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The 'Steel Wall' of LLCs

By ALEX COPPOLA

The middle-aged couple was in sound financial shape.

They had \$10 million saved in bank and brokerage accounts, and the wife also had a \$10 million ownership stake in a successful business.

coverage. What's more, a plaintiff could go after the wife's interest in her business.

Mr. Camarda suggested a multilayered approach to fortify those assets against litigation.

The first layer was the addition of personal and business

Mr. Camarda has used limited liability companies with a number of clients because of their asset protection properties. An LLC is essentially a partnership structure that protects the business' assets from claims filed against any member of the partnership. A judgment against the wife or husband could not force assets out of their LLC. And because it is difficult for a court to take away or transfer LLC membership interest in a lawsuit, any business interest would be protected as well.

The clients would be free to contribute and withdraw assets from their personal LLC with ease. They wouldn't even need to change how they file their taxes, because all profits and losses from an LLC pass through directly to its members for reporting on their personal tax returns.

The couple was enthusiastic about the plan, so Mr. Camarda worked with an attorney to draw up the articles of organization for their personal LLC. They also crafted an operating agreement that outlined the couple's shared ownership in the company. Unlike corporations which often have strict procedures--such as the need to hold periodic meeting--LLCs have few requirements.

At the same time, the client met with the other owners of her company and recommended they convert the business to an LLC to shelter their collective business interests. After reviewing the proposal with their respective CPAs and attorneys, the other owners agreed to make the conversion. Creating the operating agreement for this LLC was more



Jeff Camarda

involved, as it included information about profit-sharing, decision-making procedures and the addition or resignation of members.

"These are very effective structures but only if they're formed correctly," Mr. Camarda stresses. "That means working with a professional who is skilled in asset protection."

With the proper documents drafted, the clients retitled their bank and brokerage accounts to the newly formed LLC. The clients now have peace of mind knowing that their \$20 million in assets are now almost impossible for creditors to touch. The process itself cost less than \$5,000.

"An LLC is a protective structure that is relatively inexpensive to form, but extremely costly to try to defeat," Mr. Camarda says. "Lawyers are reluctant to pursue a client's fortune when they're staring at a steel wall."



Bari Goodman

When they came to adviser Jeff Camarda, chairman of Camarda Wealth Advisory Group in Fleming Island, Fla., their most pressing concern was protecting those assets from potential lawsuits.

"Today, the threat of losing wealth to creditors and lawsuits is great," says Mr. Camarda, whose firm manages \$250 million for 500 clients. "In the case of any judgment against this client their business and personal assets were soft targets."

For example, the clients could lose millions if they were found liable in a car accident and ordered to pay an award that exceeded their insurance

umbrella insurance policies that would cover the couple up to \$10 million. It was an improvement, but not nearly enough to protect their wealth. To do that, the couple needed to restructure their assets.

Mr. Camarda suggested forming two, multiple-member limited liability companies. One LLC would hold the couple's personal accounts, allowing them to effectively take those assets out of their name. The client and her husband would be the sole members of that LLC. The second LLC would be created by converting the wife's company from an S-corporation to an LLC.