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Protect Your Wealth – A Simple Master Plan You Can Launch Today

To grow your business, assets and net worth, it's important to master two skills. Scott shares them here.

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To grow your business, assets and net worth, it's important to master two skills. Skill #1 is increasing your profits in the shortest time possible and skill #2 is protecting those profits along your other assets.

Here's a quick summary of the master plan before we explore the details of each element:

1. Separate "safe" from "risk" assets in a different legal entity.
2. Evaluate the amount of value or equity in each "risk" asset entity.
3. Estate planning and the living trust, life insurance trust are important components to preserving your wealth.
4. Retirement plans, IRAs may or may not be protected depending upon state law.
5. Your residence would not be an LLC to protect the equity.

Safe assets, like cash, gold, stock in a public company, are so named because they don't expose you to direct liability. Risk assets, like a business, real estate or a speed boat, may expose you to liability, so it's important NOT to hold your safe assets in the same entity that's holding a risk asset like real estate. One "safe asset" holding LLC may be all you need to protect your cash and investments.

The next logical step is to determine how many "risk" asset entities you need. As you may already know, you never want to operate a business as a sole proprietorship (even though that is most common in network marketing). Besides the tax disadvantages and higher audit risk, a sole proprietorship exposes you to unlimited personal liability, negatively affects your ability to establish business credit and sends the wrong marketing message.

Here's a key pitfall to watch out for. Even if you already have a separate legal entity, I have sometimes seen clients create a sole proprietorship without even realizing it. People often register for a network marketing opportunity to "try" a new product and then start marketing it, forgetting that they signed the application in their own name. Signing up personally, rather than in the legal name of the entity, effectively creates a new sole proprietorship. If you need a different name for the "new" business opportunity then consider a "DBA" (doing business as). When you file the DBA form with your local county or city jurisdiction, make sure it's the entity's name that appears on the application. This will properly connect the DBA to your existing business entity for both tax and liability reasons.

The next step is to determine how much risk you can handle in one "risk" entity. Here are four factors you need to consider when you make this evaluation:

1. The current value of the assets you're already holding in the "risk" entity.
2. Your own risk tolerance balanced upon your age, net worth, dependents and any other financial obligations you may have.
3. How much risk the new asset will add to your current "risk" entity.
4. Do you have different partners in the new "risk" asset?

Here's an example. Let's say your risk entity owns a triplex with $1 million in equity, representing 70% of your net worth. Now suppose you purchase another rental property in the bad end of town – perhaps a great "below market" deal on a distressed sale. You are NOT going to want the same LLC that owns the triplex to hold your new rental. Why jeopardize the $1millon of equity? If fact, you'd probably consider stripping some equity out of the triplex and moving that money into safe assets with a return on investment that hopefully offsets the additional mortgage you'd pay as part of the equity stripping process.

If your current business has a value of $500K, $1 million, $5 million or more, would you risk the success of that business with an untested, risky new product? It amazes me to see how many business owners are still running all of their business through one legal entity after 5, 10, 15 or even 20 years of operation. Just one lawsuit where the insurance does not pick up the tab could take 20 years of hard work down the tubes. When you look at it that way, it may seem crazy to play Russian roulette with your finances in that manner, but there are companies that do this all the time.

Because there are a lot of real world situations where you'll find it necessary, let's go further with the idea of introducing an untested, risky new product to your operating business. Suppose you already sell a successful line of information products online and decide to launch your own series of live seminars. You can isolate the risk and protect your existing cash cow by owning and operating the new seminar business under a separate legal entity. On the other hand, if you're just starting out with two or three new business ideas in the hope that one of them will take off, holding all of them in one entity may be fine for now.

What if you have an established business that you own 100% by yourself and then decide to start selling a separate product line with a partner? Instead of making them an owner in your existing business, consider forming a separate legal entity that only holds the product you and your partner are selling together. Make sure you have a buy sell agreement in place in case one partner decides to leave.

Keep in mind, the first step in this situation is to question whether you need a business partner at all. Perhaps they can become a master affiliate who gets paid a higher commission based on the results they deliver. Perhaps they can work with you as an independent contractor. I would not always jump to the assumption that a legal partner is required. Most people skip this step to save money in the beginning, but I strongly recommend putting everything in writing with a qualified attorney any time a business partner is involved. The unfortunate reality is that many partners end up suing each other because they either don't remember or choose to forget their initial verbal agreements when there's real money on the table.

Separately, you should have a living trust in place for estate planning. This will help determine where your assets go after you pass. The goal is to avoid probate (where the state determines where, when and how your assets are distributed). You may or may not need a life insurance trust based upon the value of your life insurance and estate. Keep in mind a living trust is usually revocable, which means you can move assets in and out of it without consequences. Unfortunately, that also means a living trust offers NO LIABILITY PROTECTION FROM LAWSUITS!

Most people have heard that a living trust protects your assets, but few ever ask what a living trust protects your assets FROM! It is very important for business owners to understand that a living trust protects you from probate, but NOT from liability. If you have $500K in a brokerage account titled to your living trust outside a retirement plan and the funds are not from a retirement plan (some states do protect money that is distributed from certain types of retirement plans), a single lawsuit could wipe out the entire balance.

Each state has different rules as to the value in your retirement plan and type of plan that may be protected from lawsuits or the IRS. This includes 401Ks, Simple IRAs, IRA, Roth IRAs and many other types of retirement plans. There are two main points to consider:

- How does your state protect the money from lawsuits and the IRS while it is IN the retirement plan?
- How is that different when you take the money OUT of the plan?

Some states protect the money inside some of these retirement plans, like a 401K, but may not protect the money once you withdraw it. I would strongly recommend that you check with your financial planner in your home state to see how state laws apply to your situation. The same goes for any type of cash value in insurance policies. There are different rules when you take the money out and it may or may not be protected. All of this can get even more complex if you move to a different state.

Your residence is a unique asset. Step one is to file your state homestead protection paperwork, which protects a certain amount of equity in your home. Nevada protects $500K of equity but some states protect only $10K or less. Florida and Texas are two states with unlimited homestead protection (with restrictions on acreage and other items that come into play).

If your home has $500K of equity and your state only protects $100K of equity after you file the homestead, that means you have $400K of equity at risk if sued and your insurance does not pick up the tab. Even an umbrella policy may or may not protect you. In this case you would probably NOT put the residence in an LLC because you will lose the $250K exclusion form capital gain taxes per individual, plus your homeowner's insurance company will not like you changing title.

A personal residence trust may offer you another layer of protection. It's advisable to speak to your local attorney about this particular tool and see if it's a viable option for you to protect the equity in your home. Keep in mind, a free and clear home screams to the world that you are RICH! It's possible that a free and clear home could make you a target. I do realize that as we grow older, it's a very common goal for people to pay off their homes. Just keep in mind that it's important to balance this with a complete and carefully thought-out asset protection strategy.

What about domain names? If you stop and think about it, domain names are actually free and clear "virtual real estate." When you registered the domain name you invested $8-$12 in a "web property" with no mortgage, free and clear! Most domain names are still only worth the original $8-$12 and that's it. However, if you've had your domain name for five years or more and it represents 90% of the traffic for your million dollar business, the value (and risk) may be significantly higher.

What would happen your leads and current book of business if you lost control of your domain? Who typically owns the domain name? It may be owned by the entity that's operating your business, but more often people just pull out a personal credit card to make an online purchase like this. Either way, it's possible that you could lose control of your domain name if you or your entity gets sued.

Most people never consider how to hold title to valuable domain names, but the best approach is to hold them in a separate legal entity (such as an LLC) and then lease them back to the operating company for use. Now if your operating company goes down in a lawsuit, your most valuable asset will be protected by a separate company. Should this be the same LLC that owns your safe assets? You're probably way ahead of me by now – absolutely not. If your business depends on valuable domain names, form a completely separate entity to hold them.

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Scott Letourneau is *"The Expert on Establishing and Positioning Network Marketing Companies for Maximum Profit!"*

Worldwide **successful entrepreneurs turn to *only one person*** when they want to establish their **company in the United States.** They want the one person who they know can deliver a truly turnkey experience to position themselves for profits and success. That person is Scott Letourneau!

Scott is the prominent entrepreneur and CEO who founded Nevada Corporate Planners, Inc. in 1997. He also founded the complementary Fast Business Credit, Inc. in 2003, again with great success.

In addition, Scott is a busy lecturer, consultant and author, who is recognized worldwide for helping entrepreneurs get their businesses off to a fast start in the United States.

You will learn from Scott's diverse expertise and complete turnkey business solution, along with his comprehensive and ever-growing list of powerful business resources. These are the very elements that have **allowed his 5,000+ clients both domestic and abroad** to incorporate their business with confidence, ***"propelling their business on a fast track to profits!"***

Scott is the *only* speaker offering a solution to help clients accomplish two goals: how to grow net worth and profits in the shortest period of time <u>*and*</u> how to **sustain and protect your net worth as it builds and accumulates.**

He is **recommended by top professionals** such as **Sandy Botkin**, a top Attorney/CPA; Attorney **Dr. Arnold Goldstein**; top Internet marketers **Tom Hua**, **Brett McFall**, and **Stephen Pierce**; and marketing expert **Jay Abraham** and other top CEOs and professionals throughout the U.S. and internationally. Leading entrepreneurs throughout the world laud him as the foremost expert on not only incorporating businesses, but also helping owners get access to capital and other invaluable business tools. Scott has a BA in Finance, a Masters Practitioners Degree in NLP (Neuro Linguist Programming, the study of patterns of success) and is the author of *"The Insiders Guide to Incorporating Your Business and Protecting Your Assets!"* He is also a contributing author for the new book from

Entrepreneur Magazine's Start Up series; *"Start Your Own Information Marketing Business – Your Step-by-Step Guide to Success."*

He has appeared on **CNN Headlines News with Pat Summerall's Success Stories**, and has been interviewed by various radio and TV stations throughout North America, eager to tap into his expertise and experience.

Scott understands the **energy and passion required** to balance a successful and growing **business along with a healthy and thriving family life**. He has been in **business for over 12 years and married for 13 years** to his beautiful wife De Ann, an amazing classical violinist, and is the proud father of three beautiful girls, Gracie, Rosie and Faith. His family and offices are headquartered in Las Vegas, Nevada, where he has made his home for the last 15 years.