



Asset Protection: Are Your Children a Lawsuit Exposure?

By Ike Devji, JD | September 27, 2011

I clearly remember when I first really understood that my parents were responsible for my actions.

I was 15 years old and standing in front of my high school with my friends when a kid from another clique walked up and started running his mouth a bit too much. One of my friends objected and the exchange ended with my friend punching the bully in the mouth, knocking out and actually breaking a few of his teeth. The ensuing threat of a lawsuit ended with my friend's father, a successful radiologist, writing a large check for a substantial amount of dental work.

This was a relatively minor and commonplace type of exposure and incident; kids fight and do other stupid things, but the level of liability and the willingness of attorneys and plaintiffs to sue is at an all-time high. This heightened risk has surprisingly not been accompanied by increased defensive planning or education by most parents.

We all like to think our kids are better behaved, smarter, and more sensible than the ones we see in the news or read about, but their exposures are unpredictable and often arise from mundane activities you never dreamed would be an issue. In a previous article, we discussed [Financial Literacy for Your Children](#) and part of that discussion must include a detailed explanation of the fact that Mom and Dad are personally financially responsible for any harm, damage, or loss cause by their minor children.

In one case, a successful physician we work with left town for the weekend with his wife, and his 17-year-old daughter threw an party at their home — a pattern that happens all over the country a thousand times every weekend. Unfortunately in this case, a young man from another high school whom she had never met before came to the party and overdosed on the drugs he brought with him, tragically dying at the scene and creating a lawsuit against the young lady's parents that sought damages in excess of three million dollars. Neither the young lady, her parents, or anyone else in the upscale community of private schools and gated multimillion dollar homes ever dreamed this was possible in such a "nice neighborhood" and the resulting claim was in excess of the limits of the homeowners liability policy the family had in place. The story is dramatic, but the dozens of other parentally liability exposures I've seen over the years typically come from much more mundane issues.

Here are a couple of specifics to consider and explore with your kids. This list is only a start and assumes you are adequately insured, have an umbrella in place to help shield you and that you have taken steps beyond insurance to secure your assets before the harm occurs:

1. The Family Car: Make sure your minor children are specifically named and insured on any vehicle you let them drive. You are liable for everything they do behind the wheel, whether you gave them permission to drive the vehicle or not. If they are irresponsible or if they take the car without permission you must take control of the keys and treat the vehicle like a loaded gun. Suddenly your high school senior cutting class with her friends and piling them into to your car to go to Starbucks is remarkably less “cute.” There is no excuse for you not knowing where the car and the kids are as there is vehicle-tracking technology available for only few hundred dollars from sources as common as Brookstone.

2. Behavior Issues: Negligent Supervision and Negligent Entrustment — If your child is of a young age or is of questionable judgment and creates harm, you own it. The same holds true for others that have custody or are entrusted with supervision, so any guardian is at risk if the harm would have been prevented absent inadequate supervision. This also creates potential liability for you for the children of others you have custody of, even overnight.

3. Access to Firearms and Other Dangerous Items: It should be obvious by now, but if you have guns in your home (or bows and arrows, ATVs, jet skis, a swimming pool, prescription drugs, or anything else that can be misused) you are legally and financially responsible for not only property damage but in some states and fact patterns CRMINAL LIABILITY for the actions of your child. Given the cost of defense counsel, the litigation alone could be financially devastating not to mention the possibility of someone getting killed and the resulting costs and consequences to all involved.

Learn more about Ike Devji, JD, and our other contributing bloggers [here](#).