

The SIX Levels of Asset Protection in Nevada
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Asset protection exists on a continuum of options. Each step along the continuum provides more protection but at a higher cost and complexity. The following are very basic descriptions of each Level of protection.

Level 1 – Assets exempt from claims of creditors by state and federal law

These include ERISA qualified retirement plans (e.g. 401(k), pension plans, profit sharing, etc.). Nevada law exempts a homestead equal to \$550,000 of primary residence equity, \$15,000 of equity in a vehicle, IRAs up to \$500,000, child support, alimony and certain government payments (Social Security, Veterans Benefits, etc.).

Level 2 – Professional entity formation – Professional Corporation (PC), Professional Limited Liability Company (PLLC)

Forming a professional entity can separate your professional risk from your personal assets. Using an entity such as the PC or PLLC is critical to your ability to protect your personal assets.

Level 3 – Leasing LLCs to own real estate and valuable equipment

Your PC or PLLC should own minimal assets, since whatever assets are owned by the PC or PLLC are available to satisfy the claims of creditors of the PC or PLLC. Any real estate or valuable equipment should be owned by separate LLCs and leased back to the PC or PLLC.

Level 4 – Family Limited Partnerships (FLP) or LLCs to own non-practice assets

Non-practice assets should be owned in some form of liability shielding entity like an FLP or LLC for protection. Typical assets for these entities are rental property, brokerage accounts or cash accounts. Personal use property such as a primary residence should not be transferred to an FLP or LLC.

Level 5 – Nevada Asset Protection Trust

Nevada law allows for the creation of a self-settled trust funded with any type of asset. If no claim against those assets is made after 24 months, then those assets are forever exempt from creditor claims. These types of trusts can be useful to hold the interests in the FLP or LLC created at Level 4 and can also hold a primary residence in Nevada.

Level 6 – Offshore Asset protection trust (Cook Islands)

Similar to the Nevada Asset Protection Trust with a few very important differences. There is no 24 month period to gain the protection of the foreign trust – the protection begins the moment the assets are transferred to the offshore custodian. In addition, the

Cook Islands does not recognize any judgments from any U.S. Court requiring instead that any suit be heard in a Cook Islands court in order to enforce a judgment against assets held there.