Chapter 19. Your Personal Asset Protection

We live in a litigious society. It is generally prudent to protect your hard-earned assets through certain asset protection tools. These types of tools can protect your investment and other assets against unwarranted and unexpected, but potential, creditor claims, which may arise, for example, from business operations, personal accidents, personal injury, or other casualties and contingencies. The following is a partial list of personal asset protection planning tools which you should consider:

- **Avoid or Remove Personal Guarantees.** During the course of life, you may have been asked to sign a personal guarantee on debts of your children or siblings or of your business. The removal of your personal guarantees should be sought whenever possible.

- **Irrevocable Trust.** When investment assets are transferred out of your name as a gift to a family member, then those assets are not subject to your personal risk. Gifted assets would typically, however, be subject to the personal liability risk of the individuals who received your gift. By transferring investment and/or life insurance assets into an irrevocable trust for the benefit of your children or grandchildren, you can remove the assets from your personal exposure. By placing spendthrift provisions in the trust, you can also protect these assets from the personal liability exposures of your children and grandchildren.

- **Asset Balance Between Spouses.** Both spouses typically have a certain amount of potential liability exposure (e.g. due to personal accidents). However, typically, the spouse who is active in business has a greater level of potential creditor claims. By balancing your assets between the two spouses, you can minimize the risk of a more substantial loss of assets than if your net worth is entirely in the name of the spouse who is most subject to liability exposure.

- **Investment Protection Entities.** Just as you can place a business operation into a corporate entity to shield yourself from those business risks, you can also place your investment assets into certain types of limited partnerships, limited liability companies, and asset protection trusts, in order to shield those assets from your business and personal risks. Under these types of entities, a litigation judgment against you can typically not be collected against the assets of the asset protection partnership or trust. Asset protection partnerships, LLCs or trusts established in the United States may provide a certain degree of protection. Due to more favorable laws enacted by some countries, a foreign asset protection trust may provide higher degree of protection, although it also costs a significant amount more to implement and its effectiveness has been challenged in recent years.

- **Proper Insurance Coverage Mix.** The proper mix of business and personal casualty insurance protection, along with business and personal umbrella insurance should be implemented and periodically reviewed, depending on changing business operations and personal situation.

- **Business Owners.** If you own a business, certain additional asset protection steps should be taken. See my website for business owners for more detail. www.MyFourthQuarterGamePlan.com.