

Landlording (Buy and Hold)

Can I use a Land Trust to protect me in case there are issues with the tenants when owning rentals?

We ourselves use LLC's as our primary method of holding properties. We also carry umbrella insurance policies for \$5million. This provides us with two layers of protection and extra peace of mind. Your situation may be different, so consult a local legal professional for advice for your specific situation.

A Land Trust is one way of protecting privacy as to who really controls a property, as well as limiting some liability if case of a lawsuit. However, there are drawbacks to every legal entity. While one attorney may recommend a land trust, an accountant may recommend an LLC as a better option for your tax purposes as well as limiting your liability. One of the larges providers of peace of mind is an umbrella insurance policy. Consult your current insurer to find out how much coverage they would recommend, and how much it will cost. Get their quote in writing. If you are sued for more than you are covered for later on, you will have evidence that your insurer recommended that level of coverage, and they may bear liability in excess of the amount they cover if your umbrella policy is insufficient to settle a judgment if you are sued.

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