

Protecting Your Assets

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How many lawsuits were filed in the US yesterday? How about the day before and the day before that? You may be shocked to discover that over 40,000 lawsuits are filed in the US everyday. Even though nobody expects to be sued, the fact is that the highest level of risk falls on those who think they are immune.

You have worked hard during your lifetime. You sacrificed to buy a home, raise your family, put some money away for retirement, and you've acquired some quality "things." So how do you keep lawsuits, taxes, a failed marriage, huge medical bills, a job loss, or the myriad of other "dragons" that seek to wipe out your hard earned assets from robbing you of your financial peace of mind?

A solid asset protection plan consists of lines of defense for protection. Then regularly and systematically adding fortifications to your planning ensures your family fortress remains strong throughout your lifetime and into the next generation.

The first line of defense in any situation is state and federal law. Both federal law and the state of Colorado allow certain property to be exempt from anyone taking it. For example, depending on your age, the equity in your home is protected up to \$90,000. Your retirement plan may be exempt, depending on the type of plan, and a small amount of cash value in your life insurance policy may also be protected. Not much, but at least it's something.

Insurance is your second line of defense. Everyone should have insurance to protect their stuff—home, cars, business and personal property. You should also have an umbrella policy to cover claims over and above what these policies don't cover. You should also have insurance to cover you—your medical care, your life,

your disability, your potential stay in a nursing home. All are available depending on your current health and budget. As the saying goes, you will never be younger or healthier than you are today. If you can afford it, buy it now.

Another line of defense is to give your property away. The good news is that if you don't own it, you cannot lose it. The bad news is that you when you make a gift, you give up control of the asset, you lose

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the income from it and the asset is now subject to the donee's problems and creditors. The law also limits your ability to give assets away. If you make gifts incorrectly or at the wrong time, you can be severely penalized. In other cases, you may even be criminally liable for transferring the asset.

Depending on your personal circumstances, several options are available to strengthen your family fortress. At an absolute minimum, you should consider establishing a solid revocable living trust-based estate plan, with appropriate powers of attorney and ancillary documents to save your family the hassle and expense of a probate proceeding if you become disabled or die.

Irrevocable trusts are another superb planning tool. These trusts should be custom designed for you to accomplish certain specific goals. Life insurance trusts, charitable giving

trusts, grandchildren's gifting trusts, and Medicaid planning trusts are examples of irrevocable trusts that can be drafted precisely to accomplish certain asset protection goals.

Creating and funding entities such as limited liability companies, family limited partnerships, and corporations are further examples of excellent ways to protect your assets. While these advanced-planning tools may be exceptional options for you, you should be aware that they take a lot of work to create, fund and maintain.

Each fortification strategy will work extremely well if it is properly designed and integrated into your planning. The analysis of which tools and strategies are appropriate for you, and how to properly combine and use them will depend on many factors. How much control do you want to keep? What are the setup and maintenance costs? Additionally, the potential legal challenges to the strategy and the income and estate tax ramifications are all important factors. No one tool, or set of tools, is suitable for every family or situation.

While the final decision is obviously yours to make, you should absolutely get the advice of your attorney, your CPA, and your financial advisor. Exceptional asset protection is not a fast, cheap or easy proposition. However, with careful planning and drafting of the correct documents, you can give yourself and your loved ones real peace of mind.

We would be honored to speak with you about the design and implementation of your asset protection plan. That phone call could be the difference between reaching your financial goals and "losing it all."

For more information on how you can protect your assets, call us at (719)-444-0300.