

# The 13 Secrets of the Rich or Informed™



**Business, Estate, & Asset Protection Plans  
Secrets of Insurance, Financial & Pension Products  
Secrets to Asset Protection Even When Being Sued!**

## **Doctors, Dentists, Chiropractors! Liability Exposure Must Be Countered with Asset Protections!**

### **13 Secrets of the Rich or Informed™**

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With rising liability exposures, dentists must protect themselves and their retirement nest egg from loss. Entities and insurance alone, are limited 'Step-One' protections. Asset and retirement protections require another step. Step-Two requires legal devices that lock-away profits, cash and select assets that are not subject to creditor lawsuits, judgments or attachments. We call this the *Safe Simple Silo Trust*.

It takes specialized legal knowledge to implement a separate safe silo device that cannot be subject to creditor attachments from lawsuits, judgments, or even government and taxation claims.

After 33 years, as a small business and high net worth California protection attorney, no time is more appropriate than now, to take steps to safeguard your retirement and family assets.

Most doctors, chiropractors, dentists, and business owners are not fully protected. Having money in the bank or on deposit in investment funds, offer no protection, in the event of judgments, government or taxation challenges. Most people don't realize that Living Trusts do not offer asset protection. In fact, Living Trusts act as an initial list of assets and homes to be seized in such events. Bankruptcy is not a protection device, it usually acts as a government liquidator.

The Question: Can you protect yourself, your family nest egg, and your business?

Legal structures, trusts and devices can protect professionals and business owners from varying threats, such as lawsuits, endless government regulations, and tax over-reach. It is key to set-up such asset protections prior to any claims. But a Safe Silo Trust invokes black-letter law that transforms non-exempt property to exempt property. That's the simplicity and differentiator.

Specialized Knowledge Solutions:

I first wrote my 13 Secrets of the Rich or Informed™ as my personal cheat sheet when I was working as a Beverly Hills Celebrity Business Manager for some of the most famous or informed people in the country. This article grew and grew over the years, and it now covers the common and the special devices used in Estate, Business, Asset, Litigation and Retirement Protections.

In my cheat sheet, I point out the difference between Wills and Living Trusts and conclude that Living Trusts, and Health and Property Directives, although not an asset protection device per se, are the preferred quarterback for family and business life to avoid probate and its delays and expenses. But alone, the Living Trust documents will cause loss of assets in the event of certain lawsuits, judgments, and taxation claims.

Thus, more was needed. The solution must include certain entities and trusts to avoid loss, but the most important overarching principle is to structure professional, personal, business and retirement assets and liabilities by *compartmentalization*. This is the process of separating risky assets or lines of business from less-risky assets and lines of business, and transferring each to its own entity or trust, and smartly defining the relationship among same by contract or device. Of course, transmutation devices that result in creditor exemptions, rings king.

Some of the most common trusts or devices include:

"C" Corporation

"S" Corporation

Business or Land Trust with Parent Protection

Family Limited Partnership (FLP);  
Family Limited Liability Company (FLLC);  
Irrevocable Life Insurance Trust (ILIT);  
Children's Trust;  
Charitable Remainder Trust (CRT)  
Grantor Retained Annuity Trust or its cousins (GRAT, GRUT, GRIT),  
Qualified Personal Residence Trust (QPRT),  
Self-Canceling Installment Note (SCIN),  
Private Retirement Trust (PRT),  
Intentionally Defective Irrevocable Trust (IDIT),

The Stand-Out: The Private Retirement Trust (PRT):

However, there is one device that is not offered in each state, and varies when it is, that stands out as one of the most powerful devices to lock-away assets including cash, and property, even in the event of lawsuits, judgments, personal and business liabilities, and bankruptcy. That is the The Private Retirement Trust (PRT).

Although California may be one of the worst asset protection states, with one of the most intrusive laws and taxation, the California Private Retirement Plan (Trust) best illustrates the end-goal for protection for small businesses. This is true because this trust invokes the black-letter law transforming or converting Non-Exempt Assets to Exempt Assets. The law defines Exempt Assets as not reachable by creditors. Moreover, it protects those assets from creditors or attachment, even on distribution from the trust to the judgment debtor. The purpose is to protect assets, funds and property appropriate for retirement.

This can be accomplished through a retirement plan and trust sponsored by your own business entity, along with pensions and (marital or separate) property or transmutation agreements. The PRT is one of the most powerful devices used to enhance an estate and business plan which protects the wealth, equity or assets transferred into this irrevocable trust for purposes of retirement.

In California, under its Code of Civil Procedure Section 704.115(b), all amounts held, controlled, or even distributed by a private retirement plan are exempt. This means that you could even transfer certain assets to a (pre-existing) PRT during litigation or after a judgment. The term private retirement plan is not defined in the state code however, typically, the retirement plan would be sponsored by an employer (LLC), in writing pursuant to an actuarial calculation based upon numerous retirement factors including age. All amounts held, controlled, or in process of distribution by a private retirement plan, for the payment of benefits as an annuity, pension, retirement allowance, disability payment, or death benefit from a private retirement plan are exempt.

## IRAs Have Limited Protection:

This differs greatly from other exemption codes in California such as California Codes Code of Civil Procedure Section 704.010-704.210. or the Individual Retirement Accounts (IRAs). IRAs are not fully protected under the asset protection laws found in federal ERISA protections. However, some states have enacted special but restrictive protections of IRA plans protecting the funds and distributions only to the extent necessary for the support of the debtor, his/her spouse and dependents.

## Qualified ERISA Plans.

ERISA (Employee Retirement Income Security Act of 1974) supplies very effective asset protection over pension funds. The federal law overrides state law to the contrary and protects 401k, profit sharing and pension plans that prohibit involuntary assignment of plan benefits to any creditors. Assets may be transferred into such a plan with known creditors, lawsuits or judgments. However, ERISA will not protect such assets from the IRS or subject to court order in divorce court (Qualified Domestic Relations Order). ERISA plans protect employees not owner-only plan participants. If the plans only participants are the owner and his family (spouse or dependents), then ERISA will not apply to protect the funds.

The Private Retirement Trust (PRT) stands-out as the most directly authoritative trust to lock-away retirement purposed assets. The PRT referenced herein is not limited retirement trusts used as designation devices for retirement accounts. The PRT also offers actual asset protections from creditors.

Notice: When discussing these planning matters the following devices and alternatives should be discussed with your attorney, wealth building and protection team. This list is a non-exhaustive list and only given as a tool to afford easier discussions with your professional team. Your first step in the right direction is to put together a team, which should include an estate, business and asset protection attorney, CPA, insurance agent (re life, disability, buy-sell, long term care, business interruption or income replacement, etc.), CFP (Certified Financial Planner), money manager or investment advisor and a brokerage. This article is not intended as legal, tax, accounting, financial, money management or insurance advice, and as such you may not rely upon same for that purpose. It is recommended that you hire an attorney experienced in this area to plan your business, estate, and protection matters.

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