THREE LIABILITY PLANNING TIPS FOR PHYSICIANS ANYONE CAN USE

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Whether you are a physician or not, you probably know that the practice of medicine is a profession fraught with liability. It's not just medical malpractice claims either – employment related issues, careless business partners and employees, contractual obligations, and personal liabilities add to the risk assumed by a physician in private practice. Unfortunately, in our litigious society, these liability risks are not unique to physicians**. Business owners,** board members, real estate investors, and retirees need to protect themselves from a variety of liabilities too.

Below are three liability planning tips anyone – physicians and non-physicians alike – can use to protect their hard earned money.

TIP #1 – INSURANCE IS THE FIRST LINE OF DEFENSE AGAINST LIABILITY

Liability insurance is the first line of defense against a claim. Liability insurance provides a source of funds to pay legal fees as well as settlements or judgments. Types of insurance you should have in place include (as applicable):

- Homeowner's insurance
- Property and casualty insurance
- Excess liability insurance (also known as "umbrella" insurance)
- Automobile and other vehicle (motorcycle, boat, airplane) insurance
- General business insurance
- Professional liability insurance
- Directors and officers insurance

TIP #2 – STATE EXEMPTIONS PROTECT A VARIETY OF PERSONAL ASSETS FROM LAWSUITS

Each state has a set of laws and/or constitutional provisions that partially or completely exempt certain types of assets owned by residents from the claims of creditors. While these laws vary widely from state to state, in general you may be able to protect the following types of assets from a judgment entered against you under applicable state law:

- Primary residence (referred to as "homestead" protection in some states)
- Qualified retirement plans (401Ks, profit sharing plans, money purchase plans, IRAs)
- Life insurance (cash value)
- Annuities
- Property co-owned with a spouse as "tenants by the entirety" (only available to married couples; and may only apply to real estate, not personal property, in some states)
- Wages
- Prepaid college plans
- Section 529 plans
- Disability insurance payments
- Social Security benefits

TIP #3 – BUSINESS ENTITIES PROTECT BUSINESS AND PERSONAL ASSETS FROM LAWSUITS

Business entities include partnerships, limited liability companies, and corporations. Business owners need to mitigate the risks and liabilities associated with owning a business, and real estate investors need to mitigate the risks and liabilities associated with owning real estate, through the use of one or more entities. The right structure for your enterprise should take into consideration asset protection, income taxes, **estate planning**, retirement funding, and **business succession** goals.

Business entities can also be an effective tool for protecting your personal assets from lawsuits. In many states, assets held within a limited partnership or a limited liability company are protected from the personal creditors of an owner. In many cases, the personal creditors of an owner cannot step into the owner's shoes and take over the business. Instead, the creditor is limited to a "charging order" which only gives the creditor the rights of an assignee. In general this limits the creditor to receiving distributions from the entity if and when they are made.