



ASSET PROTECTION ***THE ULTIMATE STRATEGY***

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THE WOLFE LAW GROUP

The Wolfe Law Group is an international array of legal and tax experts providing collaborative services for Global High Net Worth Investors on a per client basis.

Gary S. Wolfe, A Professional Law Corporation has over 35 years of experience providing clients with expertise for IRS Civil and Criminal Tax Audits, International Tax Planning, and International Asset Protection.

Awards

Since 2015 Gary have been the recipient of 29 separate international tax awards from 10 different global expert societies in London/UK including:

International Tax Planning Law Firm of the Year Award (2017) – International Advisory Experts.

International Tax Advisor of the Year (2017) - Global Business Magazine/Prof. Sector Network.

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Books

To date Gary has written 18 e-books [\(available on Amazon\)](#) regarding the IRS, International Tax Planning and Asset Protection. [Click here for complete list.](#)

Articles

To date Gary has published or been interviewed in 100+ separate articles published by 15 different US and International magazines. [Click here for complete list.](#)

Video

In December 2016 Gary was interviewed by California CEO Magazine and RCBNNNews.org on the subject of Criminal Tax Evasion and IRS Tax Audits: Civil and Criminal Issues. This 4 part series, which has been published by [Lorman Education](#), can be viewed below:

[Criminal Tax Evasion - Part 1](#)

[Criminal Tax Evasion – Part 2](#)

[Criminal Tax Evasion – Part 3](#)

[Criminal Tax Evasion – Part 4](#)

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Chapter 3 - Asset Protection: The Ultimate Strategy

Investors concerned about third party creditor attachment may seek “ultimate asset protection” for their assets through a Puerto Rico life insurance policy owned by a U.S. Grantor Trust domiciled in the Bahamas.

This ultimate asset protection strategy has three “key ingredients”:

1) Under Puerto Rico law, the cash value benefits of a life insurance policy are expressly exempt from seizure by creditors (absent fraudulent conveyance funding of the policy). See: Puerto Rico Act No. 399 of 9/22/04, as amended by Act No. 98 (6/20/11). Under Act. No. 98 (6/20/11), the policy owner and policy beneficiary are statutorily protected from seizure.

2) In the Bahamas under Bahamian law, insurance is exempt from creditor claims, provided that premiums used to fund the policy are not subject to any prior claim at the time of transfer (See: Bahamas Insurance Act, Chapter 347, Section 17, effective 6/1/70).

3) In the Bahamas under the Fraudulent Dispositions Act of 1991 (effective date 4/5/91), Chapter 78, Section 4:

Every disposition of property made with an intent to defraud shall be voidable at the instance of a creditor thereby prejudiced;

The burden of establishing an intent to defraud shall be upon the creditor seeking to set aside the disposition;

No action or proceedings shall be commenced pursuant to this act unless commenced within two years of the date of the relevant disposition.

4) In the Bahamas, under the Banks and Trust Compliance Regulation Act (2000), (effective 12/29/2000), Chapter 316, Section 19(1): no person shall without the customer consent disclose to any person, any such information relating to the identity, assets, liabilities, transactions or accounts of a customer. Any person guilty of an offense shall be liable on summary conviction to a fine not exceeding \$25,000, or to a term of imprisonment not exceeding two years, or both.

For those investors with investment portfolios, pre-emptive planning may fully exempt all assets from creditor attachment. The strategy:

1) Transfer all liquid assets (i.e. cash, stock or bonds) to a Nassau Trust (which is a U.S. grantor trust, i.e., IRC Sec. 679), which trust may be amendable or revocable so there is no completed gift (and no gift tax due on Form 709: U.S. gift tax return required);

2) The Nassau Trust capitalizes a Puerto Rico variable life insurance policy, which owns an underlying company (a Nassau International Business Company; i.e. an “IBC”);

3) The “IBC” holds title to all investment assets (the IBC is owned by the life insurance policy separate investment account; i.e. “cash value account” which is comprised of premiums paid and earnings on the premiums paid).

Since the investment portfolio is ultimately owned by the Puerto Rico variable life insurance policy, the policy acts as a “tax-free wrapper”; i.e., tax-free gains inside the policy (e.g., annual earnings/capital gains are shielded from income taxes). Assets inside the policy grow and compound income tax-free. The death benefit is paid income tax-free (IRC Section 101).

IRS income tax audits may be pre-empted on investment portfolio income since there is neither income tax due, nor any tax reporting due on the investment portfolio income.

Absent a fraudulent conveyance, investment portfolio assets are immediately exempt from creditor seizure once held by the policy. Investment portfolio assets receive the following creditor protection:

1) Under Puerto Rico law (the governing law for the Puerto Rico Variable Life Insurance Policy), the policy owner and beneficiary are statutorily protected from seizure;

2) Under Bahamas law (the governing law for the trust that owns the policy), insurance is exempt from creditor claims and client financial assets may not be disclosed or be subject to a criminal offense of up to two years in jail. In addition, an “attaching creditor” must initiate an action (in the Bahamas) to set aside a “fraudulent conveyance” within two years from the date of transfer or they will be “time-barred”.

Under the “Ultimate Asset Protection” strategy, IRS tax audits are pre-empted (since no tax is due and there is no tax reporting), both Bahamas and Puerto Rican laws exempt from creditor attachment the “cash value” component of the life insurance policy (which owns the investment portfolio assets), the Bahamas fraudulent conveyance laws “time bar” creditors after two years, and the Bahamas “Bank Secrecy law/criminalize third party disclosures of client “asset information”.

If the investments perform in accordance with the S&P 500 historic yields (10.6% over the last 30 years, cumulative with dividends) or hedge fund yields (projected 15% annually), the portfolios will grow “income tax free” but will be subject to U.S. estate (and gift) tax on death (or transfers) for U.S. citizens, estate/gift tax residents; i.e. U.S. domicile). The U.S. estate tax may be satisfied by a U.S. life insurance policy, held in an U.S. irrevocable life insurance trust, so the death benefit proceeds may be paid on a “leveraged basis” (by insurance premiums), and excluded from U.S. estate tax (by the life insurance trust).

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