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## **Asset Protection**

One of the most important reasons for choosing to operate a business as either a corporation or a limited liability company is to obtain asset protection. You do not want your personal assets to be at risk because of what happens in the operation of your business. Even if you do everything appropriately in business operations, you can and, at some point, may very well become the subject of a lawsuit. Even if you do nothing wrong, and ultimately prevail in a lawsuit, you may be responsible for substantial costs and fees in defending yourself. The point is, do not put your personal assets at risk. Obviously you must have appropriate insurance in place. However, insurance is not enough. If you are concerned about the protection of your personal assets, you should operate a business by forming a corporation or a limited liability company. These entities offer asset/liability protection if operated correctly. This means:

1. The business must be formed in accordance with the applicable statute;
2. The business must be operated in accordance with the applicable statute, with all yearly filing requirements adhered to, and all other rules followed;
3. Company assets must be kept separate from personal assets; and
4. All proper records must be kept and maintained.

It is also important to take further protection on the personal side. For example, if you own a home, you should have a Declaration of Homestead. If you are married, then the home should be owned as a tenancy by the entirety. You should also have proper insurance coverage, and depending upon your assets this may include an umbrella policy (which is probably much less expensive than you think). Finally, you can transfer assets to individuals that are less likely to be sued, and in some instances you can use trusts to protect certain assets. In short, there is much that can be done, and often it takes only a few simple steps. It is important to periodically review what you have, and adjust your asset protection plan as needed. While making sure the appropriate plan is in place will involve some cost, it is miniscule compared to what could happen if you do not plan.