



Asset Protection



Asset Protection

This session will focus on providing you with both information about this topic as well as new ideas and activities for making this topic engaging.

Specifically, as a result of this session, you will be able to:

- Define asset protection.
- List the types of assets participants must consider protecting.
- Explain the levels of asset protection.
- Explain how to protect assets through vigilance, maintenance, legal and statutory framework, and insurance.

Is “asset protection” an important topic to address in financial education for AFI Participants? YES NO

What are some reasons for or against including this topic your financial education program?

What other ideas do you have for providing this information to participants in a way that is effective and engaging?



What is Asset Protection?

Asset protection is a strategy for reducing the impact of losing the use of an asset. The subject of asset protection is usually addressed in high-wealth circles. There are strategies that will help low and moderate income individuals reduce exposure to total loss due to health decline, death, or legal action. While most people think of protecting tangible assets such as personal possessions, life and health are the most valuable assets that require protection.

Levels of Asset Protection

There are four levels of asset protection

- **Vigilance** plays a major role in asset protection. Reading communications and disclosures from creditors, employers, insurers, medical professionals, and government is the first line of defense for protecting assets. Written communication is the first indication that a problem exists that requires action without which an asset may be lost.
- **Maintenance** will extend the life and health of a person or an asset. For individuals, maintaining a healthy lifestyle will prevent illness and allow the individual to work and participate in daily activities.

Product manufacturers include instruction and maintenance manuals to demonstrate proper use and care of their products. Following the instructions and maintenance schedule will lengthen the life of possessions.

- **Legal and statutory** protections are provided in the form of consumer protections and laws that protect real or personal estates. While access to some of these protections will involve hiring legal counsel, there are basic protections that can be accessed directly by individuals.
- **Insurance** allows individuals to assess risk to hazardous events and provides a method to compensate the individual when the incident occurs.

The Importance of Asset Protection

Asset protection strategies are important to help IDA participants retain wealth. As part of the acquisition strategy, IDA participants will need to establish an asset protection strategy as part of the cost of ownership. Each level of asset protection has costs associated with it but no cost is higher than the loss of the asset.

It is difficult to have adequate savings to cover a catastrophic event. Loss of income and property due to illness, death, disaster, or accident can cause an individual or family to lose hard earned assets. Having a cost effective asset protection strategy will provide a level of



protection that will not put a strain on a tight budget and put the individual or the family in a position to maintain the coverage.

The most important thing to remember about asset protection is that it should be invoked in the process of purchasing an asset or soon thereafter. It is impossible to put the same protections in place after an incident has occurred.

Asset Protection Strategies

While everyone needs an asset protection strategy, the asset protection tools will vary depending on marital or familial status.

Vigilance

- Reading disclosures before signing contracts and making purchases is the first line of defense in asset protection. Many items may have warranties and other provisions that provide for repair, return of product, or refunds.

Maintenance

- Create a maintenance schedule on a calendar for your important assets. This included schedules for health checkups, manufacturer recommended car care, appliance care, and home maintenance.
- Store manuals, maintenance records, and warranties in a safe place.
- Keep track of health records, immunization records, and details of test results.

Legal and Statutory

- Living Will or Health Care Directive will allow family members and physicians to know an individual's wishes in regard to treatment in the event that the individual cannot speak for his or herself. Hospitals provide this form prior to surgery but it is better to have one with health insurance papers in case of emergency.
- Health Care Proxy or Attorney in Fact is a person who will represent an individual who is ill and execute his or her wishes as outlined in the Living Will.
- Power of Attorney is a designation assigns a person who will pay bills and manage financial paperwork if an individual is incapacitated. It cannot be assumed that a spouse can execute these tasks without Power of Attorney designation.
- A Will designates an individual's wishes for distribution of assets after death. If minor children are involved, the will designates guardians for the children. If assets are left to



children, a custodian is named under the Uniform Transfers to Minors Act to manage the assets of the children until they are of age to manage the assets. Each state has laws on the type of document that constitutes an executable will. Without a will, state law determines the distribution of assets. If no heirs are found, assets will go to the state.

- Homestead Declarations are available for homeowners in many states. The document protects the equity in the home in the event of a lawsuit and, in some states, provides proof of residency for reduced property taxes.
- Government consumer protection agencies such as states' attorney general offices, offices of community affairs, and the Federal Trade Commission can assist in enforcing consumer rights. These agencies offer protections against financial scams such as predatory lending, identity theft, and fraudulent practices by contractors and salespeople.

Insurance

- Homeowner/condominium/renter insurance protects the home. Homeowner insurance protects the building and structures and provides liability and coverage for possessions. Condominium insurance covers possessions and fills the gap between the owner's liability and the condominium's master policy coverage. Renter insurance covers possessions. Many of these policies cover personal events such as identity theft and lost/stolen credit cards. Because of the extent of coverage, additional plans sold by creditors may not be necessary. Homeowner/condominium insurance is required when there is a mortgage on the property. The lender will require coverage to protect the property for as long as there is a mortgage. It is important to review the policy annually to make sure the property has adequate coverage.
- Health insurance allows an individual to seek medical attention at a subsidized cost. Depending on the purchased coverage, an individual or family may receive preventative medical care such as check ups and immunizations as well as coverage for doctors' visits and hospitalization during a major illness. Subsets of this insurance cover vision and dental care.
- Disability insurance provides income replacement to the insured while disabled. Each policy varies by what is considered a disability. Disability insurance can be categorized by short term (6 months or less) or long term (more than 6 months).
- Life insurance pays the beneficiaries upon the death of the insured. Insurance needs vary depending on the obligations that an insured has at any given time. A parent requires more life insurance than a single person. Money will be needed to take care of



children, assure education, and perhaps pay off debts. Single individuals may not need insurance at all.

Whole life insurance provides a savings feature to life insurance but it tends to be - expensive relative to term insurance. Term insurance provides a high amount of - insurance for a specified time period for a cost lower than whole life. -

- Auto insurance protects loss related to the automobile. Coverage includes damage to the car, liability insurance, insurance for personal injury, or if others have been hurt. Coverage is mandatory if there is a car loan. Some states require minimum liability coverage to own a car and register it.
- Extended warranties are a form of insurance offered to protect consumer goods. Some stores offer warranties on every product that they sell regardless of the cost of the product. It is important to evaluate the risk of damage and the odds that the buyer has to replace or repair the product after the manufacturer's warranty expires. These warranties may not cover everything the buyer may expect so the buyer should not only ask questions but also take time to read the warranty before buying.



Small Group Work – Assets Requiring Protection

With the other participants at your table, generate a list of assets that require protection. Be prepared to report out your findings to the large group.

Assets Requiring Protection



Small Group Work – Losing Assets

Working with the same participants, list how individuals lose assets listed in the previous exercise.



Small Group Work – Protect an Asset

Select an asset and create a plan using the four categories of asset protection.

Asset: _____

Vigilance

Maintenance -

Legal and Statutory -

Insurance -



Table Talk – Asset Protection

Why is it important to help IDA participants understand the necessity of asset protection?

What collaborations are available to your program to discuss asset protection?



Achieving the Vision □ Questions for Reflection and Action

How does this section of information on *asset protection* help you build next level financial education for your clients? Specifically, how does it help you help them to potentially:

- Achieve or retain economic security

Building the Bridge

In the first financial education training of trainers, you learned about building the bridge for clients with financial education. How does this section of information help you build a financial education bridge for your clients? Specifically, how does it help you:

- Choose topics
- Develop an approach
- Provide support
- Create an environment that helps clients succeed