



DELAWARE ASSET PROTECTION TRUSTS



Certain professions face greater potential risk of having their assets diminished by creditors. Physicians, attorneys, accountants, business owners in hazardous work, entrepreneurs and even financial planners are among the most vulnerable. The multifaceted nature of these professions and the enormous responsibilities they carry make them popular targets for lawsuits.

As such, it's imperative that individuals in risky occupations, especially those who have accumulated significant wealth, protect their assets from potential creditors.

The state of Delaware is a leader in asset protection. Under Delaware law, assets can be protected to a certain extent from creditors of a trust grantor or beneficiary with an asset protection trust (APT).



HOW IT WORKS

A grantor creates an irrevocable trust — a trust that can't be changed or terminated without the permission of the beneficiary(ies) — with an independent Delaware trustee and transfers property to the trust, while retaining specific powers over the assets:

- The right to receive discretionary income and principal
- A testamentary power of appointment
- Veto power over distributions
- The right to act as investment advisor
- The ability to designate a trust protector

BENEFITS

In addition to affording the trust grantor or donor specific decision-making provisions, an asset protection trust offers numerous benefits:

- Assets are protected from potential creditors
- The grantor can receive income and principal from the trust
- The grantor may act as an investment advisor
- It offers protection similar to an offshore trust without the cost or complexity
- Interest can be held in a Limited Liability Company (LLC) or Family Limited Partnership (FLP) while the grantor retains control of assets
- The trustee can reside outside of the state



FINANCIAL STRATEGIES USING A DELAWARE ASSET PROTECTION TRUST

STRATEGY ONE

A doctor has accumulated a significant amount of wealth and is concerned about the number of baseless lawsuits he has witnessed against his colleagues. In order to protect his family nest egg from potential creditors, he decides to make a Delaware asset protection trust part of his estate plan. A portion of his assets are transferred to a Delaware trust company. He may name himself to serve as Investment Advisor and to help ensure his investment goals are met. The assets are held in the name of the trust instead of the doctor's name. The trust is designed so that its assets are not included in the doctor's taxable estate; thus he avoids probate and minimizes his estate taxes. His assets remain protected while he retains a certain degree of control over the property.

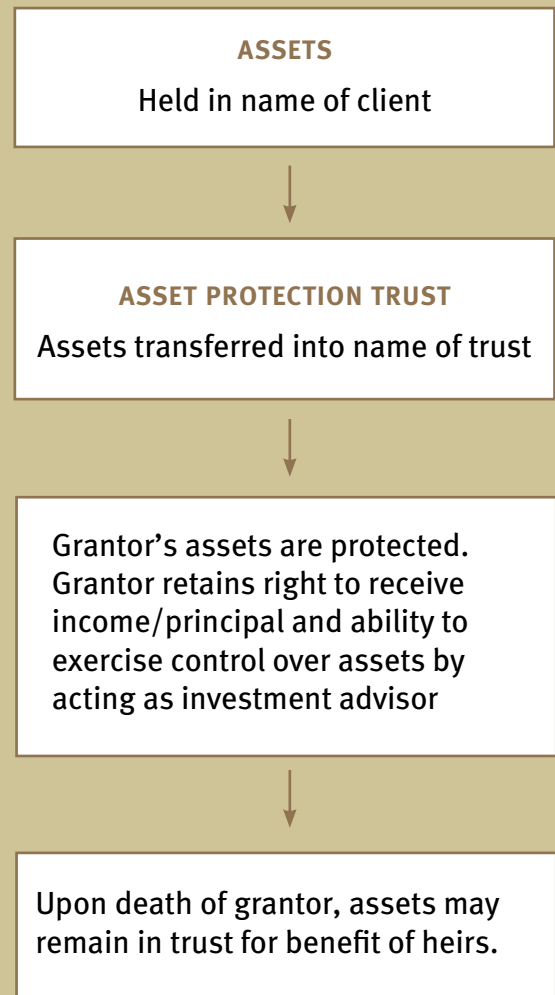
STRATEGY TWO

A husband and wife establish a Family Limited Partnership (FLP) to hold family assets. The limited partnership interests are held by a Delaware trust, while the husband and wife remain general partners. As such, they can still retain a certain amount of control of the partnership assets and limit the impact of potential losses incurred through business transactions or unfounded lawsuits. In short, the assets remain protected while the grantors remain in control of the property.

PROTECT YOUR ASSETS. LIMIT YOUR LOSSES.

A Delaware asset protection trust can be an effective tool for limiting losses from potential creditor claims. There are statutes limiting the extent to which assets can be protected with an asset protection trust. Limitations include support payments or alimony for a former spouse and certain creditor claims arising prior to the creation of the trust.

But with sufficient advance planning, a trust formed under Delaware law will provide an excellent level of asset protection.



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