

## How to protect your assets from expensive mistakes

Protecting yourself from frivolous creditors and lawsuits is becoming an increasingly common concern. Here we outline some of the ways you can insulate your assets.

### Check your insurances

Liability insurance is a must if you want to safeguard your assets in the event that you need to pay compensation.

### Lawsuits

Lawsuits can arise for a range of reasons from personal injury to financial loss resulting from any products or services you provide. You can choose from three key types of cover – public liability insurance, professional indemnity insurance and product liability insurance. Seek advice from your financial adviser or insurance broker to determine which, if any, of these are suitable for you.

### Separate business and personal assets

If you are a business owner and your family home is held in your name, it may be at risk from bankruptcy or litigation procedures. One way to protect your home is to give majority ownership of the home to a person who is not an owner of the business, typically a spouse. The business owner generally retains some interest in the home, however, to ensure the asset is not dealt with without his or her authority.

It is also important that the spouse does not have any dealings in the business, for example guaranteeing loans. You should also know that the trustee in bankruptcy will consider other factors to determine the bankrupt's interest in the house and if you transfer your home to your spouse for no consideration or for less than its value, before bankruptcy, the trustee in bankruptcy can in some cases reverse the transaction.

### Create a trust

Trusts can be beneficial asset protection strategies, as you are transferring ownership of an asset away from yourself and into a legal structure, so the asset is not yours to lose in the event you are sued. Anthony Lieu, Lawyer at Legal Vision, says trusts also provide a degree of flexibility. "Just as each family is different, each discretionary or family trust is also different. Trusts generally take their rules and operation from the trust deed, so each trust will have to abide by a different set of rules," Lieu says.

### Summary

Structuring your assets the right way is one of the most important things you can do to protect your hard-earned wealth. As these strategies can be complex, always seek the help of a professional such as your financial adviser, lawyer or accountant.

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