

# NEW JERSEY LIFE MAGAZINE

## **Protecting Assets**

*Are you in a high-risk profession? Here's how you can protect yourself financially*

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New Jersey Life (online)

January 6, 2010

Getting sued is a problem – and not the “it only happens to the bad folks” kind of problem. If you’re a physician, landowner, business owner, or manager you’re at risk to lose it all.

Protecting assets is one of the key issues facing most affluent Americans. If you’re a physician, depending on the nature of your practice, you may be anxious about being sued by a former patient. For property or business owners, anyone hurt while on your land or in your business could potentially sue you. Managers can be sued by disgruntled former employees.

Given the litigious nature of our society, it is by no means a stretch of the imagination for any one of these scenarios to come true.

To protect yourself and your family, there are some steps you should consider taking:

- Maximize contributions to creditor-proof accounts. The simplest move you can make is maximizing the contributions to your 401(k) or IRA. These retirement accounts are generally considered “creditor-proof” and are exempt from lawsuit claims. Of course, if you cheat and fraudulently convey money to the account the protections can be voided, and certain creditors, such as the I.R.S. or a divorcing spouse or children under qualified domestic relations orders can go after assets held in these retirement accounts.
- Re-title your home in your spouse’s name. Re-titling your residence in your husband or wife’s name is an often overlooked step. If you’re sued, your home remains protected because it’s not listed as your asset, but your spouse’s asset.
- Separate lines of business. Similar to re-titling your home, isolating each line of business can help limit the damage if you find yourself in court. If one business is sued, the remaining entities’ revenue remains untainted.
- Hold investment real estate in a LLC. Limited liability companies offer a lot of protection to investment real estate. You can’t hold your primary residence in an LLC, and it can be relatively expensive and complex to set up. But, depending on your situation, there can be major advantages offered by an LLC. For example, in certain states creditors, i.e. those bringing the suit, may be limited to receiving only the LLC distributions (think rental income from property held by the LLC), assuming any are made to the debtor.

- Maximize liability insurance. Insurance equals protection. Liability insurance and umbrella policies can protect you and your family in the event of a lawsuit. If you already own a policy, review it to make sure it's in line with your goals. If you don't, consult a professional about your options. If you can maximize your coverage, do it.
- Life insurance. Depending on applicable state law, if the owner of a life insurance policy insures his own life for the benefit of someone other than himself or his estate (i.e., names his spouse or children as beneficiaries), the beneficiary is entitled to the policy free from the claims of the owner's creditors. Similar protections may extend to the accumulated cash value of the policy. When a life insurance policy is purchased through an Irrevocable Life Insurance Trust, this benefit can be tremendous.

There are other, more complicated options like using a domestic or foreign self-settled asset protection trust (APT) to add an additional measure of security. Yet, the steps listed above are an excellent starting point for anyone worried about protecting themselves and their family from a lawsuit. While some of these are relatively simple, you should consult a financial advisor before making any changes. Everyone's situation is unique, and a professional who knows your long-term goals can make the best recommendations for you and your family.

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