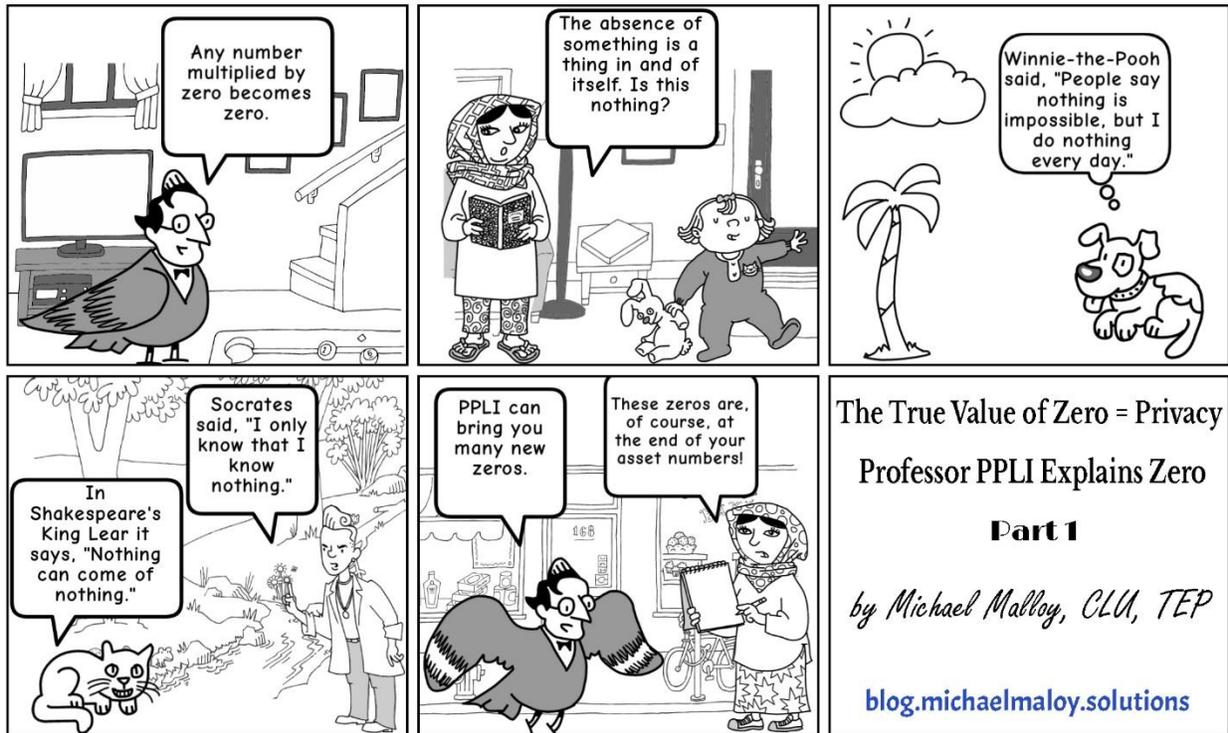


The True Value of Zero = Privacy



Professor PPLI Explains Zero

Part 1

Our next few articles will comprise an in-depth look at the five main components of our PPLI Concept Map: **Professor PPLI Defines Nothing**. We also offer you over the next five Parts, "She Was Good For Nothing," by Hans Christian Andersen. This charming fairy tale supports our theme of nothing.

Zero is a powerful number. Any number multiplied by zero becomes zero. Yet, zero is also nothing. How does this nothing relate to the topic of our using of [Private Placement Life Insurance](#) (PPLI) to structure the assets of wealthy families? Unless you understand how PPLI works with the six principles of [Expanded Worldwide Planning](#) (EWP), you will understand nothing about PPLI. PPLI makes these six principles come alive like nothing else in the realm of asset structures.

First, we will explore the concept of nothing from a mathematical perspective, then move on to its relationship to EWP, and conclude with how this all relates to one of the six principles of EWP, [privacy](#).

The Power of Zero

[Doctor Ian at the Math Forum](#) demonstrates how multiplying any number by zero equals zero.

$$1 * 0 = 0$$

$$27 * 0 = 0$$

$$1,887,457,234,543,243,113,946 * 0 = 0$$

When you multiply one number by another, you can think of starting at some point ('the spot marked X', or wherever) and moving some distance away from it. To move, you need to know two things:

- 1) how many steps you're going to take
- 2) how big each step will be

Now, if each step is of zero size, then you can keep taking them, and you'll never move anywhere. (Move a step of length zero. You're still where you started. Do it again. Still there. Keep doing it... how many of those steps will you have to take to actually move somewhere?) So any number times zero is still zero.

Also, if you're not going to take any steps, it doesn't matter how large a step you would take, since you're not going to take it. So zero times any number is still zero.”

For our exploration of zero in the world of PPLI tax structuring, we can think of zero as the actual insurance policy that holds a family's assets in separate accounts in the name of a custodian such as a trust company, which will be in the name of the beneficial owner of the assets--the insurance company. The assets do not change, but how they are structured changes.

Since you can place almost any asset that can be held by a trust company into a PPLI policy, the insurance policy acts like the empty box that we use to explain the concept of zero. The empty box is an abstraction, yet like the PPLI policy, it is the vehicle that can help achieve the six principles of EWP for wealthy families.

Brian Resnick's article, "[The mind-bendy weirdness of the number zero, explained](#)," on *Vox* gives us:

“Zero is in the mind, but not in the sensory world,” Robert Kaplan, a Harvard math professor and an author of *The Nothing That Is: A Natural History of Zero* says. Even in the empty reaches of space, if you can see stars, it means you’re being bathed in their electromagnetic radiation. In the darkest emptiness, there’s always something. Perhaps a true zero — meaning absolute nothingness — may have existed in the time before the Big Bang. But we can never know.

Nevertheless, zero doesn’t have to exist to be useful. In fact, we can use the concept of zero to derive all the other numbers in the universe.

Kaplan walked me through a thought exercise first described by the mathematician John von Neumann. It’s deceptively simple.

Imagine a box with nothing in it. Mathematicians call this empty box “the empty set.” It’s a physical representation of zero. What’s inside the empty box? Nothing.

Now take another empty box, and place it in the first one.

How many things are in the first box now?

There’s one object in it. Then, put another empty box inside the first two. How many objects does it contain now? Two. And that’s how “we derive all the counting numbers from zero ... from nothing,” Kaplan says. This is the basis of our number system. Zero is an abstraction and a reality at the same time. “It’s the nothing that is,” as Kaplan said.”

Since we are exploring zero as an abstract concept, we will put it to another use below when we discuss privacy. In a sense everything can only be defined through its relationships with other elements and factors. Not wishing to be alone in stretching our meanings too far let us hear from Humpty Dumpty and Alice in Lewis Carroll’s *Alice in Wonderland*.

“When I use a word,” Humpty Dumpty said, in rather a scornful tone, “it **means just** what I choose it to **mean**—neither more nor less.” “The question is,” said **Alice**, “whether you can make words **mean** so many different things.” “The question is,” said Humpty Dumpty, “which is to be master—that’s all.”

How Zero = Privacy?

Now let us equate privacy with Mr. von Neumann’s first box above. Remember this first box is described as an “abstraction and a reality at the same time.” This

can equally be said of a term like privacy. Privacy can be defined in the abstract, but it is how it is interpreted in reality that counts.

In many jurisdictions, privacy is considered a fundamental principle. In the U.S the right to privacy is stated in the Fourth Amendment to the U.S. Constitution:

“The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.”

A right to privacy is explicitly stated under Article 12 of the 1948 Universal Declaration of Human Rights issued by the United Nations General Assembly:

“No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to attacks upon his honor and reputation. Everyone has the right to the protection of the law against such interference or attacks.”

[Caroline Garnham](#) of Garnham Family Office Services in London writes with clarity and understanding about issues affecting wealthy clients. What follows is a telling description of a government’s thirst for tax dollars trampling on its citizens fundamental privacy rights. These are excerpts from her article, “It isn’t fair? Part 3.” How is “tax fairness” playing out in Great Britain today? This article relates recent incidents and key players in the drama.

“Edward Troup, now Sir Edward Troup was appointed Executive Chair and Permanent Secretary to HMRC in April 2016, for which he was knighted in the 2018 new year’s honours list. He was the former head of the firm’s tax department and the most brilliant brain I have ever encountered.

‘Tax law does not codify some Platonic set of tax raising principles. Taxation is legalised extortion and is valid only to the extent of the law’ – a point of with which I concur.

We have tightened our grip on those who deliberately cheat the system and continue to pursue those who refuse to pay what they owe.’

But the question now is, has HMRC gone too far?

The House of Lords Economic Affairs Committee, EAC, published its findings in December 2018, and thinks so!

A ‘careful balance must be struck between clamping down and treating taxpayers’ fairly. Our evidence has convinced us that this balance has tipped too far in favour of HMRC and against the fundamental protections every taxpayer expects.’

In 2000 some employers set up Employee Benefits Trusts for their employees.

This arrangement was considered effective in avoiding tax.

In 2010 HMRC warned that such arrangements were unacceptable, and that those who used such an arrangement had to repay the loan, pay the tax or face fines.

It is clear from what has already been published that the information to be received by HMRC this year from offshore financial institutions under the Common Reporting Standard once analysed will be used to attack settlors of offshore trusts. The first such attacks are expected in about six months.

HMRC has said that it will first go for well-known names with significant assets in trust. It has been advised to attack structures which have Persons of Significant Influence on the basis of sham. It will then look very closely for clauses in the Trust Deed once provided absolving the Trustee from any form of liability and duty to interfere. This it will take as further evidence that the Trust was nothing more than a nominee arrangement and tax the settlor as if no trust had been set up together with 200% penalties.”

Part 1 of [“She Was Good For Nothing”](#) by Hans Christian Andersen:

“The mayor was standing at his open window; he was wearing a dress shirt with a dainty breastpin in its frill. He was very well shaven, self-done, though he had cut himself slightly and had stuck a small bit of newspaper over the cut.

"Listen, youngster!" he boomed.

The youngster was none other than the washerwoman's son, who respectfully took off his cap as he passed. This cap was broken at the rim, so that he could put it into his pocket. In his poor but clean and very neatly mended clothes, and his heavy wooden shoes, the boy stood as respectfully as if he were before the king.

"You're a good boy, a well-behaved lad!" said the Mayor. "I suppose your mother is washing down at the river, and no doubt you are going to bring her what you have in your pocket. That's an awful thing with your mother! How much have you there?"

"A half pint," said the boy in a low, trembling voice.

"And this morning she had the same?" continued the Mayor.

"No, it was yesterday!" answered the boy.

"Two halves make a whole! She is no good! It is sad there are such people. Tell your mother she ought to be ashamed of herself. Don't you become a drunkard-but I suppose you will! Poor child! Run along now."

And the boy went, still holding his cap in his hand, while the wind rippled the waves of his yellow hair. He went down the street and through an alley to the river, where his mother stood at her washing stool in the water, beating the heavy linen with a wooden beater. The current was strong, for the mill's sluices were open; the bed sheet was dragged along by the stream and nearly swept away her washing stool, and the woman had all she could do to stand up against it.

"I was almost carried away," she said. "It's a good thing you've come, for I need something to strengthen me. It's so cold in the water; I've been standing here for six hours. Have you brought me anything?"

The boy drew forth a flask, and his mother put it to her lips and drank a little.

"Oh, that does me good! How it warms me! It's just as good as hot food, and it isn't as expensive! Drink, my boy! You look so pale, and you're freezing in your thin clothes. Remember it is autumn. Ooh, the water is cold! If only I don't get ill! But I won't. Give me a little more, and drink some yourself, but only a little drop, for you mustn't get used to it, my poor dear child!"

And she walked out of the water and up onto the bridge where the boy stood. The water dripped from the straw mat that she had tied around her waist and from her petticoat.

"I work and slave till the blood runs out at my fingernails, but I do it gladly if I can bring you up honestly, my sweet child!"

We hoped you enjoyed this article and the beginning of [Hans Christian Andersen](#)'s fairytale. Nothing turns out to be an exciting topic for us, and we will continue our lively topic in the next four articles. Please bring us your PPLI questions and inquiries. We enjoy all opportunities to discuss our favorite topic, and bring you an asset structuring tool that offers so many exceptional benefits. [*Contact Us!*](#)

by [Michael Malloy](#), CLU TEP, @ [Advanced Financial Solutions, Inc](#)

