



Wealth Planning Report

Asset Protection Planning: A Wall Around Wealth

Success can come with a major downside: It can make you a potential magnet for lawsuits—including frivolous and unfounded ones—and other attacks that can wreak havoc on your financial health and stability.

Indeed, you may very well know someone in your life who has been sued. Maybe it was you!

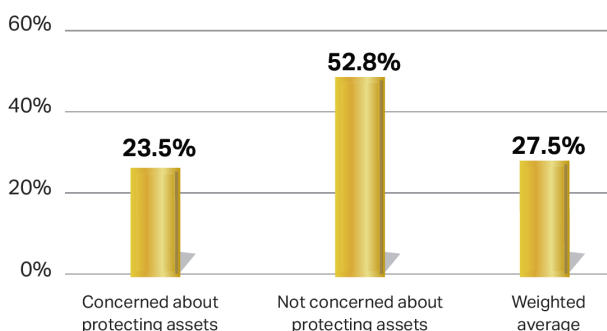
That means you must take steps to protect the assets you've worked so hard to build from being unjustly taken. Otherwise, you may jeopardize your financial security and that of your company and your family.

Why you need asset protection

Asset protection planning as we define it is pre-litigation planning that is designed to deter lawsuits if possible—and if not, to encourage favorable settlements.

The logic of asset protection planning is clear: You build a wall around your wealth that is as difficult as legally possible for litigators, creditors and others to scale. Instead of trying to fight it out with you in court for months or years and risk losing, the litigant sees that the only reasonable option from a legal standpoint is to settle for pennies on the dollar—or, ideally, to leave them empty-handed.

Business Owners with a Formal Asset Protection Plan



N = 262 successful business owners. Source: Russ Alan Prince and John J. Bowen Jr., *Becoming Seriously Wealthy*, AES Nation, 2017.

Important: Asset protection isn't about "hiding money"—quite the opposite, in fact. You want to signal to anyone who might come after your assets that you have built a wall around your wealth. Why? It shows them the difficult legal path they'd have to take to get at that wealth—which, hopefully, will cause them to settle, negotiate or (ideally) give up and walk away.

The good news is that the threats to your wealth from other people and entities may be on your radar screen. Take successful business owners, for example. More than 85 percent of successful business owners say they are concerned about becoming the object of unjust lawsuits or being victimized in divorce proceedings. The bad news: Only about a quarter (27.5 percent) of them actually have a formal asset protection plan in place (see the exhibit below). The percentage is even lower among those business owners who say they are concerned about protecting assets. Given the risks that our litigious culture presents, these numbers are likely far too low.

ASSET PROTECTION ACTION STEPS TO CONSIDER

If you're among the many successful people out there who lack an asset protection plan—or if you're simply curious whether your existing plan is still as strong as it needs to be—consider taking a few key actions.

1. Get protected *before* a claim against you is made.

You can do a lot to protect your wealth before a liability arises—but thanks to a concept known as "fraudulent conveyance," very little can be done after. As with insurance, the time to have asset protection in place is well before you need it—or even think you might need it.

2. Cover the basics. Evaluate your liability insurance and other related policies and maximize them as best you can. Probably the fastest, easiest and cheapest move you can make is to take out the largest umbrella policy you

can to safeguard assets. Another simple but powerful strategy is to place your assets in someone else's name, such as your spouse's. If you're sued, those spouse-controlled assets are often untouchable.

Pro tip: Be sure you have a great deal of trust in your spouse and your marriage before transferring ownership of assets to him or her. In a divorce, your spouse could potentially walk away with those assets—or you could be forced to fight for them at least as hard as you'd fight a creditor who went after them.

3. Consider a variety of other asset protection strategies. The asset protection strategies you may need will depend on your specific situation, of course. That said, it's generally a good idea to consider your options, which might include:

- Ascertain appropriate utilization of risk transfer through property-casualty insurance (homeowner's, auto, rental, personal excess liability [umbrella], health, disability, life, long-term care, directors' liability and professional liability insurances).
- Consider various forms of ownership that either put assets beyond the reach of a creditor or make these assets less desirable for creditors.

- Discuss gifting assets when there are no current creditor issues in order to lessen the likelihood of raising fraudulent transfer issues.
- Structure any expected gifts and/or inheritances to protect them from claims of creditors.

4. Be sure your attorney or other professionals are qualified to help you protect your assets. We see that far too many financial professionals aren't in a position to provide guidance on and implementation of many asset protection solutions. Assess the asset protection expertise among your professionals—either the expertise they possess themselves or the resources they have access to via their professional networks of other experts.

Conclusion

You can't necessarily stop someone from suing you. But you can take steps that will make it harder for litigants to collect money from you unjustly—and maybe even prevent those litigants from coming after you in the first place.

When you think about how hard you've worked to grow your assets, we think you'll agree that it makes sense to put strategies in place to protect them too. If you're not sure where to begin, consult with a CFP® wealth professional.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please [contact us](#).



Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ professional, written about in *Fortune*, *Forbes*, *Bloomberg Businessweek*, and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*. Reuters AdvisePoint recognized Mr. Hill as one of 500 "Top Advisers" in the U.S. and has featured him on their website.

Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first fiduciary planning firms that specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in best interest of clients. He brings together a proven process and a network of specialists for making informed decisions for structured strategies, securing income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, the Humanitarian Award, and featured him with others in *The Wall Street Journal* and other publications.

Disclosure: Professional Financial Strategies, Inc. is an independent investment advisor registered with the Securities and Exchange Commission. CFP® professionals are fiduciaries with a duty of loyalty and care to act in clients' best interests and are licensed by the Certified Financial Planner Board of Standards. A copy of the Firm's Form ADV disclosure brochure and Form CRS discussing services, processes, and a schedule of fees is available upon request.

ACKNOWLEDGMENT: This article was adapted from material prepared by Virtual Family Office Inner Circle, a global financial concierge group working with affluent individuals and families and is distributed with permission. Copyright 2020 by AES Nation, LLC. This report is intended for educational purposes only and no discussion or information contained serves as the receipt of, or as a substitute for, personalized investment advice. Professional Financial Strategies, Inc. is neither a law firm nor a certified public accounting firm, and so no portion of this content should be construed as legal or accounting advice. Paul Byron Hill and Professional Financial are not affiliated with AES Nation, LLC.

Note Limitations: Neither rankings and/or recognitions by unaffiliated rating services, publications, media, or other organizations, nor the achievement of any professional designation, certification, degree, or license, membership in any professional organization, or any amount of prior experience or success, should be construed by a client or prospective client as a guarantee that he/she will experience a certain level of results if Professional Financial is engaged, or continues to be engaged, to provide investment advisory services. Rankings published by magazines, and others, generally base their selections exclusively on information prepared and/or submitted by the recognized adviser and are generally limited to participating advisers. Unless expressly indicated to the contrary, the firm did not pay a fee to be included on any such ranking. No ranking or recognition should be construed as a current or past endorsement by any of its clients.

Please see important disclosure information at the [Professional Financial website](#).

Professional Financial Strategies, Inc. | 1159 Pittsford-Victor Road, Suite 120, Pittsford, NY 14534 | (585) 218-9080