your real estate tax assessment. Some states like Illinois have enacted statutes to prevent the loss of tax via the transfer of a Beneficial Interest (see the Land Trust Recordation and Transfer Tax Act amending the Illinois Revised Statutes in 1985---**BUT ONLY IN COUNTIES OF TWO MILLION OR MORE PEOPLE**). Florida enacted similar legislation (see Ch. 201, 201.02, Fla.Stat. (1983)).

32. Avoids State Regulations for Corp's and LLC's

When you file to set up a Corporation or a Limited Liability Company the state in which you are registering **REQUIRES** certain information. You have to provide a **Registered Agent** within the state of incorporation (for purposes of legal service). You also have to provide the names and addresses of all corporate officers or members. This information becomes instantly available via the internet on the state's website. There are no such requirements when forming a Land Trust. The only traceable information related to a Land Trust is the Deed to Trustee. This simple two page document is recorded in the county where the property is located and reveals very little information about your Trust Agreement (the heart of the Land Trust).

33. Using the Beneficial Shares as Collateral for a Loan

Some investors worry that if they put their property into a Land Trust their equity will be tied up and not usable for future investing. Never fear, because the beneficial interest of the Land Trust can be assigned to a lender as collateral for a loan. This is a simple process that involves only one piece of paper and an acknowledgment by the Trustee.

34. Protection from Title Claim

If you sign a warranty deed in your own name, you are subject to potential title claims against you if there is a problem with title to the property. For example, a lien filed without your knowledge could result in liability against you, even if you purchased title insurance. If you put a land trust in your position as “seller” this will protect you personally against many types of title claims because the claim will be limited to the trust. If the land trust has already sold the property, it has no assets and thus limits your exposure to title claims.

35. Helps Avoid Identity Theft of Your Name and Signature

The latest scam perpetrated by identity thieves is to go to the local court house and look up recorded documents that have your signature on them (i.e. the mortgage you signed when you bought your home). With a hand held scanner, the thief obtains your signature and uses it along with your social security number to obtain new credit cards (in your name...but with the thief's P.O. Box mailing address) or “instant credit” at stores that offer product buyers instant gratification. If you put your property into a land trust and have your trustee sign the mortgage and all documents that get recorded, your signature will not be available for the scammers. Problem mitigated.

36. Makes Contracts "Assignable"

If you are buying property using a Land Trust and later decide to sell the property held in the trust, you can sell the beneficial interest of the trust and not affect the contract to purchase (which is between the Seller and the Trust). Also, if you are buying a property using your Land Trustee as the buyer and prior to closing you want to sell the contract...you effectively do so by selling the beneficial interest.

37. Protection from Homeowner's Association Claims

When you take title to a property in a homeowner's association (HOA), you become personally liable for all dues and assessments. This means if you buy a condo in your own name and the association assesses an amount due, they can place a lien on the property and/or sue you personally for the obligation. Do not take title in your own name in a HOA, but instead take title in a land trust. Thus, the property will be the sole recourse for the homeowner's association's debts.

38. Helps Keep the Title Clear of Defects

The title to real estate held in a Land Trust is not subject to the risks and liabilities affecting the personal lives of the Beneficiaries. Death, insanity, bankruptcy, incapacity and marital disputes do not affect the title.

39. Can Use Beneficial Interest as Collateral

Since the Beneficial Interest of a Land Trust is Personal Property it may be pledged as collateral for a loan. This provides for the minimum amount of documentation and expense compared to conventional financing.

40. Good Structure for Doing Business with Others Without Using Your Personal Name

Land Trusts are especially useful in general and limited partnerships and in joint ventures as a holding arrangement of legal title to property acquired by such entities. As mentioned in number 38 above, title held in a Land Trust can be protected from numerous hazards which would otherwise affect the title (had it been placed either in the name of the partnership or in that of the individual partners).

41. Land Trusts and Corporations

Land Trusts can effectively be used as a means of holding title to industrial real estate needed for the operation of a corporation and, if properly structured, can insulate the ownership of real estate from the liability exposures of the corporation. An example of the use of a Land Trust for the purpose of holding title to the property involved in a business operations is found in *Sherman v. Klopfer*, 32 Ill.App.3d 519,336 N.E.2d 219 (1975) (Kenoe on Land Trusts –1989).

42. No Personal Credit Reporting

When using a Land Trust to buy and finance property, the mortgage loan documents are signed by the Trustee. Therefore, the credit reporting will be in the Trustee's name not the beneficiary. This not only helps prevent Identity Theft but keeps the debt off of the beneficiary's personal credit report.

43. Strategic Foreclosure

This is a new concept born out of the Great Recession of 2008. Some homeowners are "under water" with mortgages that exceed market value. Their thought process is that it might take 10-15 years to recoup the value of their home and once again have true equity

(value exceeding debt). Therefore, the decision is made to buy a new residence (at substantially reduced market values) prior to defaulting on their existing residence loan. The problem with this technique is that it is very difficult to qualify for a second residence loan without selling your first residence. This is where the Land Trust can be helpful. The buyer in this scenario should seek out a seller who will agree to put his/her property into a Land Trust and then sell the beneficial interest to the buyer. This procedure will leave the seller's loan in place (preventing the buyer from having to "qualify"). Once the transaction is complete, the buyer can then allow his current residence to "go back" to his lender.

Note: I do not recommend this strategy as it requires you to default on your original home loan. The consequences to your credit score will be devastating.

44. Ease of Management in the Event of Conflict

Land Trust agreements can provide buyout provisions in the event of death or a conflict among beneficiaries (see my Beneficiaries Agreement form that is included with my Land Trusts Made Simple – Basic home study course).

45. Estate Planning Tool

Land Trusts can be used as an estate planning tool by "gifting" beneficial shares out of an estate directly to heirs (thereby reducing estate taxes). For example, the beneficiary of a Land Trust holding 100% of the shares could "gift" 10% of the shares out to her/his heirs each year until the entire 100% interest is depleted. Caution! If the value of shares gifted exceeds the current \$14,000 IRS annual gift tax limit, a gift tax could be due. The Beneficiary may dispose of his/her interest by a gift, sale or by testamentary disposition without affecting the trust title to the real estate or causing termination of the trust or partition of the real estate.

46. Ease of Managing the Disability of the Trustee or Beneficial Owner

Another huge benefit to using land trusts to hold title to your real estate is the ability to name Successor Trustees in the Deed to Trustee. Therefore, if your Trustee dies, becomes disabled, quits or you fire him/her an automatic succession occurs without additional trouble or expense to the beneficiary.

47. The Beneficiary's Interest Can Be Used as Collateral for a Loan

The beneficiary's interest in the Land Trust can be used as collateral for a bank or private loan. The beneficial interest can be pledged as collateral without the additional need and expensed of obtaining a mortgage. The beneficial interest can be pledged as collateral even where there is an existing mortgage against the real estate.

48. Save Money on State Income Taxes

Typically, a Land Trust does not affect your income tax situation because it is considered a pass-thru entity in the eyes of the IRS. However, you can save state income taxes by being the beneficiary of a land trust and not the actual title holder. For example, if you lived in Florida and had your Florida land trust own title to property in California, as the beneficiary of a land trust you would declare the income from the trust in the state of Florida...which has no state income tax. If you lived in Florida and held title to California real estate in your personal name, you would be subject to California state income tax on the profits from the trust. So, land trusts are good for helping "sprinkle" income to family members or other entities (like corporations and LLC's) in states with no income tax.

49. Land Trusts Create a Lot of Uncertainty

Taking on a land trust (from a legal perspective) is dangerous because you never know the "horsepower" behind the trust. If you sue the wrong person or entity you could get sued back for "wrongful litigation." You never know who is behind the trust. What their strengths

are, how much money they have or if there is an entire “legal department” behind the trust. Trusts can be intimidating and consequently many attorneys will not “take them on” in court because of the unpredictability of a lawsuit against a trust.

50. Inheritance or Estate taxes can Be Saved by Using a Land Trust

Estate and inheritance taxes can be lowered by reducing the size of the estate through gifts. A Land Trust simplifies the problem of making gifts land and or property. Property can be placed in a Land Trust and gifts of “shares” or “units” of the interest in the trust can be made annually. Note, however, that if the value of the property is appreciating, it may be necessary to have an appraisal each year to determine how many “shares” or “units” of the interest can be given away without exceeding gift-tax exclusions and exemptions (currently \$14,000 per year).

51. Fannie Mae Will Not Allow Partnerships, Corporations or Limited Liability Companies to Hold Title

If you are using financing that must qualify under secondary market guidelines you cannot close the transaction using an entity (you must sign all documents personally). However, you can transfer title to your property subsequent to closing into a Land Trust. The secondary market guidelines will NOT allow a subsequent transfer into a Corporation, Partnership or Limited Liability Company.

52. Protesting Your Real Estate Tax Assessment

If you want to protest the assessment of your real estate investment property to lower your tax bill, see your local county assessor’s office for the proper forms to use. However, in many counties, if you hold title to your property in a Corporation or Limited Liability Company you will have to hire an attorney to complete the protest process. If you hold title in the

name of a Trustee for a Land Trust you do not have to hire an attorney to protest your tax assessment.

53. Avoiding Real Estate Brokerage Laws

Since the Beneficial Interest in a Land Trust is Personal Property, you could perform brokerage services for the Trust without violating the real estate brokerage laws.

54. Holding Judges' Property

Judges are allowed to own interests in Land Trusts without violating ethical rules.

To learn more about the many benefits of using a Land Trust go to:

<http://www.landtrustwebinar.com/>

Or call Mr. Land Trust at:

1-866-696-7347

LAND TRUSTS MADE SIMPLE!®

Reasons To Use A Land Trust with:

*Houses, Apartments, Options, Commercial, Notes,
Land, Mineral Rights & Many More Investments!*

His father was an alcoholic who charged the weekly groceries so that the family would have food on the table. There was no stable income for any future education much less the current needs of the family. No intellectual or financial direction was taught in his school or church. No blood relatives had anything to offer other than "working for the man" for an hourly wage. Bank savings and financial security was what only the rich had. He was doomed for financial failure and unhappiness for the rest of his life. Randy knew that there **MUST** be a better way to live.

Randy decided to break the cycle of poverty in his genes. Education came first. He began buying single family homes for rental while in college. After he graduated from college, he tried many different types of businesses, but always came back to the single family home as the IDEAL investment. Since purchasing his first rental house in 1969, Randy hasn't looked back! Today, Randy has purchased over 200 houses. He has lived the life of having nothing and will not let that happen again.



His primary goal now is to teach others how to conceal and protect their assets. He has written Basic and Advanced Land Trust Home Study Courses, Privacy and Asset Protection Courses and is the founder of the Land Trust University in Illinois. Randy writes for many national publications. He teaches LIVE seminars personally to help real estate investors learn how to set up and administer their own Land Trusts for privacy and asset protection.

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By Randy Hughes Mr Land Trust®

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