

**Title:**

Asset Protection - Who Needs to Protect Their Assets?

**Word Count:**

755

**Summary:**

America has often been referred to as a litigious society, meaning that we are prone to engaging in lawsuits for even the most frivolous of offenses. Because of this, it is important to stay vigilant about protecting your assets.

**Keywords:**

estate planning, estate planning attorney, living wills, beneficiaries, trust, assets, plan, will

**Article Body:**

America has often been referred to as a litigious society, meaning that we are prone to engaging in lawsuits for even the most frivolous of offenses. Ordinary people have been sued for anything and everything including: having wireless internet in their homes, not raking their front walkways, coughing in public, and giving bad reviews of former employees. Thus, no matter who you are, it is important to stay vigilant about protecting your assets.

You may not be able to protect yourself from falling victim to lawsuits. However, you should take every measure possible to ensure that a plaintiff cannot deplete your estate, should the court rule in his or her favor. After all, if your estate is vulnerable, you risk losing not only all of your money, but the entire estate intended for your children and other desired beneficiaries.

We have compiled a short list and corresponding explanation of the four most basic methods that will help you protect your assets from lawsuits.

**The Children's Trust**

The Children's Trust is set up to directly benefit your child. You will not have access to funds once they are placed into the Children's Trust. However, you will ensure that your children will have sufficient monies for use on things such as an education or first home.

Each spouse may put a maximum of \$12,000 per year into the Children's Trust. If you and your spouse both put money into the Trust, you can put a combined total

of \$24,000 per year into it.

If your child is over the age of 14, you shift income tax on the gifted assets when you put money into the Trust. As stated before, once you put money into the Trust, you cannot retrieve it. You also cannot transfer the money during a lawsuit, when a claim against you is pending. Thus, it is smart to periodically invest money into your Children's Trust so that your children will have sufficient support in the event that your estate is depleted.

#### The Irrevocable Life Insurance Trust

An Irrevocable Life Insurance Trust, otherwise known as an ILIT, is a smart move for individuals even if they are not faced with litigation. An ILIT allows you to pass your life insurance policy on to your heirs tax-free upon your death. If you did not have an ILIT, then the death benefit would be subject to estate taxation.

Here's how an ILIT works: a trustee that you name manages your ILIT. The trustee purchases a life insurance policy on you. You provide the funds for him to purchase the policy through tax-free gifts.

Unlike a direct beneficiary designation, you can control how the funds from an ILIT are spent. You can designate a portion of funds to education, individuals, and other causes to ensure that your hard-earned money is spent how you want.

#### Family Limited Partnership

A Family Limited Partnership is like a limited partnership for business assets in that you and your family members will have control over a mutual pool of assets.

There are two different types of Family Limited Partnership interests: General Partnership interest and Limited Partnership interests. The General Partnership interest allows you to have control over the funds and how they are used. The Limited Partnership interest keeps your involvement at a minimum.

As with a business partnership, each partner (or family member) has access to a specified amount of funds when the assets are distributed.

#### Foreign Asset Protection Trust

A Foreign Asset Protection Trust is like having a foreign bank account because your transactions will take place overseas. Your Trust will be out of the hands of U.S. jurisdiction. In other words, the U.S. courts cannot access your money in the event that you are sued and found responsible for a portion of the damages awarded to the plaintiff.

With a little help and planning, you can protect yourself and your family from predatory lawsuits against you. The above methods not only save you from losing your entire estate, but they are also strategic ways to set aside funds for your beneficiaries.

It is easy to set up your Trusts wrong. Penalties for setting up your Trusts and bank accounts wrong range from your beneficiaries losing control of your assets to you being prosecuted for not recording your assets properly on your taxes. It is important that you speak with a qualified attorney when setting up your Trusts and Limited Partnership interests so that you never run into any unforeseen problems with your estate plan.