

*From the desk of Jeanne M. Kerkstra, Esq., CPA*

**Viewpoint  
When Is Too Much Exposure Over Exposure?**

In a recent court filing, the NFL, through the league and its 32 teams, acknowledged that it has more than \$9 *billion* of debt. The NFL Players Association's outside counsel apparently was not concerned by this figure because cash flows were adequate to support the debt. It is estimated that 2006 league revenue was almost \$7 billion. It is also estimated that about one-quarter of the NFL debt is due to stadium projects in Dallas and New York. When determining how much debt is too much, it is important to have a clear handle on the estimated revenue sources as well as foreseeable expenses. Good business owners also adhere to the same business practice. Don't stretch yourself too thin. If you were, in times of downturns in business, the effects could be significant.

A number of my clients are owners of mature businesses that they founded several decades ago. At the beginning, they were used to expanding their operations by personally guaranteeing their Company's debt. However, as they shift gears and seek to bask in then-financial success, they wish to continue to take on additional business ventures but now seek to do it by minimizing their personal exposure.

For those assets that they do not require to maintain their standard of living, and these business owners have many, they move these "non-essential" valuable assets into family limited partnerships. For them to have these entities sign a guarantee for their Company's debts would be to undermine their desire to minimize exposure to risk. I have seen more than once where after elaborate estate planning and asset protection, the individual still has the newly created entities sign on the guarantees. As noted above, this defeats the purpose. The answer is quite simple: Leave out the assets that you will need as collateral or put them into separate entities that will sign the guarantees.

Do you know how exposed you are? Give me a call to come in to discuss what your true picture is.

<p>Jeanne M. Kerkstra, Esq., CPA KERKSTRA LAW OFFICES LLC 53 W. Jackson Blvd. Suite 1530 Chicago, IL 60604 312.427.0493 312.675.0500 (fax) <a href="mailto:jmk@kerkstralaw.com">jmk@kerkstralaw.com</a></p>	<p>KERKSTRA LAW OFFICES LLC Problem? Solved.®  asset protection • estate planning corporate work • business succession planning forensic investigation • litigation and more</p>
---	--

This material is intended for educational purposes only. The conclusions expressed are those of the author and do not necessarily reflect the views of Kerkstra Law Offices LLC. While this material is based on information believed to be reliable, no warranty is given as to its accuracy or completeness. Concepts expressed are current as of the date appearing in this material only and are subject to change without notice.

**TAX ADVICE NOTICE:** The Internal Revenue Service (IRS) now requires specific formalities before written tax advice can be used to avoid penalties. This communication does not meet such requirements. You cannot contend that IRS penalties do not apply by reason of this communication.

Posted: Archived