

## Asset Protection Planning – Overview

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Asset protection is an important consideration in every estate plan. Whether it involves:

- Setting up a professional corporation (PC) or professional limited liability company (PLLC) for a professional (e.g., doctor) - to hold minimal assets; and then
- Setting up one or more limited liability companies (LLC) to hold valuable professional business equipment and/or real estate and leasing it back to the PC or PLLC; or
- Setting up family limited partnerships (FLP) or family limited liability companies (FLLC) to hold non-professional business assets such as rental property(ies), with the degree of creditor protection varying among states; or
- Setting up domestic asset protection trusts (DAPT) in jurisdictions permitting them. Nevada, for example, allows self-settled trusts to be created and funded with any type of asset, and if no claim is made against those assets for two years, under Nevada law they become exempt from creditor claims; or
- Setting up foreign asset protection trusts (FAPT). Offshore asset protection trusts (e.g. Cook Islands) provide creditor protection as soon as the offshore custodian is given custody of the assets. Cook Islands does not recognize U.S. judgments, forcing a creditor to litigate in Cook Islands - a significant deterrent; or
- Drafting your overall estate plan with protective provisions to enable you and/or your children to protect against divorce, creditors, and predators (e.g., lifetime protective trusts for your descendants);

It is important to know your options and to have your asset protection plan (and suitable amounts of umbrella liability insurance) in place before a creditor problem arises.