Journal of Forensic & Investigative Accounting
Vol. 6, Issue 2, July - December, 2014

Blackstone Valley Chiropractic Clinic: International Deferred Compensation

Kevin E. Dow.
B. Charlene Henderson
Marcia Weidenmier Watson*

ASSIGNMENT 1: INTRODUCTION AND INITIAL FACTS

Following graduation from West Point with a degree in Basic Science and an emphasis in Anatomy and Physiology, Glenn E. Rachis entered the United States Army. There, he served as a Second Lieutenant line infantry officer and earned a Bronze Star. While active in Army service, he discovered his true calling and entered the New York Chiropractic College's Doctor of Chiropractic Program. Upon graduation, he joined the Army Medical Services Corps. Eventually, Dr. Rachis was promoted to O-4 (Major) and served as Clinic Chief in Darmstadt, Germany until his retirement and honorable discharge from the service (at age 46). At retirement, Dr. Rachis was earning military compensation of $119,920. The breakdown of his final year's pay from the Army can be found in Table 1 below.

Table 1:Dr. Rachis' Final Army Payments

Monthly Base Pay	$6,252.30	
Monthly BAQ (Basic Allowance for Quarters)	$1,131.60	
Monthly BAS (Basic Allowance for Subsistence)	$192.74	
Monthly Variable Special Pay for Medical Officers	$666.66	
Monthly Board Certified Special Pay	$500.00	
Total Monthly Pay	$8,743.30	
Total Annual Pay		$104,919.60
Additional Annual Pay for Medical Officers		$15,000.00
Total 2000 (Annual) Military Pay		$119,919.60

* The authors are, respectively, Associate Professor at University of Nottingham Ningbo, Assistant Professor at Mississippi State University, and Associate Professor at Mississippi State University.

After retiring from the Army, Dr. Rachis relocated to Worcester, Massachusetts where he purchased a 10 year-old personal injury practice in the Blackstone Valley area from a retiring chiropractor. The building exceeded 2,000 square feet, including reception, four exam/treat rooms, two diagnostic rooms, management office, massage room, radiology room, and dark room. The building was equipped with state of the art equipment.

Dr. Rachis was excited about opening his own practice and moving his family back to the U.S. The practice was well-established in the community, with a very strong network of referring attorneys and other legal entities. The focus of the practice was personal injury (80 percent of total services). Well care, acute care, rehab, and expert witness testimony together comprised the remaining 20 percent of total services. The patient population was diverse and lived within a 10 mile radius. The sources of patients were as follows: 75 percent attorney referral, 15 percent direct mail, 6 percent employer referral, 4 percent patient referral. The practice accepted only cash and direct billing from attorneys.

For the initial year 2001, Dr. Rachis operated his practice as a sole proprietorship. Given that, he reported the income on his personal tax return (Schedule C, Form 1040). However, upon the advice of counsel, Dr. Rachis incorporated his practice under the name Glenn E. Rachis, DC, PC. The practice then operated as a C corporation and under the name "Blackstone Valley Chiropractic Clinic."

During the first three years (2001-2003), the practice generated gross revenues of more than $700,000 per year and net income in excess of $600,000 per year. In 2003, the practice had more than 2,000 patient visits, including more than 600 new patients. Dr. Rachis' take home pay before income taxes in 2003 was $480,620. Federal income taxes totaled $138,308.

"THE CAPS PROGRAM"

Due to the rapid and significant change in his personal income, Dr. Rachis became interested in succession planning, asset protection, and retirement funding. In early 2004, Dr. Rachis' personal attorney (also a practicing CPA) shared with him a brochure (Appendix 1) he received from an entity by the name of Concept Asset Protection Systems (CAPS), LLC. The brochure described a two day seminar titled "Asset Protection-Tax Deferral-Investment Strategies" to be held in Las Vegas, NV in March 2004.

Following the recommendation of his personal attorney, Dr. Rachis traveled to Las Vegas, Nevada to attend the seminar. The seminar leader's introduction indicated that he had extensive experience in asset protection, estate and succession planning, and establishing income deferral programs and planning through tax treaties and appropriate domestic and international structures. The seminar leader also stated that he had represented numerous clients throughout the world and represented the U.S. in the China International Trade Talks. The advice that Dr. Rachis received spanned several topics including the utilization of an international nonqualified deferred compensation plan. The seminar provided Dr. Rachis with a retirement plan analysis, complete with the backing of legal opinions supported by numerous cases and regulations (see Appendix 2 for seminar materials). After meeting with the seminar leader and prior to agreeing to adopt the CAPS program, Dr. Rachis sought the independent opinion of his attorney (also a CPA), who reviewed the legal opinions and seminar documents provided to Dr. Rachis.

Timeline: Prior to Decision

Task #1

Dr. Rachis also sought an accounting firm to evaluate the plan. Martin Zingales is currently employed by a regional accounting firm. Not only does he have his CPA, but he is also a CFE. Ray Bertman, a partner in the firm, asks Martin to determine if using the CAPS program would cause Dr. Rachis, a potential client, to commit fraud or income tax evasion. Martin must prepare a research memo to address the items below using the tax rate schedule in Table 2.

1. Determine the potential tax savings had Rachis used the CAPS program in 2003 to defer $400,000 of taxable income (leaving taxable income of $80,620 rather than $480,620).
2. Analyze the materials provided by Dr. Rachis (Appendix 1 and Appendix 2), and assess whether the proposed program is consistent with the objective of retirement planning. Specifically, using seminar materials as the facts, evaluate whether the proposed program is in compliance with U.S. tax law. If the plan is not in compliance, develop recommendations on how to change the plan so that it is compliant with the U.S. tax law.

Table 2: Schedule Y-1 — Married Filing Jointly or Qualifying Widow(er)

If taxable income		
Is over--	But not over--	
$0	$16,700	10% of the amount over $0
$16,701	$67,900	$1,670.00 plus 15% of the amount over $16,700
$67,901	$137,050	$9,350.00 plus 25% of the amount over $67,900
$137,051	$208,850	$26,637.50 plus 28% of the amount over $137,050
$208,851	$372,950	$46,741.50 plus 33% of the amount over $208,850
$372,951	no limit	$100,894.50 plus 35% of the amount over $372,950

ASSIGNMENT 2: DR. RACHIS IMPLEMENTS THE CAPS PROGRAM

Following the two day seminar, Dr. Rachis, with the assistance of his attorney (who is also a practicing CPA), made several changes to his business consistent with the CAPS program. Dr. Rachis had no formal training in accounting, law, or business, and as a chiropractor, little experience. He relied on the advice and expertise of others.

Dr. Rachis first created the corporation entitled "Glenn E. Rachis, PC". The corporation continued to do business (DBA) under the name Blackstone Valley Chiropractic Clinic (BVCC). Dr. Rachis reported on his tax returns that he devoted 100 percent of his time and services to the corporation. Then, Dr. Rachis resigned from Glenn E. Rachis, PC and signed a long-term personal services contract to become an employee of Executive Recruitment and Leasing Services (ERLS), an existing employee leasing and deferred compensation company operating in Ireland. The contract terms provided that Dr. Rachis was to be assigned duty at the location and discretion of ERLS, and that Dr. Rachis would make himself available whenever and wherever ERLS required. ERLS agreed to promote Dr. Rachis' services worldwide. The contract specified that ERLS would pay Dr. Rachis a salary of $72,000 per year, and that ERLS would place $360,000 per year in a deferred compensation account (offshore trust) for Dr. Rachis.

Soon after, a Nevada company, Domestic Executive Leasing Services (DELS), contracted with ERLS for the exclusive rights to the professional services of Dr. Rachis. Glenn E. Rachis, PC was understaffed and was fortunate enough to find a chiropractor (on contract with ERLS), Dr. Rachis, for an annual lease payment of $480,000 (summary in Table 3).

Table 3: Rachis' Program

	Prior to CAPS Program	After CAPS Program
Salary / Payment by Glenn E. Rachis, PC	$480,000	$480,000
Total Administrative Fee for DELS and ERLS		($48,000)
U.S. Income Tax	($138,362)	$0*
Net to Dr. Rachis (consists of)	$341,638	$432,000
Deferred Income	$0	$360,000
Disposable Income	$341,638	$72,000

*Dr. Rachis claimed the foreign earned income tax exemption.

Timeline: Dr. Rachis Implemented the CAPS Program

Task #2

Ray Bertman provided Martin with the updated facts and asked him to prepare a research memo to address the items below, using the tax rate schedule in Table 2.

1. Compare the actual program implemented by Dr. Rachis to the model outlined in the CAPS seminar materials.
2. Examine the tax savings to see if it matches what was claimed in the seminar and the estimates in your original memo (above Task #1).
3. Determine whether the implemented program complies with U.S. tax law. If it does not, outline the modifications needed to make it firmly in compliance with U.S. tax law.

<u>Suggested extension</u>: Dr. Rachis implemented the CAPS program as part of retirement planning. Evaluate the retirement savings accumulated using $360,000, $400,000, and $300,000 of annual deferrals. Use a five percent rate of return and a ten year horizon (to retirement date).

ASSIGNMENT 3: DR. RACHIS INDICTED FOR TAX EVASION

Glenn E. Rachis was indicted by a federal grand jury on charges of tax evasion in May 2009. According to the indictment, Dr. Rachis evaded federal income taxes for the years 2004, 2005, and 2006, with actions that fraudulently reduced his taxable income. Specifically, Dr. Rachis entered into an improper offshore executive leasing and deferred compensation scheme by contracting his professional services to Executive Recruitment and Leasing Services (ERLS), an Irish entity, which leased his services to Domestic Executive Leasing Services (DELS), a U.S. company, which then leased his services back to Glenn E. Rachis, PC. All charges were in violation of IRC Section 7201. Pending trial, Dr. Rachis was released on a $150,000 bond, with travel restrictions requiring him to surrender his passport.

Dr. Rachis has asked your firm to represent him before the I.R.S. and to work with his defense attorney to develop a strategy for dealing with the legal charges. Dr. Rachis claims that he does not know the tax law, and because he relied on the advice of his attorney (also a CPA), the liability for incorrectly setting up the plan should be his attorney's problem.

Timeline: Dr. Rachis Indicted for Criminal Tax Evasion

Task #3

Ray Bertman provided Martin with the updated facts and asked him update his prior research. He must prepare a research memo to address the following items.

1. Analyze the facts and law and recommend whether your firm should work with Dr. Rachis and his attorney to resolve the charges. Your firm's policy is to represent only clients that are in compliance with tax law.
2. Evaluate whether and how Dr. Rachis' liability for fraudulent tax evasion changes, given his reliance on his attorney (also a CPA).

ASSIGNMENT 4: RACHIS CONVICTED OF TAX EVASION

Glenn E. Rachis was convicted on four counts of tax evasion in March 2011. Dr. Rachis was sentenced to serve five years in prison (three years of supervised probation after his release), and paid a $10,000 criminal fine and $100,000 in prosecution costs. At trial, in addition to the grand jury evidence, the prosecution presented evidence that Rachis' deferred compensation funds were returned to the U.S. using nominees to conceal his involvement. Once the funds were directed back to Rachis, he invested the funds in real estate. Further trial evidence revealed that beginning in 2008, the I.R.S. attempted to audit tax returns filed by Dr. Rachis for 2004, 2005 and 2006. Throughout 2008, all I.R.S. communications mailed to the street address of Blackstone Valley Chiropractic Clinic were returned (though unsealed) marked as "addressee not known." On five different occasions in 2009, when an I.R.S. agent visited the clinic to personally contact Dr. Rachis, the clinic receptionist reported Dr. Rachis was traveling and unavailable. Dr. Rachis failed to keep three appointments set up by the examining agent.

Dr. Rachis plans to appeal the original court's conviction. He has asked your firm to represent him before the I.R.S. and to work with his new defense attorney to develop a strategy for the appeal. Dr. Rachis expressed regret for getting into such an aggressive arrangement and provided plausible assurances that he wants to pay the taxes owed and resolve the matter.

Timeline: Guilty Verdict and Appeal

Task #4

Ray Bertman emailed Martin the news that Dr. Rachis was convicted. He asked Martin to prepare a research memo to address the following items.

1. Re-analyze the circumstances and recommend whether the accounting firm should work on the Dr. Rachis appeal. Firm policy is to represent only clients that are in compliance with tax law.
2. Evaluate Dr. Rachis' liability for tax evasion, taking into consideration his reliance on his attorney (also a CPA).

In responding to both 1 and 2, explicitly address the impact, if any, of the trial evidence of Rachis' efforts to avoid I.R.S. contact as well as his personal access to deferred compensation funds on your assessment.

Note: If you would like access to the instructors' manual for this case, please contact one of the authors.

Journal of Forensic & Investigative Accounting
Vol. 6, Issue 2, July - December, 2014

TELL US...IS UNCLE SAM PICKING YOUR POCKET?

WE CAN HELP!

CONCEPT ASSET PROTECTION SYSTEM
Information Brochure 2004

Our experience is that 99% of you who are reading this do not have any discernible asset protection.

Your wealth represents your life's work and your family's current and future dreams. You need to find an advisor who will be with you for the long run, who has your best interest at heart, not someone who is only pushing financial products for a quick buck.

TAX SAVINGS is an ongoing concern of most successful professionals like you. Are you being penalized for being successful?

If you are paying too much income tax and not saving enough money to achieve the financial freedom you desire, there is a solution.

<u>Testimonial</u>: "I was making about $500,000 a year but could live on $150,000. My tax bill was painful at $200,000. I … saved about $150,000 in tax the first year. We set aside over $300,000 in the first year before tax and invested the finds where they would be safe from litigation and will grow tax free. The best part is, we will reach our retirement goals without sacrificing the quality of life." -D.S. (Dentist)

Whether or you are inclined to charitable giving , we can show you strategies to …
1. Increase your discretionary income.
2. Reduce or in some cases even eliminate:
- income taxes
- capital gains taxes
- estate taxes

3. Provide a tax-free inheritance for your heirs.
4. Leave a lasting family and social legacy.

Your current plan probably was designed for people making less income than you. Think about it; your current plan will only give you a *lower* standard of living when you retire.

<u>Testimonial</u>: "I was skeptical when I first read the letter from Concept. I thought, 'what do I have to lose, so I'll at least call.' Well now I am happy I did. The $200,000 I saved in taxes this year is in my plan. I can finally see how to make an early retirement." -B.H. (Physician)

Our program is based on a treaty between the United States and Ireland. This treaty has existed for many years. The United States Senate in 1999 revised this treaty, and both countries have since ratified the changes.

<table>
<tr>
<td><u>QUALITIES OF OUR CLIENTS:</u>
Our clients share a few common traits. You may find a bit of yourself in the following.
An increasing net worth with income which substantially exceeds that which they need to meet their living expenses
A desire to take advantage of all legal means available to reduce their level of taxation, in present and future years
An interest in eliminating estate taxes without losing control of their assets
A history of listening to the advice of others, then making the final decision based on their own evaluation
A desire to ensure that their estate will serve members of the family for generations to come and/or to endow a religious, scientific, educational or other philanthropic institution
A personal desire to reverse the demoralizing effects and disincentives of taxation, coupled with a drive to be a highly contributive person
A belief that if their concerns over the potential for financial loss from occupational litigation could be relieved, they would enjoy renewed focus on being even more productive
Management expertise in and ownership in a successful enterprise with future years of growth potential
An ambition to make significant social contributions and to leave the world a better place than they found it.</td>
<td>Our strategies are scrutinized for safety, profitability and legality by a leading wealth preservation attorney who has made it his mission to "clean up" the financial industry that makes advisors rich at the expense of their clients.

Remember, we do not sell insurance or investment products. This little known tax strategy will work to save you taxes this year, <u>but only if you act fast</u>! If this sounds too good to be true then you really need this program.

Wealth Protection Concepts, LLC
Lovell & Lovell Attorneys at Law
2801 S. Valley View Blvd.
Las Vegas, NV 89102
1-888-610-8990
allen@wealthprotectionconcepts.com</td>
<td></td>
</tr>
</table>

Journal of Forensic & Investigative Accounting
Vol. 6, Issue 2, July - December, 2014

TELL US…IS UNCLE SAM PICKING YOUR POCKET?

The report that you are about to read is based on a treaty between the United States and Ireland. The U.S. maintains similar treaties with five other countries. We currently use the U.S./Ireland treaty because we feel that it offers the greatest flexibility. The U.S./Ireland treaty has existed for many years. In 1999, the U.S. Senate made a few minor revisions to the treaty, and both countries have since ratified the changes.

CONTENTS   Page

Wealth Protection Concepts, LLC
A division of Lovell & Lovell Attorneys at Law
2801 S. Valley View Blvd. Las Vegas, NV 89102
1-888-610-8990
allen@wealthprotectionconcepts.com

Program Benefits

A little-known, tax advantage strategy is available that can dramatically improve your tax savings and financial picture. This strategy will allow you to put away all of the money that you do not need to maintain your lifestyle with before-tax dollars. There is no ceiling on the amount that you can defer annually, and all of the funds placed in The Program will grow and compound tax free.

The Program will benefit you in the following ways:

1. Dramatic reduction of your taxes
2. Your deferred funds are before-tax dollars, so you'll have more money to grow and growth will compound tax deferred
3. No ceiling on the amount of income that you can defer annually
4. Deferred funds are tax deductible to your business annually
5. Impenetrable asset protection
6. You will not be required to include other employees in this program
7. You may take distribution of funds at any age, with no penalties
8. This program is custom tailored to meet your financial goals and objectives

The Program is individually designed for you, the highly-compensated professional, business owner, or executive who has significant disposable income. This little-known strategy is carefully supervised by our attorneys and accountants as an alternative to traditional tax planning, and it has proven workable since 1954. It provides unparalleled opportunity to build and preserve your personal wealth.

Our Goals

- To expand the influence and affluence of successful members of society beyond their current level of activity
- To facilitate our clients' wealth accumulation by reducing their current taxable income without sacrificing their standard of living, and allowing for a compounding of tax deferred growth of before-tax dollars
- To educate and guide our clients on global financial matters and encourage a more independent approach to personal wealth accumulation
- To create a network of professionals and executives in various fields of expertise who recognize the advantages of using the global business environment to enhance their wealth accumulation

The Program

The Program works on the basis that you become a leased employee to your business. Your current company pays the leasing company. You go to work at the same place, you perform the same services but your paycheck is issued to you from a leasing company. The Program provides you with global representation while creating a legal structure which maximizes asset protection and tax deferred accumulation of wealth. We educate and guide you in international financial and tax matters while allowing you to network your skills with other individuals who can either use or take advantage of them. Our meetings bring you together with top experts speaking on business issues relevant to today. Through these actions, we seek to improve the prosperity of the most productive members of society.

The Program begins with a comprehensive analysis of your current financial and tax situation as well as your future goals. Mandated expense contracts between you and your business entity are put in place as part of the leased arrangement. As a "key person" and a leased employee, you receive benefits as a result of your employment arrangement. The international employee leasing company, your employer, creates a non-qualified retirement plan that allows you to defer paying taxes on income above current needs. Your skills are promoted with the intent of finding additional business opportunities for you.

<u>The unique combination of benefits offers not only peace of mind and security for the future but also a means to live better now.</u>

The Benefits

Reasons to take advantage of this incomparable asset protection and income tax reduction strategy include the following.

1. **Defer paying taxes on an unlimited amount of income above actual needs.** Retain more money to invest with the government's full knowledge and permission. If you can defer one hundred thousand dollars ($100,000) or more from annual pretax income, this program provides incomparable benefits.
2. **Grow retirement assets tax deferred and take advantage of compounding wealth accumulation.** You will accumulate wealth much faster than with traditional alternatives and are free to choose your investment vehicle.

3. **Begin distribution of your retirement assets at any time without penalty of mandated distribution schedules.** You have complete flexibility on the use of your money with no additional tax requirement because of unneeded distribution in any given year. You may begin withdrawal at any age and take only what you need to live on, preserving the principal for continued wealth creation.
4. **Selectively establish this plan for yourself and other key personnel.** A business or professional practice with highly compensated personnel can create an incentive to retain or reward important expertise without jeopardizing government regulated qualified plans already in place.
5. **Insulate yourself from frivolous lawsuits while protecting your assets from predators or creditors.** Apply the same methods used by entertainers and wealthy families to make your assets virtually litigation proof.
6. **Take advantage of periodic opportunities for new business ventures or consulting contracts.** Your skills are promoted to provide you with additional employment opportunities.
7. **Gain access to global financial expertise unavailable to most U.S. citizens.** Through our international connections, you can take advantage of global investment options which may offer superior alternatives to strictly domestic choices.
8. **Deduct a wider array of corporate business expenses.** Through the use of mandated expense contracts; your business can pay for various items which are commonly paid with after-tax dollars. This deduction represents an additional savings to an owner or corporation over and above the non-qualified retirement plan established for you as a key employee.

How the Program Works

Structurally similar to *domestic* non-qualified plans, this program simply uses an Irish-American treaty to eliminate risks traditionally associated with this very common strategy for wealth accumulation. The leased employee arrangement originated with highly compensated entertainers and is well suited for other affluent members of society with substantial income above their actual needs. These concepts are well tested, and the contracts we put in place are based on court precedent.

Dublin is home to the prestigious International Financial Services Centre (IFSC) which boasts offices of 22 of the world's top 50 banks. Ireland's long-term commitment to the financial services sector has reduced inflation to one of the lowest in Europe, nearly eliminated public sector borrowing, and generated growth of the Gross Domestic Product to nearly 7 percent (7%). This environment represents a very stable platform for financial and business operations. The international leasing company operates The Program from Dublin in order to take advantage of the conservative environment rich in tradition and influence.

<u>A Few Details</u>:

The corporate entity you are leased to (your company) pays a U.S. based personnel leasing entity for your entire compensation AND deducts the entire amount as an expense.

The U.S. leasing company pays you your salary, and you pay your non-business bills. Your mandated expenses are paid with before-tax dollars in accordance with the Meals and Lodging

Rules in IRC Section 119. The U.S. personnel leasing company pays your taxes and transfers the surplus to Ireland less the operating fee.

Both the U.S. and international companies promote your skills worldwide.

When you retire, you tell the international company via the U.S. personnel leasing company how much to send you and how often. Upon your death, the remaining amount is paid to your spouse and heirs at whatever frequency you express in your formal letter of wishes.

Summary

- Your entire program is established and put into operation along with the mandated expense contracts for a one-time charge, generally funded from tax savings and deductible as a business expense. The setup fee is twenty five thousand dollars ($25,000).
- The total fees on all monies processed through The Program are ten percent (10%).
- You will enter into an employment agreement with a resident-owned Irish employee leasing entity. The Irish employee leasing entity will agree to pay you a salary designed to meet your needs, reimburse your business expenses, and establish a deferred compensation program for your benefit.
- The Irish entity does not and will not conduct business in the U.S., and therefore, it will “loan-out” the right to your U.S. services to a domestic employee leasing company who then leases you to your current employer for a substantial fee.
- The U.S. employee leasing entity assumes the international employee entity’s obligation to pay you a salary designed to meet your needs.

- The Irish employee leasing entity can provide a variety of benefits.
- The Program is flexible enough to accommodate even extreme fluctuations in income. A participant may even skip several years in succession if necessary.
- You pay income tax only on the money that is repatriated. With sufficient contributions, you may never have to withdraw any of the pretax principal and would therefore never pay taxes on this portion.

In an effort to assist your understanding of how an **International Deferred Compensation Program** works, we have created a chart and Figure 1 (below). In this example, we have assumed the individual is establishing the International Deferred Compensation Plan, is currently working for a financial planning firm, and is earning $500,000 per year. Our example, James Client, needs an income of $200,000 per year (before tax) to maintain his family lifestyle and wants to defer the rest (minus the administrative fee). James Client works for ACME Financial Planners via a series of five contracts with an International Deferred Compensation Program and two firms that are owned and operated as separate entities, International Executive Leasing Services (IELS) and Domestic Executive Leasing Services (DELS). These two firms charge an administrative fee for the services that they provide. In this example, the combined charge is 10% or $50,000 (10% * $500,000). The relationships are described below.

Contract #1 – is for the worldwide services of James Client. This contract is between James Client and IELS. IELS is based in one of the countries that has a treaty with the U.S., e.g., Ireland. It is IELS's responsibility to market the services of James Client worldwide. This contract spells out the terms and conditions under which James Client renders services for IELS. No money is exchanged between James Client and IELS.

Contract #2 – is for the U.S. services of James Client. DELS contracts James Client from IELS to perform work in the United States at a rate of $250,000. This is the $500,000 of Contract #3 minus the $200,000 of Contract #4 less the $50,000 in Administrative Fees.

Contract #3 – is between DELS and ACME Financial Planners for the services of James Client to AMCE Financial Planners in the U.S. ACME pays DELS $500,000 per year, his current salary.

Contract #4 – is between DELS and James Client. This contract specifies James Client's annual salary as $200,000 for his services to ACME Financial Planners, Inc. This salary is subject to any and all federal and state taxes.

Contract #5 – is between IELS and the International Deferred Compensation Program. In this example, each year IELS would send $250,000 which is credited to James Client's deferred compensation account.

The following is a summary of James Client's Program.

	Prior to Plan	James Client's Program
Payment by ACME	$500,000	$500,000
Total Administrative Fee for DELS and IELS		($50,000)
U.S. Income Tax *	$175,000	($56,000)
Net U.S. Income (consists of:)**	$325,000	$394,000
Deferred Income		$250,000
Disposable Income	$325,000	$144,000

*The tax bracket after the plan is implemented would be 28% since the gross income under our example is $200,000. ** This does not take into consideration payroll taxes and state taxes that may apply.

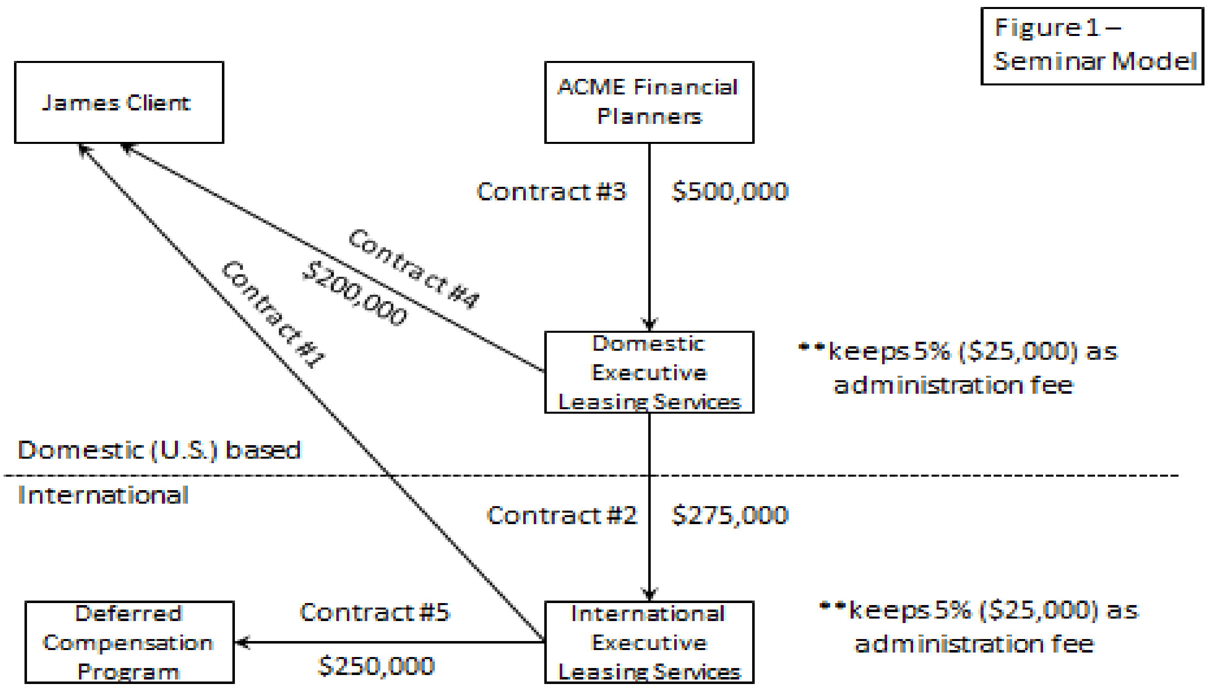
Figure 1 – Seminar Model
James Client
ACME Financial Planners
Contract #3
$500,000
Contract #4
$200,000
Contract #1
Domestic Executive Leasing Services
**keeps 5% ($25,000) as administration fee
Domestic (U.S.) based
International
Contract #2
$275,000
Deferred Compensation Program
Contract #5
$250,000
International Executive Leasing Services
**keeps 5% ($25,000) as administration fee