

## Bulletproofing an Heir's Inheritance

In these troubling economic times when bankruptcy filings are increasing and people are struggling to keep their head above water, there are things that one can do now in your estate plan to protect those whom you wish to benefit in the future. Leaving an inheritance outright to someone is the equivalent of saying that all the creditors of that person can share in the inheritance. If the inheritance is substantial enough, one can create a "spendthrift" trust that makes the heir's inheritance immune from the claims of the heir's creditors, predators and spouses.

It is a rule of law that an individual cannot put his or her own assets beyond the reach of one's creditors. However, you are permitted to do so for someone else. Thus, instead of leaving the inheritance outright to a child or beneficiary, one can create a trust for the benefit of that person to provide protection during that person's lifetime. For example, one automobile accident could force someone into bankruptcy if their liability were to exceed the amount of one's liability insurance coverage. In the same manner, when someone who is married inherits property, they tend to put that inherited property into joint name with their spouse. This converts the property into "marital property." Upon a divorce, marital property is usually divided on a 50/50 basis. By simply keeping a child's inheritance inside a trust during his or her lifetime, this insulates the child from any kind of spousal claim. With three out of five marriages ending in divorce today, this protection can be important.

One of the most important benefits of a trust is simply to give a beneficiary the right to say "no" to one's friends. Inherited wealth is the fastest money that is spent. People, whom we call "predators," are those friends who prey upon people whom have inherited money. The simple question directed to the beneficiary of "Can you help me out with a loan?" can be met with the response that "Sorry, my inheritance is tied up in a trust." The reality is the beneficiary can also be a trustee, usually with a co-trustee, of his or her own trust. Utilizing a co-trustee to be the bad cop to say "no" is a valuable asset protection tool. The ability to say "no" is one of the best things you can give to those whom inherit your wealth.

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