The Three-Legged Stool of Asset Protection

Learn strategies to protect your wealth from the financial predators that exist today

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by Bobby Casey, Managing Director

One of the better definitions of asset protection can be found on the website – Investopedia (www.investopedia.org). Read below their definition:

The concept of and strategies for guarding one's wealth. Asset protection is a type of planning intended to protect one's assets from creditor claims. Individuals and business entities use asset protection techniques to limit creditors' access to certain valuable assets, while operating within the bounds of debtor-creditor law.

Asset protection helps insulate assets in a legal manner - without engaging in the illegal practices of concealment (hiding of the assets), contempt, fraudulent transfer (as defined in the 1984 Uniform Fraudulent Transfer Act), tax evasion or bankruptcy fraud. Experts advise that effective asset protection begins before a claim or liability occurs, since it is usually too late to initiate any worthwhile protection after the fact. Some common methods for asset protection include asset protection trusts, accounts-receivable financing and family limited partnerships.

I would like to take it a bit further as we at Global Wealth Protection consider risks in a far broader sense than just potential creditors. Clearly future potential creditors are a huge risk, especially if you live in a litigious country like the United States, but in reality asset protection should be a very real consideration no matter where you call home.

In today’s world, we have out of control governments spending money like tomorrow doesn’t exist and in the US and Europe (and other parts of the world too) society has essentially devolved into a police-state where outright asset seizure makes asset protection a requirement for anyone serious about protecting their wealth.

Clearly you are aware of the risks involved today that affect your wealth or you wouldn't be reading this special report. Predators are everywhere. Parasitic, ambulance-chasing lawyers, ever-increasing taxation, and the increasingly popular belief amongst many Americans today that the only way to achieve wealth is through litigation.

Here at Global Wealth Protection, we take a simplistic view of asset protection planning. Over the years we have found that overly complex structures may sound sexy and impress your friends, but over the long term they tend to lose your attention and when one piece of the puzzle is missing, and then you can potentially invalidate your entire plan.

For this reason, we strive for simplicity in your asset protection structure. In this special report, we will dive into what we consider to be the 3-legged stool of asset protection.
**Asset Protection Leg One – Create a Veil of Privacy**

This should always be your first line of defense against any and all financial predators. The idea here is to lower your financial profile making yourself seem insolvent to any future potential creditors. You want to be invisible making yourself seem completely unattractive as a target.

Ideally you should appear to be financially incapable of satisfying any creditor's collection actions against you which in turn makes you appear to be an unattractive target. After-all, why would someone pursue you in court if there was no future potential payday?

In order to create a veil of privacy around you assets you will need to utilize a variety of tools that will vary based on your personal situation. One of the most common concerns with our clients is asset protection planning for real estate assets.

For most of our asset protection clients, we recommend a land trust for ownership of your real estate holdings. A land trust is an ideal tool for creating a veil of privacy as the property would be deeded to the land trust taking your name off of any public records.

For example, your rental house at 123 Main St. would no longer be deeded to John Smith, it would now be deeded to 123 Main St. Land Trust. This takes your name off of any public record keeping ownership completely private. You may own 50 rental houses but there would be no way to link ownership of one property to another through land records as each property would be deeded to its own land trust using the property address – which is obviously already known.

Other tools used for creating that veil of privacy are US domestic LLC's, offshore LLC's and IBC', offshore trusts, offshore foundations, limited partnerships, corporations, insurance policy wrappers, and more. Clearly not all tools are relevant for everyone, but each of these tools are excellent solutions for the right situation.

**Asset Protection Leg Two – Provide your Financial Assets with Proper Legal Protection**

Keep in mind, you have two different categories of future potential creditors:

- **Inside creditors** – creditors that arise from the activity of your business or directly related to the asset
- **Outside creditors** – creditors that arise from your personal activity but can affect your business or investment assets
Let me explain with an illustration:

Mike owns 6 rental houses in the Atlanta, Georgia area. Each property is deeded to Mike personally. Everything is going great and Mike is earning about $600 per month cash profit on his 6 rental houses. In addition, he is building equity in these valuable assets that currently stands at $120,000, but once paid off should be upwards of $600,000.

One day one of Mike's tenants, Cathy loses her job. She decides to make ends meet by starting her own business making and selling meth in her house (Mike's house). All is going well and Cathy is making her monthly payments on time since she is now flush with cash from her 'side-line' business.

A few weeks later Cathy had an explosion in the kitchen and 2 of her visiting friends were injured suffering 3rd degree burns. The victims' attorneys decided to pursue the property owner as it was clearly his fault for allowing a meth dealer as a tenant.

Mike was personally sued for negligence for $3M. Because he owned all 6 houses in his name personally he lost all 6 properties in the course of collections on the judgment.

This is a classic example of exposure to both inside and outside creditors. From the inside creditor perspective, he was exposed since the action that caused the litigation arose from the activity of the asset (the rental house). This inside creditor risk created a situation that exposed the asset (the house) to loss from litigation.

From an outside creditor perspective, Mike was exposed since he personally owned all 6 rental houses. Since the claimant sued the property owner – Mike – the creditors had the ability to go after any other asset owned personally by him. This is the reason the claimant was able to force foreclosure on his remaining 5 rental houses thus wiping Mike out financially.

Mike could have easily protected himself by segregating the assets – the 6 rental houses – into 6 separate entities thus minimizing the exposure and containing the liability to only the affected asset – the house rented to Cathy.

By utilizing a structure that includes a Private Wyoming LLC, for example, Mike would have had the legal protections afforded him allowing
complete segregation of assets and also containing his personal liability to only his equity in that one rental house.

Any type of asset you own can be exposed to similar risks;

- Stock portfolio
- Private businesses
- Investment partnerships
- Intellectual property
- Heavy equipment
- Expensive machinery
- Private debt arrangements
- and much more

You can utilize a variety of tools as mentioned before in the first section to provide legal protection for your assets keeping your financial well-being intact thus protecting the future for both you and your family.

**Asset Protection Leg Three – Geo-Political and Asset Class Diversification**

Everyone is familiar with the phrase, “Don't keep all your eggs in one basket.” This is the typical mantra of financial advisors and asset managers worldwide.

Warren Buffett once famously stated, “Wide diversification is only required when investors do not understand what they are doing.” The irony is that Buffett's firm, Berkshire-Hathaway is very well diversified both across asset classes and globally.

In other words, do as I say, not as I do.

My advice, emulate the actions, not the words. Warren Buffett is clearly one of the most successful investors and money managers of all time. Take the advice of his actions and diversify across asset classes as well as globally.

At Global Wealth Protection, we are firm believers in what we call, Geo-Arbitrage. This is more than just an investment strategy, but also a lifestyle strategy. For the purposes of this special report, we will focus on the financial aspects of Geo-Arbitrage.

The idea is to have financial and business assets spread amongst various asset classes globally. For
example, the entrepreneur with a house, business, rental property, stock portfolio, and bank accounts all located in Kansas is at much greater geo-political risk than the entrepreneur with a house in Chicago, a business registered in the Seychelles, rental property in Panama, a stock portfolio in Gibraltar, and bank accounts in New York, Canada, Cyprus, and St. Vincent.

Any competent financial advisor will tell you to diversify your investment portfolio. There are many formulas depending on age, risk profile, net worth and so on. One example may be 30% in bonds, 30% in stocks, 20% in real estate, 10% in precious metals, and 10% in cash.

The investors who holds his entire nest egg in the stock of the company he works for is just asking for financial ruin. He would be wise to listen to the advisor offering the above mentioned strategy.

From our perspective, it is imperative that you diversify your assets across asset classes, but equally as important to diversify your business and investment assets globally.

For example, you may want to register an offshore company in Seychelles with a bank account in St. Vincent. This business could be used to manage your online e-commerce business, hold your nest egg of cash, or own your intellectual property that can be leased back to your operating company.

You may want to consider setting up a brokerage account in a place like Gibraltar to hold your investment portfolio. This provides you with an excellent structure for holding your stocks and bonds enabling you to keep prying eyes away from your valuable assets as well as opening up many investment options not available to you with your US brokerage account.

Certainly many of you are familiar with the multi-flag strategy. Here is an example of what we are discussing here:

- 2nd passport in Italy
- Residency in Panama
- Company registered in Seychelles
- Investment portfolio in Gibraltar
- Investment property in Mexico
- Bank accounts in Latvia, St. Vincent, and New Zealand

Clearly there are nearly unlimited variables here to be explored, but the idea from a financial asset perspective is to spread your business and investment assets across a few different countries. This way you are not financially tied to any one jurisdiction giving you freedom to live and travel as you please.

Summary

To reiterate using the first sentence of Investopedia's definition, “Asset Protection - The concept of and
strategies for guarding one's wealth.”

By developing your own 3-legged stool for asset protection you are creating a veil of privacy around your assets, developing the legal protections for those assets, and diversifying both across asset classes and globally.

This method will ensure you not only safeguard your assets for you and your family's benefit, but can also open up significant opportunities you would never have seen with a US-centric financial model.

To your current and future success,

Bobby Casey
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