

The Financial Fortress of Asset Protection:

An Introduction to the Fundamentals of Asset Protection

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2nd Edition

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PREFACE

This book was written to provide an introduction to the fundamentals of asset protection for the clients of Bridgeway Financial Corporation (BFC). This book is not for dissemination to the general public and we expect clients not to lend this book to third parties. Do not make any copies or loan this book to any third parties to read. For additional copies please contact BFC.

This book could be entitled “Asset Protection 101” or may be referred to as a ‘boot camp’. It is designed as a training manual to be used to teach the principles of asset protection. You will become more familiar with the various complex entities that BFC markets such as the Nevada Corporation, the Comprehensive Protection Plan, the ERISA Compliant LLC and other strategies. After reading this book, you should be able to speak with authority and knowledge about asset protection.

The general idea is to start with the basic fundamentals of asset protection. This requires a basic understanding of creditor/debtor law and how the collection process works. It also requires an understanding of the doctrine of constructive fraud. These are topics that most of the people in the asset protection business do not understand. I want to show you enough detail that you understand the principles involved in asset protection without losing your ability to ‘see the forest because of the trees’.

This book is certainly not a comprehensive text on the subject matter. Asset protection covers a wide spectrum of issues and topics too broad to cover in one volume. We anticipate companion volumes that will discuss more complex domestic asset protection entities, as well as provide more information about offshore entities such as offshore asset protection trusts, captive insurance companies, private banks and the US taxation of worldwide income. These books may be used as text books for more advanced understanding of asset protection. Please note that the examples and statistics referenced in this edition were gathered in 2007, so allow for some changes.

We currently have a newsletter called [The Sentinel Review](#). It covers financial privacy, asset protection and related topics. It is a free newsletter that you can subscribe to from our website. There is also a commercial publication of this book for sale to the general public called [The Secrets of Asset Protection: Only the Wise Survive](#). This book can be purchased online at <http://assetprotectionrevealed.com>. We also anticipate continuing education and seminars.

If you find any passages confusing, have specific material or subject matter that you would like to have added to the book, feel free to contact BFC at info@bridgewaycorp.com. We appreciate your feedback to help guide us in our quest to improve our asset protection materials.

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CHAPTER 1: WHY IS ASSET PROTECTION PLANNING NECESSARY?

THE LITIGATION EXPLOSION

Primarily due to the litigation explosion that started in the US toward the end of the twentieth century, asset protection planning has become a financial necessity in the US. The litigation environment has become hostile to defendants with unpredictable judges, higher damage awards, runaway juries and expanded theories of liability. Traditional forms of protection have become inadequate. Insurance policies contain many exclusions, policy limits are inadequate, the rates are high and policy lapses can occur. Piercing the corporate veil has become easier and there has been an increase in litigation seeking damages from Officers, Directors and shareholders.

Although asset protection is not yet a class offered in law school curricula, it has become a necessity of everyday life. The American Bar Association has formed an Asset Protection Committee and some Continuing Legal Education (CLE) programs around the country are sponsoring Asset Protection CLE seminars.

Attorneys practicing law in the US account for 80% of the attorneys worldwide and our law schools are increasing this disproportionate share annually. There were 1,633,127 lawyers actively practicing law in the US in the year 2000. An article in a Seattle paper stated that there are more attorneys in Seattle's Columbia Center Tower building than in all of Japan. It is anticipated that the number of practicing attorneys will double in less than ten years. Due to the excessive number of attorneys, it is becoming difficult to make a living as an attorney. This results in more and more frivolous and vexatious lawsuits being filed every year.

One in every four small businesses has been sued or threatened with a lawsuit in the past five years.

Tom Stanton thought he had it all: a beautiful home for his family, the car he'd always wanted, a growing list of investments, his children in excellent schools, and dream vacations with his wife. But that all changed when he was served with process naming him as a defendant in a lawsuit. It did not matter that he was convinced he had done nothing wrong. He lost everything he had, and he still owes his attorney for the legal costs.

