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5 Surefire Ways

to Guard Your

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The fact is, your enviable position as a successful business owner comes with a major downside: **You're a potential magnet for lawsuits**—which may very well be frivolous and unfounded—and other attacks that can wreak havoc on your financial health. That means you've got to take some necessary steps to protect the assets you've worked so hard to build.

If you don't, you could be jeopardizing the financial security of yourself, your company, and your family.

This is where asset protection planning plays a crucial role. Asset protection planning employs legally accepted concepts and strategies to ensure a person's wealth is not unjustly taken from them. The goal is to motivate litigants and creditors to settle amicably. This is even more critical during challenging economic times when your personal and business finances are potentially more strained.

Most importantly, well-done asset protection planning can often be a potential way to avoid litigation entirely. **Here are 5 surefire ways to get started.**

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

While there are quite a few ways to protect your wealth, they tend to be futile if they're done too late. If you move assets around after you are aware a claim can be made against you—into a trust, for example—you will quickly learn a new vocabulary term: **fraudulent conveyance**.

There are two types of fraudulent conveyance:

- **Actual fraud** involves intent and occurs when someone transfers assets to a person they can strongly influence, resulting in not having any resources to pay creditors. Still, the person “informally” maintains control of the assets.
- **Constructive fraud** is about the economics of the transfer of assets, not the intent behind the transfer. If the asset transfer was done relatively quickly when the person was in a financially distressed situation, it might be considered constructive fraud.

Note: When it comes to intent, it is often impossible to know what someone was thinking. But courts do look at so-called badges of fraud, which are circumstantial evidence of actual fraud. Some examples of badges of fraud include:

- Current or likely litigation
- Assets transferred to family members, enabling the person to still “control” the assets
- Transfers conducted secretly

Pro Tip – The way to avoid this mistake is to engage in asset protection planning as early as possible. Without question, you want to do asset protection planning before you need the protection.

2: Cover the basics

Part of effective asset protection planning is ensuring you have the right kinds and amounts of liability insurance. Most people could, for instance, benefit from larger umbrella liability policies. They don’t think of this, however, nor do their property and casualty brokers. A further complication: Many property and casualty brokers are limited as to the amount of coverage they can provide because of the insurance companies they work with.

Additionally, we see that many accomplished business owners have substandard general liability coverage. A good number of these business owners might also benefit from higher-quality (and more customized) directors and officers' liability coverage.

The good news: Liability insurance is relatively inexpensive. After avoiding lawsuits (generally beyond your control), it can be considered the first line of defense in an asset protection plan. Therefore, periodically stress testing your liability coverage is a smart move. Doing so will enable you to uncover and correct any gaps in coverage.

3: Approach asset protection planning in conjunction with your other wealth planning efforts.

Comprehensive wealth planning encompasses a variety of specializations, including estate planning, income tax planning, and—yes—asset protection planning. While it is possible to engage in these types of planning independently of each other, there are often considerable benefits of thinking about your planning holistically—so that all the components of your financial life work together in concert, seamlessly.

Very often, a holistic approach to wealth planning enables you to understand the trade-offs you are making—as well as any risks that you might otherwise overlook.

EXAMPLE: Most advisors don't appreciate the need to protect business owners on both the professional side and the personal side. Take real estate developers, for example, who commonly place each of their development projects in separate limited liability companies (LLCs). That way, if one project incurs a lawsuit, the others are protected.

The problem: Those LLCs are many times set up so the developers own them directly. If they get hit with a personal lawsuit—say they're involved in a drunk driving accident or their children smash a car into a school bus—all those assets in the LLCs could be up for grabs in the lawsuit.



4: Understand what you did and why you did it

If you cannot explain the intended results of your asset protection planning and why you did what you did—at a big picture level, at least—there is a pretty good chance your planning will not deliver the protection you seek. In legal depositions, for example, there is a strong possibility a court will become suspicious and set aside asset transfers if you cannot explain the *what* and *why*.

Asset protection planning can become quite complicated because of the complexity of a person's financial and personal situation. You don't need to be an expert on the strategies and financial products, but you should be able to explain in broad terms the reasoning behind the actions taken.

5: Be sure your attorney or other professionals are qualified to help you protect your assets.

There are a lot of professionals who profess expertise when it comes to asset protection planning. The trouble is, many of them are not very adept. Some are so-called *Pretenders* who know just enough about asset protection strategies to get themselves—and you—into trouble. Others are *Predators* who prey on your fear of litigation and deliver ineffectual asset protection solutions. There are even *Exploiters* who provide asset protection strategies but at outrageous prices and that are often inappropriate to the situation at hand. Each of these three types of professionals will probably end up doing you more harm than good.

In order for you to get the optimal benefits of asset protection planning that you seek, you need to work with a true authority in the field—someone who is recognized by financial professionals as an expert on asset protection planning.

Pro Tip – In keeping with our belief that asset protection should be just one part of a larger wealth planning initiative, we suggest working with a wealth manager who has an asset protection specialist on his or her team (either internally or externally).

Next Steps

If you are unsure of how well your wealth is safeguarded from frivolous or unfounded lawsuits, consider stress-testing your current asset protection plan in conjunction with your overall financial plan.

In its essence, the process of stress testing your asset protection plan is composed of five steps:

1. You schedule a complimentary discover call with Konvergent Wealth Partners
2. We will detail significant high-probability risks.
3. We then determine the level of concern over these significant high-probability risks.
4. Next, we evaluate your current asset protection plan.
5. Finally, you take appropriate action. Based on the outcome of this analysis, *you* decide on the next steps.

Are your assets protected?

Are you doing everything you can to safeguard your assets from frivolous or unfounded lawsuits? Is your business protected from actions by you or your employees that could unintentionally put you—and your hard-earned assets—at risk?

If you are looking to ensure you are doing everything you can to eliminate mistakes and capitalize on the opportunities in front of you, start the Konvergent Wealth Partners Discover Process today!

[Schedule Your No-Risk 30-Minute Discover Call](#)



On this complimentary call, we'll assess where you're at now, what your goals are, and where you want to go. Are you working with the right people? Beyond your advisor, do you have a cohesive team with systematic processes in place to get you where you want to go? Discover your next steps today.

This process alone is worth more than \$5,000 of time and resources, but Konvergent is offering this complimentary call to you at no-cost.

**Quiet the Noise • Live in Alignment • Expand Your Options
Start advancing your wealth today**

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