THE TOP 10 Asset Protection MISTAKES

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The Top 10 Asset Protection Mistakes

I've spent nearly 30 years in the asset protection business. And from helping thousands of clients, I've come to a startling conclusion: People keep making the same mistakes – mistakes that are costing them money.

I cover these top 10 mistakes with my private clients. But now, for the first time ever, I've compiled all of them into one convenient list for the public. If you have at least $20,000 in assets, there's a very good chance you're making one or more of these errors.

Let's jump in...

Not Covering the Basics

Mistake #1: Inadequate liability insurance.

Liability insurance is the backbone of any asset protection plan. But you'd be amazed how many people neglect this basic precaution.

If you get sued, liability insurance shows the judge and jury that you made a good-faith effort to take sensible precautions. If the judgment doesn't go your way, insurance provides a financial backstop.

Maintain liability insurance on your home and vehicles. I recommend "umbrella" coverage that exceeds normal maximum coverage. Umbrella policies with coverage starting at $1 million cost only a few hundred dollars annually.

Make certain your liability insurance policy covers injuries suffered by visitors to your property. It's especially important to find out if your policy covers persons performing services in and around your home: plumbers, electricians, maids, etc. If not, unless they have their own liability insurance, you're left unprotected if they suffer an injury due to unsafe conditions on your property.

Trusting the Wrong People

Mistake #2: Leaving your assets in the hands of the "big banks."

When you deposit money in a bank, the money is no longer your own. It belongs to the bank. In return, you get an interest payment that can't begin to keep up with inflation. Legally, you're just an unsecured creditor holding an IOU.

In 2013, people who had entrusted their money to banks in Cyprus learned that lesson the hard way. It took a "bail-in" to eventually save the banks, forcing uninsured depositors to pay some of the costs. At one bank, uninsured depositors lost 100% of their money.

What happened in Cyprus could also happen in the good ol' US of A. Under a newly approved plan, the Federal Deposit Insurance Corporation (FDIC) could forcibly convert money you have deposited in an insolvent bank into stock. How much do you think stock in a failed bank would really be worth?

Don't be too comfortable if you keep your deposits below $250,000, the maximum deposit insurance threshold. The FDIC's Deposit Insurance Fund has a balance of approximately $72.6 billion to cover about $6.6 trillion in insured customer deposits. That amounts to about 1.1% of insured funds on deposit. Basically, the FDIC has enough money to bail out depositors at one medium-sized US bank.

Mistake #3: Using any sort of financial advisor who works on commission.

Financial advisors who tell you they'll work for "free" are doing you a disservice. After all, they have to get paid somehow. And if they get paid a commission on the products or services you buy, they're going to sell the products that make them the most money. They'll also steer you away from products that don't pay a commission, no matter how good a deal it might be for you.

Life insurance and annuities are a classic example. You might not realize it, but commissions on a traditional "whole life" insurance policy come to as much as 15% or more of the premiums you pay. Variable annuities and mutual funds aren't much better. And if you think that advisors to high-net-worth individuals aren't part of the problem… think again.

Protect yourself by working with fee-paid advisors who earn no commissions. If you do work with someone who receives commissions, make sure they're fully disclosed. That way, you'll understand the financial incentives under which your advisor operates.

Not Staying Under the Radar

Mistake #4: Leaving your assets in plain view (and open to frivolous lawsuits).

Almost all your financial information is for sale. If your name is on any US bank or securities accounts or the closing statements for your personal residence, someone suing you will find this information of great importance. It can be accessed with the click of a mouse. It provides a roadmap in which assets they can seize if you lose the lawsuit. More importantly, it tells their lawyer whether you're "worth suing."

Don't make it easy for an ambulance-chasing lawyer to grab what's rightfully yours. Use identity-shielding entities like limited liability companies (LLCs) to hold bank and securities accounts. In some states, you can place your residence in a "land trust" to shield your identity.

Mistake #5: Not keeping your mouth shut.

Silence about your personal and financial affairs is the first line of defense when protecting your assets. You have no way of knowing what a friend, lover, casual acquaintance, or stranger will do with the information you disclose. This applies doubly to information you text, post on Facebook, etc.

A few years ago, New Hampshire police broke up a burglary ring and recovered $100,000 to $200,000 worth of stolen goods. The thieves' MO: They targeted people who had made public Facebook posts about not being at home. And in Australia, a family fell victim to an armed robbery after a teenaged daughter posted a photo of a large sum of cash on Facebook.

I'm not kidding… you're being watched. Be very careful what you say, text, or post.

Mistake #6: Being sloppy with your personal online security.

Breaking into a personal computer or smartphone is child's play. Do-it-yourself hacker kits are available on the Internet. Any reasonably intelligent 13-year-old can use them to steal log-on information to your financial accounts or completely disable any PC or smartphone you use unless you pay a ransom.

Hackers gain access when you click on a "poisoned link" in an email or on a website. These links can secretly install software on your PC that tracks every website you visit and every keystroke you type. You can imagine what a hacker can do with your banking log-ins and other "confidential" information. Banks – and account-holders – have lost hundreds of millions of dollars through scams like this.

"Ransomware" is another threat. This is malicious software spread the same way that blocks access to a PC or other device until you pay a sum of money to the hackers that planted it.

Protect yourself by taking a few basic precautions online.

On both PCs and smartphones, don't click on links you're not 100% sure are legitimate.

And use a “virtual private network” (VPN) to keep eavesdroppers from monitoring your online activities.

On PCs, use Firefox, not Internet Explorer for your browser. Configure Firefox with add-ons like “No Script” to make sure that malicious websites can’t grab control of your PC. Second, install an anti-virus program and make sure that it updates automatically. Third, activate the firewall in your PC or install a stand-alone firewall program.

For smartphones, online security is more of a challenge. First, disable automatic connection to wi-fi networks—this can act as an entry point for hackers. Second, disable Bluetooth unless you’re actually using it. Third, on Android phones, turn on encryption – on devices made before 2014 (and some made after), it’s not turned on by default. The process varies by model, so if you can’t figure out the process in your settings, do an online search for your model number with the phrase “encrypt.”

If You’re in Business…

Mistake #7: Taking foolish risks in your business.

Owning your own business is one of the best ways to achieve financial freedom. But as a business owner, you face extra personal, professional, and financial risks.

Probably the largest source of loss I’ve seen in businesses is dishonest employees and partners. I personally know two attorneys, one of them a client, whose secretaries embezzled millions of dollars out of accounts they were keeping on behalf of their clients. In another case, a business owner gave his secretary a pile of signed checks to pay expenses while he went on vacation. When he returned, his secretary was gone – and the company bank account was empty.

There are also some less obvious risks. Many years ago, I hired a beautiful 19-year-old woman as a secretary. I fired her for being lazy fewer than two weeks later. Her lawyer promptly threatened to sue me for “sexual harassment.”

Fortunately, there are commonsense ways to avoid these risks. Make sure that you have adequate liability insurance. Instead of holding client funds in your business account, put them into a lawyer’s escrow account. And think twice before working alone with a younger subordinate, especially one of the opposite sex.

Just Plain Dumb Mistakes

Mistake #8: Trying to cheat the system.

No one likes taxes or regulations, but they're simply part of life. Ignore them at your own risk.

Whether you're trying to pay someone "off the books" to avoid Social Security tax or lying on your tax return, it will catch up with you. And the penalties, if you're caught, are nothing to sneeze at.

I know someone with a successful business. He wanted to save money on Social Security taxes, so for years, he paid his full-time employees as independent contractors. When the IRS found out, they audited his business. When they were finished, they sent him a six-figure bill for back taxes and penalties. He's still paying it off.

Don't take shortcuts. There are better ways to save money.

Bad Planning

Mistake #9: Not planning your estate properly.

Nothing in life is certain. That's why you need to construct a basic estate plan, no matter how old – or wealthy – you are.

The foundation of any estate plan is a will. If you die without one, your estate will be divided according to the laws of the state in which you reside or your property is located. Do you want the government to dictate how your property is divided?

However, if you have accumulated substantial assets in your lifetime, you'll probably want to create a "living trust." This provides several benefits over a will. First, it functions as a "will substitute." That means it bypasses the privacy-invading process of "probate." Second, if you have a large estate and are married you can configure the trust in such a way so that it doubles your exemption from estate taxes. Third, a living trust is a much more flexible instrument than a will.

Mistake #10: Paying too much tax.

Tax avoidance and reduction are legal. Tax evasion isn't. Don't pay one penny more in tax than you legally have to.

If you don't own your own business, save taxes by deducting mortgage interest and/or IRA contributions, to name just a few. But if you're a business owner you have more opportunities to cut taxes.

A little while back, I had a client I'll call Joe. He owns a small international engineering consultancy. It was organized as an S corporation, which generates profits that are taxed to the owners in proportion to their individual ownership.

When I first met Joe, his business brought in profits of about $500,000 annually, and he paid around $170,000 in federal tax. Since his business was in a high-tax state, he paid another $30,000 in state taxes, for an effective tax burden that exceeded 40%. Working with our team of attorneys and international tax specialists, Joe restructured his business and cut his tax bill by nearly one-half.

Indeed, working with people like Joe is one of my specialties. For more than a quarter century, I've helped thousands of customers and clients successfully minimize their tax burden.

The fact is, there are legal ways to defer taxes indefinitely by using the proper IRS-recognized structures.

If you're curious to learn more, consider my report *How to Legally Reduce Your Tax Bill by $105,762 (or More).*

Inside, I'll share with you exactly how I helped Joe (the engineering consultant mentioned above) save more than $105 ,000 in taxes a year.

While, admittedly, this strategy isn't for everyone, it does work quite well for business owners.

And, as with all my products, it's guaranteed. Even if you read the entire report but don't like it, let my team know and get a full refund.

Click here to learn more.

So, with that said, I hope this report has helped you get a better handle on some of the steps you can take to better secure your assets – some that are pretty straightforward and others you might not yet have heard of.

All the Best,

Mark Nestmann
America's Leading
International Asset Protection
& Financial Privacy Expert

Who Is Mark Nestmann?

For nearly 30 years, Mark Nestmann has helped more than 15,000 customers and clients successfully protect their assets and financial privacy through the use of under-the-radar but 100% legal strategies.

His work has been featured in notable media, including The Washington Post, The New York Times, ABC News, Barron's, Bloomberg News, Business Week, and Forbes.

Additional Resources

Free Newsletter: Each week, Mark writes Nestmann's Notes, an e-newsletter all about asset protection, financial privacy, and other related topics. You can claim your free subscription at www.nestmann.com.

Nestmann.com: Dating back to 1997, it is one of the Internet's first asset protection and financial privacy resources. The website contains more than 400 articles and essays of interest. Learn more at http://www.nestmann.com

How to Legally Reduce Your Tax Bill by $105,762 (or More): This important briefing shows how I helped international engineering consultant "Joe" reduce his tax bill by more than $100,000 a year, thanks to an innovative but fully IRS-compliant asset planning structure. Click here to learn more.

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