



HOME::Real-Estate/Investing 

## Liability - How Do I Protect My Investment?

By [Eric Rehling](#)

**Article Word Count:** 258 [\[View Summary\]](#) [Comments \(0\)](#)

Real Estate investing is no doubt financially and personally rewarding, but it is important to understand the risks. What is often overlooked is the liability risk associated with renting your property to tenants.

The good news is these risks can be mitigated. You'll often hear of investors forming an LLC or similar "umbrella" corporation to protect their personal assets from getting dragged into a courtroom and taken over by someone.

It is important to read and understand the meaning and rules of how an LLC or similar corporation should be set-up and run. Often times simply setting up the corporation and transferring the investment property into the corporation will not provide the full protection many investors think they have. The company needs to look and feel like a separately run and functional business. That is to say, you'll need to designate officers, keep good notes on meetings (quarterly, annually, etc), and most importantly keep good accounting books. Many times if these simple steps are not followed the injured party may be able to "pierce the corporate veil". Meaning, your personal assets maybe at risk.

If this seems like a daunting task, you may chose to purchase a general liability insurance policy. This general policy will help protect you in the event of a lawsuit. Many times you will find a large liability policy (say \$1million or) will be quite affordable.

What ever path you choose, it is important to consider these risks and have a plan in place so that your real estate investments and hard earned assets.

For more information, feel free to email the author at [eric@40x40realestate.com](mailto:eric@40x40realestate.com)

40x40, L.L.C.  
"Your Real Estate Solutions"  
office/fax: 866.744.4040  
[eric@40x40realestate.com](mailto:eric@40x40realestate.com)

Article Source: [http://EzineArticles.com/?expert=Eric\\_Rehling](http://EzineArticles.com/?expert=Eric_Rehling)

This article has been viewed 64 time(s).  
Article Submitted On: September 18, 2008