

Practical “Asset Protection” Measures

BY ROBERT J. SILVERMAN, Attorney at Law

The subject of asset protection is attracting increasing public attention, and justifiably so. Managing risks is a subject about which any prudent person should be concerned.

Most people readily embrace the concept that by protecting their assets, they allow themselves to fully enjoy the benefits of their assets during their life, and enable their loved ones (and/or charities) to enjoy the benefits of any remaining assets when they are gone. Unfortunately, too often there is a “disconnect” between embracing the concept and taking affirmative steps to ensure that such protection is optimized.

On a daily basis, we are all faced with two general types of financial risk – insurable and uninsurable. Below, I summarize a number of major insurable risks, and comment on practical measures available to manage - eliminate or reduce - each risk. I do not suggest that each or any of these measures should, or can, be taken by everyone; rather, for risks to which you are vulnerable, these measures, among others, are worthy of your consideration. In an article for an upcoming issue, I will identify and make suggestions about how to manage uninsurable risks.

- * Disability. If you work, this is one of the most critical areas in which you are exposed to financial risk. If you are under 65, and your lifestyle or your family’s would be significantly impacted if you became disabled, a disability income policy can be very helpful in mitigating the impact.
- * Long Term Care. With the extreme escalation of long term care costs, many new, innovative Long Term Care insurance policies offer coverage that can be customized for your needs. **Notes:** 1) the older you are when applying, the higher the premiums will be, and the greater likelihood you may become uninsurable; 2) Asset and income limitations, and gifting rules, render many who live in or around Alamo ineligible for Medi-Cal; 3) Medi-Care does not cover long term custodial care.
- * Death. Life insurance is often useful for a variety of purposes, including income replacement, liquidity, estate enhancement, and funding potential Estate Tax liability. Fortunately, the industry is mature and heavily regulated, and coverage is available for widely varying needs and circumstances.
- * Auto/Property/Casualty. Almost everyone has an insurance policy covering their automobiles, property, and related injuries; however, the scope and amount of coverage, and the amount of one’s deductibles, should be reviewed periodically. Additionally, an “Umbrella” policy is an affordable way to add \$1Million or more in coverage to your underlying policies (auto, property, etc.) in the event that someone obtains a judgment against you in an amount exceeding your underlying policy limits.

Mr. Silverman is a licensed attorney whose practice emphasizes Estate Planning & Probate, Real Estate, and Business.

Robert J. Silverman, Esq., Berding & Weil LLP, 3240 Stone Valley Road W., Alamo, CA 94507; W) 925 838-2090; Fax) 925 820-5592; email: rsilverman@berding-weil.com
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