



Trusted Estate Planning Attorneys
6980 S. Cimarron Rd. Ste. 110
Las Vegas, NV 89113
Office: 702.616.6001
Fax: 702.534.4458
Website: trustedepa.com
Licensed In AZ, NV, & UT

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IFS
Internal use for Irrevocable Beneficial Spendthrift Trust

Re: Irrevocable Beneficial Spendthrift Trusts

I, Blake B. Johnson, an attorney licensed in Arizona, Nevada and Utah, am an experienced estate planning attorney and I am familiar with the use of Irrevocable Beneficial Spendthrift Trusts as I have drafted and implemented them in my own practice. I have reviewed the forms used by Independent Financial Services as written by their contract attorneys in their branded Independent Financial Services Irrevocable Spendthrift Trust and have determined that they meet all of the necessary requirements to qualify under IRC 643(b) regarding tax deferral so long as the documents are executed properly, and the Trustee and Grantors perform their duties and adhere to the other reporting and other compliance requirements.

In making my assessment of these documents, it is assumed that the basic requirements of forming a trust are fairly similar in each State and that the Grantor, Trustee and Trust Protector will properly execute all documents necessary for the formation of the trust. There are Five main requirements that must be met in order to allow the tax deferral under IRC 643 to take place. They are that the Trust must be:

1. **Irrevocable:** A Trust is considered irrevocable if the terms of the trust cannot be revoked and or changed. The Independent Financial Services Trust is Irrevocable because it states so in a specific section of the Trust.
2. **Non-Grantor:** The Grantor is the person who sets up the Trust. A non-grantor Trust means that the grantor is not the beneficiary of the trust and typically is not the trustee of the trust as well. The Independent Financial Services Trust is a non-grantor trust because the grantor is not listed as the beneficiary and the trust also provides that they can never be a beneficiary of the trust. They also based on the trust I saw, do not list the grantor as the trustee.
3. **Complex:** A complex trust is any trust that does not distribute all of its income annually or distributes any of its principal to a beneficiary or for charitable purposes. The Independent Financial Services Trust provides that no income will be distributed unless directed by the trustee and the trustee has a fiduciary duty to make sure that the trust stay in compliance with IRC 643(b).
4. **Discretionary:** For a Trust to be discretionary, there must be no forced distributions to which the Trustee must follow. This means that if pressed or even sued by a beneficiary,

the court would not force the trustee to give the beneficiary anything as it is in the sole and absolute discretion of the trustee. The Independent Financial Services Trust meets this requirement as all distributions are solely in the decision making of the trustee as they see fit.

5. Spendthrift: A spendthrift provision in a trust is to protect the assets of the trust from a beneficiary or their creditors. It instructs the trustee to only issue distributions to the individual or for their benefit. The Independent Financial Services Trust has a spendthrift provision in the trust that meets this requirement.

Assuming these parts of the document do not change, that the Trust receives it's own Employee Identification number and files a Form 1041 each year, then all extraordinary and stock dividends will not be taxed while held in the trust and there will not be any capital gains incurred by the sale or exchange of capital assets so long as the gains are allocated to the corpus of the trust and not distributed to the beneficiaries. The definition of the extraordinary dividends is anything that is added to the corpus of the trust and not distributed to beneficiaries.

For the right individuals and families, this Independent Financial Services Trust can be a great tax and estate planning tool, that when executed and carried out properly will provide great benefits to those it is intended for and therefore receives my endorsement, but only for those who IFS and their tax professionals determine it is appropriate.

This letter does not endorse the broad use of this Trust for every individual. This letter is only an endorsement of the Trust itself with the specific client that was shown to me by IFS and that there are no guarantees that such trust will in fact be a tax savings tool as it dependent on the specific circumstances of the trust and trust assets.

Signed,



Blake B. Johnson