



# THE IDEA<sup>1</sup>



*It is thrifty to prepare today for the wants of tomorrow.*

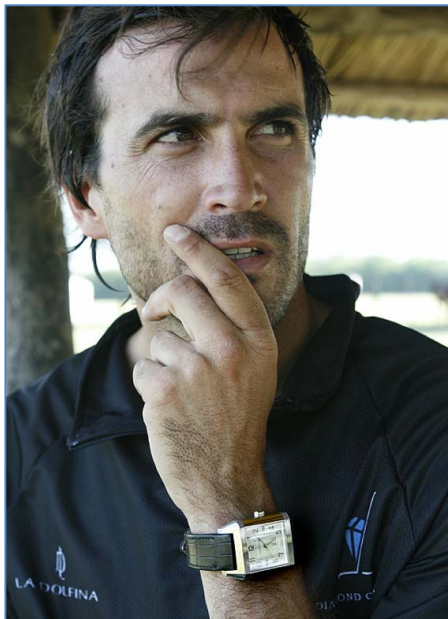
—Aesop, *The Ant and the Grasshopper*

**Bill, Jr.:** Dad, I am thinking of leaving Harvard University. I know you think computers are just a passing fad, but I'd like to take a risk and start my own business.

**Bill, Sr.:** Billy Boy, if you did leave Harvard to start your own business, wouldn't you need some seed money to get you started?

**Bill, Jr.:** Yes! We will need money—even \$100,000 would take us a long way. And Dad, if you put that \$100,000 into an irrevocable trust for me [you knew we had to work a trust into this sooner or later], it will forever be protected and free from those who might want to harm your Billy Boy.

**Bill, Sr.:** The trust you described sounds even more fascinating than the new computer business you would like to start. Please, tell me more about the tremendous powers of this trust!



*This Argentinean polo player is thinking about telling you that you have beautiful eyes.*

**Bill, Jr.:** First of all, let's just say I marry that nice girl named Melinda. Now, imagine that after we've married, she decides to run off with Marcelo, the Argentinean polo player<sup>2</sup> that she seems to spend a lot of time with.

Well if she did, she probably couldn't take a dime from the trust in a divorce. And, after I am gone, your grandchildren will enjoy the trust with the same protections I did.

**Bill, Sr.:** That's astonishing! And we could be talking about a lot of money here—that \$100,000 in seed money placed in the trust for your new computer business might be worth millions in years to come.

**Bill, Jr.:** Or maybe billions! (They both chuckle incredulously.) But Dad, please keep your focus, as I have even more to tell you about this trust. If I ever get personally sued, the money in the trust is likely protected from my creditors too!

**Bill, Sr.:** In this era of litigation, that's quite important! But, what about taxes on this trust?

**Bill, Jr.:** The trust will still need to pay income taxes, but it can be free of estate and generation-skipping transfer taxes (GST) forever!

**Bill, Sr.:** Forever! Well, even I can see how that is quite appealing. After all, who would really want to pay estate taxes that easily exceed 50%? There must be a catch here, right?

**Bill, Jr.:** You're right Dad, there is. The trust should be designed and funded before the business or investment appreciates. So, if we plan for the future, who knows—maybe this little idea will change people's lives for the better for years to come.

**Bill, Sr.:** Son, you're brilliant! I love the trust idea but about this polo player....

<sup>1</sup> The characters in this newsletter are fictional and are not intended to be the Gates family.

<sup>2</sup> The author apologizes to any polo players, Argentinean or otherwise, who may have taken offense to this newsletter.