

---

« Advisor Insights

## How You Can Protect Assets With Umbrella Insurance



Steven Podnos, CFP®, MD, MBA | February 3, 2017

86% of people found this article helpful

---

In our financial planning practice, we have many medical and dental professionals who are particularly at risk of litigation related to their occupation. But most of our clients that have been sued were instead subject to liability from automobile accidents and other non-medical issues. Protecting your assets from reckless litigation is in everyone's interest. We think about this topic all of the time when we drive around Florida, which is chock full of billboard signs stating "Lawyer X got me \$\$\$\$\$\$!"

### Umbrella Insurance as Asset Protection

Think of asset protection as both sharing and avoiding risk. We can share risk by using insurance. You almost certainly have some liability insurance associated with your vehicles and home, but every family should consider adding umbrella liability insurance as well. These policies pick up when your other policies stop. For instance, a \$2 million umbrella liability policy would pay (in an auto accident) the amount between your underlying auto coverage limits and \$2 million. This insurance is inexpensive, usually running about \$300 per year per \$1 million coverage. For most of you reading this, you are crazy not to have it.

Note that personal umbrella liability policies usually do not cover business liability. You can seek a similar policy through your business for this. Umbrella liability policies may also not cover rental properties you own, unless you specifically ask that they be included. (For more from this author, see: [How Inflation Impacts Your Financial Planning.](#))

### Avoiding Risk to Protect Assets

Avoiding risk can be done in a number of ways. Obviously, you can avoid risky behavior like drunk driving. I'm sure you can think of many other risky behaviors that can lead to a lawsuit. There are also ways to avoid risk by the strategic titling of property. One simple example is to have every car titled in only the primary driver's name. This may prevent both a husband and wife being sued when one owns the car and the other is the driver.

In some states (such as Florida) assets owned by a husband and wife can be titled "As Tenants By the Entirety." This titling allows only a joint creditor to attach them. Joint liability is difficult to establish, especially if you are careful, as mentioned above with car ownership.

Sometimes the way an asset is titled works against you. We encounter many families that have put substantial assets into living trusts, which have absolutely no asset protection. In the quest to avoid probate, they have sometimes given up substantial asset protection potential.

In many states (but not all) the equity in your primary home is mostly or totally protected from creditors. You really have to check with an attorney wherever you live. Your retirement accounts (individual retirement accounts, 401(k) plans, etc.) are offered both powerful state and federal protection. Some states (like Florida) offer absolute asset protection for inherited IRAs and even college savings plans.

Don't wait until it is too late. If you have not given this topic sufficient attention, it is time to act. (For more from this author, see: [Seeking a Financial Advisor? You Probably Need a CFP.](#))

*This article was written by Steven Podnos, MD, CFP® and Rachel Podnos, JD, CFP®.*



Podnos, Steven  
Merritt Island, FL  
[www.wealthcarellc.com/](http://www.wealthcarellc.com/)

*Investopedia does not provide tax, investment, or financial services. The information available through Investopedia's Advisor Insights service is provided by third parties and solely for informational purposes on an "as is" basis at user's sole risk. The information is not meant to be, and should not be construed as advice or used for investment purposes. Investopedia makes no guarantees as to the accurateness, quality, or completeness of the information and Investopedia shall not be responsible or liable for any errors, omissions, inaccuracies in the information or for any user's reliance on the information. User is solely responsible for verifying the information as being appropriate for user's personal use, including without limitation, seeking the advice of a qualified professional regarding any specific financial questions a user may have. While Investopedia may edit questions provided by users for grammar, punctuation, profanity, and question title length, Investopedia is not involved in the questions and answers between advisors and users, does not endorse any particular financial advisor that provides answers via the service, and is not responsible for any claims made by any advisor. Investopedia is not endorsed by or affiliated with FINRA or any other financial regulatory authority, agency, or association.*