

# HOW TO PROTECT YOUR ASSETS USING TRUSTS & LLCs



PRIVATE WEALTH · TAX PLANNING · ASSET PROTECTION

[WWW.HUTCHINSONFAMILYOFFICE.COM](http://WWW.HUTCHINSONFAMILYOFFICE.COM)

It's not uncommon for people to focus so much of their energy on accumulating wealth that they forget to attend to an equally critical task: protecting those assets. A divorce, lawsuit, unexpected death, or other incident can negatively impact your wealth seemingly overnight. While certain insurance policies may provide enough protection for the average investor, families with significant wealth require sophisticated strategies. Two such devices are trusts and limited liability companies (LLCs). With different benefits and features, each should be carefully considered with a qualified wealth management expert.

## Trusts

Trusts are one option for protecting your assets. From dynasty trusts to living trusts to asset protection trusts, there are a number of versatile options. Whether set up within the U.S. or outside of the country, an asset protection trust is designed to protect one's assets from any future creditors' claims. With this type of trust, also known as a "spendthrift" trust, the trustmaker is not the beneficiary. The point of this type of protection strategy is to distance yourself from your assets. Your creditors are unable to access to the assets within the trust because you don't own them. The same goes for your beneficiary, as he or she does not have legal title to any of the assets within the trust (and instead only holds an equitable interest).

One reason this option may deter some people is the loss of control. In setting up this trust, you relinquish some

ownership. However, this is for your own protection. A rule of thumb to remember is that if you can access your assets, so can creditors.

Another trust option is a living trust, which holds title to all of your personal assets, from bank accounts to real estate. By transferring your assets to a living trust during your lifetime, you avoid probate. Upon your death, your successor trustee distributes the assets to the designated beneficiaries. While this type of trust can preserve some of your assets (by avoiding probate and possibly reducing estate taxes), it does not protect your personal assets from exposure to lawsuit liability.

If your goal is to preserve your wealth from taxes for multiple generations, you may consider a generation-skipping trust (sometimes known as a dynasty trust). Using current gifts, you can set up a trust fund designed to benefit your children, grandchildren, and great-grandchildren. A gift of up to \$5,430,000 from both you and your spouse (for a total of \$10,860,000) in the trust can avoid estate taxes, the generation-skipping tax (which is 40%), or both for a number of years.

## LLCs

Unlike a trust, an LLC isn't a financial arrangement. It is a real corporate entity that legally exists separately from its owners (called members).





While asset protection is an added benefit to an LLC, these are formed for specific business purposes. While an LLC can buy and sell property, all titles remain within the company. This LLC serves a shield between you and anyone making a claim against an employee or other member of the company. You, as the business owner, are protected from personal liability, and your assets and real estate are insulated from lawsuits. Just as business creditors cannot reach your personal assets, personal creditors cannot reach your business assets.

An LLC can be a powerful instrument for limiting the liabilities of your businesses to the assets held in the LLC, and will also insulate you from personal liability. An LLC does not, however, protect you from liability for personal acts. You are also not protected if a claimant can prove that your LLC was set up solely to protect your assets from creditors.

### **Trust or LLC: Which Will Work For You?**

When properly implemented, both trusts and LLCs can help you protect your wealth and preserve it for generations. In order to determine which may work best for you, it's important to meet with your financial advisor and attorney. They can provide guidance on your opportunities and evaluate your circumstances to determine what may best align with your needs.

How protected are your assets? If you aren't sure, or have yet to evaluate your trust or LLC opportunities, our team of professionals can help. With a team of experienced advisors and attorneys, we can help you determine how to protect your wealth. Take the first step by contacting us for a complimentary consultation.

#### **About the Contributing Author**

Terence B. Stanaland, JD, ChFC, CPA, is an experienced attorney, Certified Public Accountant, and Chartered Financial Consultant\*. A member of the Florida, North Carolina, and Greensboro Bar Associations, he is currently Of Counsel to the Greensboro, North Carolina law firm, Teague, Rotenstreich Stanaland Fox & Holt, P.L.L.C. and maintains an active Estate and Trust Practice in Greensboro, North Carolina. Mr. Stanaland regularly consults with insurance companies and brokerage houses on technical tax matters involving financial products and services. A frequent lecturer and author on financial and tax topics, he is recognized as a national expert on technical tax matters.

*Terence B. Stanaland is not affiliated with Hutchinson Family Offices or The Strategic Financial Alliance, Inc.*



PRIVATE WEALTH · TAX PLANNING · ASSET PROTECTION

[WWW.HUTCHINSONFAMILYOFFICE.COM](http://WWW.HUTCHINSONFAMILYOFFICE.COM)

866.773.3995

---

Securities offered through registered representatives of The Strategic Financial Alliance, Inc. (SFA), member FINRA, SIPC. Advisory services offered through registered investment adviser representatives of Strategic Blueprint LLC. SFA and Strategic Blueprint are affiliated through common ownership but otherwise unaffiliated with Hutchinson Family Offices.

The SFA does not provide tax or legal advice.

©2016-2017 Hutchinson Family Offices. All rights reserved.