SCHENKMAN JENNINGS LLC
ATTORNEYS AT LAW

ASSET PROTECTION BASICS

Successful wealth protection does not just happen. Whether you can effectively block creditors from taking your assets depends on:

- If you protect yourself before trouble strikes.
- If you use the right strategies and tools for your particular situation.
- If you have a professional advisor with the necessary skills to build your asset protection plan.

Asset protection is a strategy to title your savings, property, business and other assets to shield them from lawsuits and other claims. Asset protection helps prevent your adversaries from seizing your wealth.

Asset protection is a safety net. It does not guarantee that you will not get sued or run into other financial calamites; but if you do, you will lose fewer assets. Otherwise, you are in a "free-fall", vulnerable and exposed.

The Goals of Asset Protection

The ultimate goal of asset protection is to give you and your family lifetime security - the comfort of knowing that you cannot lose what you own. A good asset protection plan will also help you achieve other important objectives:

- **Discourage Lawsuits**. One objective of asset protection is to discourage lawsuits. To discourage lawsuits, you must convince a potential plaintiff that they cannot seize your wealth.

- **Reduce Insurance Costs**. A good asset protection plan can supplement your insurance and save your money.

- **Protect Your Assets**. The ultimate purpose of asset protection is to safeguard your wealth against the worst-case scenario – you are sued and lose. Your asset protection plan may prove its benefit only after the plaintiff wins a judgment and has exhausted every collection attempt.

The success of your asset protection plan then is not to lose significant assets.

Planning

The following rules should be followed in an effective Asset Protection Plan:

Rule #1: Layer Your Firewalls - No matter how safe or defensible the particular firewall, there is some possibility someone can pierce it. So layering protection using multiple firewalls is important.

Rule #2: Diversify Your Assets - Deploy your assets into different protective baskets. Diversification is sound planning. Never put your eggs into one basket. Force a creditor to pursue your assets dispersed in different directions.

Rule #3: Adopt Counter Offensive Strategies - "The best defense is a good offense" also applies to asset protection. A creditor must have a downside risk to pursuing your wealth.

Rule #4: Customize Your Plan - There is no one perfect firewall, strategy or plan for everyone.

Rule #5: Update Your Protection - Good asset protection must be a continuous process.

Rule #6: Protect Every Important Asset - An asset protection plan should insulate every important asset.

Rule #7: The Plan Must Be Flexible - No one plan is equally effective against every potential claimant. First and foremost, your plan must best protect you from a known threat that prompted you to seek asset protection in the first place. A good preventative plan should also give the foundation of basic protection. From there you add the specific firewalls to counteract each specific threat as it occurs.

Rule #8: Keep the Plan Legal - You want legal protection, not "protective" strategies that can only get you into even bigger trouble. There are many perfectly legitimate ways to shield wealth without resorting to questionable practices.

Rule #9: Keep It As Simple As Possible - Whenever possible, simplicity is better. The goal is not to trade safety for simplicity, but to choose simplicity when a more complex plan gives you only comparable protection. Above all, you must be able to fully understand the plan.

Rule #10: Keep It Cost-Effective - You do not want to spend more than absolutely necessary to obtain protection. On the other hand, you do not want false economy only to end up with a faulty plan.

Rule #11: Integrate with Other Financial Goals - Asset protection is one important financial goal; it is not your *only* financial goal. Estate planning, investment planning and tax planning (which includes retirement planning) goals are also important. These four financial goals must fit together into one, well coordinated, integrated plan.

Rule #12: Contain Liability - It is important for the plan to *contain* liability or insulate you personally from business and other external liabilities.

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