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Protect Your Assets!

Too often investment property owners take title to commercial properties, including residential and nonresidential properties, in their individual names. Similarly, many owners purchase more than one investment rental property under the same company name. Many owners think that the extra cost and management of forming a corporation or limited liability company (or an additional one) prior to taking title to the premises is too expensive and not necessary. In today's litigious society, not forming a new corporation or LLC for each new investment purchase can be an extremely costly mistake.

If a company or LLC owning investment property is sued, it usually only exposes that company's assets to the claim. In other words, if the only asset is investment property that is saddled with a mortgage, the exposure with an uninsured claim typically is only the equity in the investment property. When the owner is an individual and not a company, the individual is personally liable and is completely exposed to a claim. Therefore, for example, if a claimant obtains a judgment for \$2 million for injuries suffered as the result of lead poisoning in your building, and the equity in the building is only \$1.5 million, the claimant can seek to satisfy the balance of the judgment by looking to your personal assets to satisfy the balance of the judgment. Similarly, if the company has more than one investment property or other valuable asset in the company's name, all of the company's properties and valuable assets are exposed to an uninsured claim.

Investment property owners currently holding assets in their individual names should consider consulting an attorney regarding transferring these assets to companies or LLCs now, before a claim is made. Any attempt to make a transfer to a company after you receive notice of a claim related to a particular property may be considered a fraudulent transfer made to evade creditors.

Contact our office for a free consultation regarding any specific questions you may have.

Disclaimer: The information provided is not intended to be legal advice, but merely conveys general information related to legal issues commonly encountered.

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