



# Novasol Judicare Inc.

Box 641, Porthill, Idaho, 83853 USA, or  
3998C Riverview Road, Creston, BC, V0B 1G2 Canada  
Fax: 775-890-0699

E-mail: [admin@novasoljudicare.com](mailto:admin@novasoljudicare.com)

Web site: [www.novasoljudicare.com](http://www.novasoljudicare.com)

January 31, 2008

## And *who* is making this investment?

**What your legal options are, in regards to tax liability and taxes.**

**This is not a matter of *how* you make this investment -  
or *how* you expect to be paid.  
It is a matter of the investor's ID...**

In sharp contrast to common belief, taxes cannot "be dealt with later". Leaving this issue to be dealt with later is legally the same as **accepting full tax liability** for the investment. This is the same in all countries. No government will allow that you try to "change the rules" after the fact of your taking action that is giving you tax liability. It is called "tax evasion", and it is as criminal as fraud can be.

The legal way of avoiding taxes is by taking action that, from the onset, limits or eliminates the tax liability.

Your tax liability is defined by your identity. As a citizen of your country, using the government's ID (passport, driver's license, SIN/SSN, birth certificate etc.) and using government regulated bank accounts in your own name (established through use of your ID) to facilitate the investment you plan, attaches personal tax liability to the investment, because it is made by a citizen who has tax obligations to his/her government. There is no legal escape from that. Using foreign bank accounts, or hidden bank accounts, or even anonymous bank accounts, does not change that legal tax liability one iota. A crime is a crime, whether there are witnesses or not. Hiding the information about what is happening around this investment is not going to take you off the hook of tax liability, so if you fail to disclose what you are doing, you are committing a crime. In the USA particularly, there is no expiry for the government's ability and desire to prosecute you, if you should be dishonest about this.

But if someone else makes this investment, then *you*, of course, have no tax liability for that investment...

So, the key to legal tax avoidance is defining who "the investor" is, in legal terms.

### **Defining "the investor"**

The "natural" option is that you do the investment yourself, using funds from a bank account you are the legitimate owner of – and accept the tax liability. That's what the

## Novasol Judicare Inc.

government wants you to do, because that is what makes most money to the government.

If you make the investment through a business you own (sole proprietorship or corporation), you are still facing the tax liability, although the actual taxes charged are somewhat different from place to place, and from one scenario to another. But the liability remains with *you*, as the beneficial legal owner.

Setting up a legal entity, like a corporation, trust, or foundation really does not change this principle. It only changes the rules for how much tax is payable. Those legal entities are, of course, subject to the laws of the country in which they are established.

But there are countries that will define the tax liability for such entities as zero. Countries that have laws saying that there isn't even any financial filing requirements for such entities. Such countries are called "tax heavens". The USA is one of them. But common for all of them is that they only allow this benefit of freedom from tax liability when those entities are *established by and for the benefit of people in other countries!* When these conditions are in place, we will refer to such legal entities as "offshore entities".

As you can see, if one such offshore entity makes the investment, then there will, by law, be no tax liability!

Your government, of course, wants to stop you from using such entities. It does so by including in your personal liability everything that you own or have a "beneficial ownership interest" in, also in foreign countries.

Fortunately, governments do not understand that you do not need to *own* something in order to control it. In fact, you cannot fully *control* it if you own it, because of the liabilities associated with ownership, including accountability to the government.

For the purpose of the topic of this discussion, please accept the fact that it is indeed possible to connect a person to effective control over such an offshore entity without the person incurring any liabilities whatsoever, and certainly no tax liabilities. If you want to know *how this is done*, than you can get the information by following the procedures outlined at <http://freedomfromtaxes.com/OffshoreTrusts> – but this information is not in the public domain, so there are restrictions on accessing it.

You now have a choice: you can invest as a private person, and accept the tax liability. Or you can let such an offshore entity invest for you – and enjoy freedom from taxation and complete privacy.

The big question here of course is, "how do you possibly benefit from the investment maturing and paying off to such an offshore entity?"

Again, the answer is not in the public domain. You can get it from <http://freedomfromtaxes.com/AssetProtection> - but, for now, please accept the fact that this is indeed possible in a way that poses no restrictions on your way of spending or using that money.

The bottom line of this is that you can enjoy a significantly greater ROI if you invest from an offshore entity instead of using personal funds. The difference is called taxes.

## **Risk assessment**

Let's assume that the tax rate is 50%. In this case, you *double* your ROI if you invest through the offshore entity.

No investor will refuse such an offer, of course, unless the cost of opting for this is greater than the possible return times the likelihood of the return.

Let's consider that likelihood. Let's assume that it is represented by a 50% risk of getting nothing, and that your possible return is 200%, a doubling of your investment. If you invest under such terms, you would be stupid, of course, unless you do it exclusively for the excitement of the gamble. Long-term stats would make you break even with zero as your ROI.

If you expect a doubling of your money, you cannot accept a risk that is as high as 50% of losing everything you invested. You need that risk to be lower, and if it isn't, only a fool would accept such an investment offer.

If you instead believe that the likelihood of getting your doubling of the invested money is higher than 50%, say, 75%, making the risk of a loss go down to 25%, then the math makes sense. In this case, you stand to win an average ROI of 50% of your invested capital + the capital paid back, on a long-term basis.

So, if you have a \$10,000 investment opportunity, and you expect a doubling of your money and accept a 25% risk of losing everything, then your "best case scenario" is a return of \$20,000. Accepting the risk of 25% for a complete loss, the realistic ROI is thus 75% of \$20,000 = \$15,000, representing a net 50% overall ROI.

This is all under the assumption that you made this investment under tax-free conditions...

If taxes are involved at a 50% level, then everything above and beyond paying back the principal represents taxable income, one way or the other, regardless of the specific technical name of that tax. With a tax rate of 50%, your net ROI will therefore be reduced to \$12,500. In other words, your true ROI is only 25%, not 50%.

This also means that you will pay \$2,500 in taxes. So, for this \$10,000 investment, the difference between your personal investment and a possible offshore investment is \$2,500, everything considered, including your risk.

If the cost of setting up the offshore option would be less than \$2,500, you would have a net win, wouldn't you?

For your curious mind, this is indeed the case. The offshore set-up costs less than \$2,000, subject to whom you approach to do it for you, of course.

You should note that the cost of the offshore entity does not increase if the size of the investment increases. But your tax liability certainly does.

So, if you consider investing in a venture that promises you a doubling of your money, then you have to believe that your risk of losing everything you invested is significantly lower than 50%, otherwise you would be a fool to even consider this investment. For a

## Novasol Judicare Inc.

reasonable average net return, most investors would probably accept a maximum of 25% risk of loss, as I used in my calculation above.

This also means that you are 75% certain that the investment will indeed double your money. Let's illustrate the numbers from a different angle.

Let's say you have \$50,000 to invest under those terms. The offshore solution will then long-term give you  $\$50,000 * 2 * 75\% = \$75,000$ , or a \$25,000 gain.

Similarly, the personal solution (with your 50% tax liability) will give you a \$12,500 gain.

The difference between the two is \$12,500.

So, what you be willing to invest, in order to secure that \$12,500 extra profit, representing a doubling of your net ROI?

Using the same risk management as we did for the investment itself, which you obviously found acceptable, then it would make sense if you doubled you investment in order to double the ROI, right? In other words, investing another \$50,000 would make financial sense... Or anything less less, of course!

Reality is that you can achieve this for less than \$2,000...

The \$2,000 is more than sufficient budget for what the offshore solution costs to set up.... And that will increase your ROI to twice of what you originally accepted.

The only way a sane investor would want to *not* do that would be if the investment were less than \$10,000. Or the risk of complete loss would be much higher than 25%. Or the tax rate significantly lower than 50%. However, even with a 10% tax rate, the offshore solution would still be the diligent choice for a \$50,000 investment.

(Sorry, there is, of course, the additional possibility that this investor simply *wants* to make a donation to the government...)

### **Reducing the risk of failure**

Some investors might want to invest the \$50,000 in the venture that can double their ROI with a 75% likelihood, but they are hesitant spending another \$2,000 for a guaranteed 100% risk-free doubling of their ROI (with a 50% tax rate). As illustrated above, this does not bode well for this investor's math skills...

Let us nevertheless discuss a third option that reduces the up-front cost of the offshore protection.

This is possible by leveraging the use of other people's offshore entities. This is what novasol does through our Investment Incubators. The specifics about how exactly they work are, as you guessed, not public information – but you can get that information by following the instructions at <http://freedomfromtaxes.com/InvestmentIncubator.php>.

The essence of the Incubator solution is that you wait setting up the offshore presence until the investment pays off. And if it doesn't, you don't.

## Novasol Judicare Inc.

In order to let you escape the tax liability, you have to completely relinquish the ownership of the investment to some offshore entity, controlled by someone else – and, of course, secure your possibilities of getting it back under your control when it has matured. This is possible by virtue of other investors using offshore legal entities that sign the agreements that enable your final control. These investors now gamble on your investment paying out, so they expect an ROI on their investment in your investment.

This means that, if you want to keep your own up-front fees lower than \$2,000, then you are, in reality, asking other people to make that investment for you, so you can pay them later for returning the investment to you. They will, of course, ask a payment in the end that is significantly higher than the \$2,000 you try to save *now*... (Just as you now try to get \$100,000 in return for investing only \$50,000...)

Subject to the specific investment, some typical rates we have seen offered for a 25% risk of loss could be:

- \$500 up-front, and \$2,500 + 3% of the payout
- \$200 up-front, and \$3,000 + 8% of the payout
- zero up-front, and \$4,000 + 12% of the payout

These approximate numbers would include the offshore set-up. (Please note that they are seriously subject to the investor's risks assessment for your particular investment, so the numbers cannot be taken for anything but an illustration. But the ballpark of the numbers is that you give up a small fraction of the investment in return for having it paid out without tax liability, and without investing in your own protecting, or even paying the fees for setting this up)

For an investor who has \$50,000 available, this makes no sense to accept. It actually represents an *expensive insurance premium* that serves no other purpose than letting other people cover a risk you already know much better yourself and therefore can cover much cheaper yourself. It would be a lot smarter to reduce the investment to \$48,000 and then spend those remaining \$2,000 on the protection.

But for a person who already made the investment and now has no funds left to protect that investment, it makes a lot of sense.

### **The time factor**

There is another issue that is crucial in this context, and that is *time*. As you can understand, the offshore solution requires that this offshore entity, whether it is one you got personal control over or it is an Investment Incubator, needs the funds to make the investment!

And you cannot simply transfer money to it from your own personal accounts – because that would instantly make YOU a “holder of a beneficiary ownership interest” in that offshore entity – which simply means giving you **tax liability** for it.

The offshore entity should, at best, make its own money, so it can pay for the investment. This, of course, cannot be established overnight, from scratch. Even when

## Novasol Judicare Inc.

you move income streams to flow to the offshore entity instead of to yourself, accumulating enough funds will take time.

There are solutions to this, but they are still not overnight solutions, and they involve using other people's offshore presence and services. For amounts that are relatively small compared to a person's yearly income, it can be done in a couple of months. For larger amounts, either it takes longer time, or it costs additional fees for "fix-it-now" solutions. Such solution typically runs up into \$8-10,000 in legal fees. Still small stuff compared to the taxes that are saved on, say, a \$200,000 asset portfolio, but nevertheless enough to warrant avoiding being "last minute" with such a solution. Novasol can certainly help you with such a solution, but since the vast majority of those fees go to other parties, we are not particularly fond of doing it, as we do not see this as being in our client's best interest...

What is important to comprehend in this game against taxes and government control is that, in order for a person to gain the financial freedom we all want, this person has to have an offshore entity working for him/her. Before that entity is functioning, this person can do *nothing* to protect self from the government's snooping and greed.

But once the entity is working, the advantages you can obtain from it extend way farther than just protecting a single investment. It gives you the tools to make yourself, your family, and your businesses completely financially invulnerable against all money sharks that possibly could challenge your ownership of your investment portfolio and other assets, including your home and your savings. You get a lot of peace from knowing that, in the worst case scenario, all you could lose would be *your debt*, through a bankruptcy – your assets and valuables being completely untouchable by law enforcement, no matter what kind of judgment you would get against you.

### **Options for action**

With \$50,000 of yours sitting in a bank account, ready to be invested, you have the following options:

- A. You can let the funds sit for now, use them for the investment, and wait for the return. This implies full tax liability on your part, and there is no legal escape, only criminal solutions of tax evasion.
- B. You can let the funds sit for now, use them for the investment, and, then, shortly after, sell the investment to an Investment Incubator. This implies that you have the relevant funds in the Incubator, since the purchase price would have to be fairly close to what you invested, as you otherwise risk a criminal charge of money-laundering... You get those funds back when the Incubator buys the investment from you, but it nevertheless represents cash you will have to provide.
- C. You can let the funds sit for now, use them for the investment and, then, much later, when it is fair to officially assume that the investment could be as good as a write-off, sell it to an Investment Incubator for pennies on the dollar. This requires that *nobody* can prove that you did not have legitimate reasons for not believing that the investment will ever pay... in other words, if there is possible proof available that the investment is worth its nominal value or anything close to it, you are back to option B!

## Novasol Judicare Inc.

- D. You can let the funds sit for now, chew on things, and then, when time comes for making the investment, rush the establishment of your control over the offshore entity, and pay your extra fees for getting it emergency-funded, so you can make the investment through the entity and not with personally owned money.
- E. You can spend the money now to set up your offshore presence under no-rush conditions; you use the next few months to arrange for the entity to get the funding, without paying dearly in extra fees; you educate yourself about how you can use this offshore entity also in other avenues of your life; and then, in due course, you let the entity make the investment. This solution is, by far, the overall most beneficial solution, financially for you, particularly when you consider that this solution also allows you to avoid paying costly lessons for ignorant mistakes.

You should note that there is nothing to be done by the people, whom you make this investment with. Whatever they might do in order to assist you hiding the resulting payout from the government will in no way eliminate your tax liability and take you off the risk of having criminal charges pressed against you.

Remember, the tax liability is all a matter of *who* is making this investment! If *you* are, in your legal capacity of a government controlled citizen of your country, then you are also hooked on that tax liability, not matter what you later might want to do. The solutions that possibly could reduce that tax liability by also securing you some similar tax deductions are very expensive, compared to the clean, up-front solution of legitimate tax avoidance.

If you want to eliminate your tax liability, then you have to take the action, and if that action does not involve getting an offshore entity under your control, then you are spinning your wheels for the government's entertainment and future enrichment.

To your freedom!

Mogens Eliassen

-----  
Mogens Eliassen holds a mag. scient. degree (comparable to a US Ph. D.) in Chemistry from Århus University, Denmark, has an extensive military education in tactics and Intelligence services, and has 30+ years of experience working as business entrepreneur and education planner, and as consultant for small business owners and private investors in Europe and North America. He is a strong advocate of personal freedom, and has published several books and home-study courses on topics related to using International law in order to obtain financial liberty. He publishes a newsletter "[The Doggy Bone](#)" containing lots of tips and advice on matters pertaining to personal rights, "going offshore", asset protection, and legal ways of avoiding tax liability.

For more information about Mogens Eliassen, including links to other articles he has published, please send a short e-mail to [contact@freedomfromtaxes.com](mailto:contact@freedomfromtaxes.com).