

Overview for Combining Family Limited Partnerships and Offshore LLC's

It is conceivable that if a general partner becomes a judgment debtor or manages a domestic LLC that is the general partner of a partnership, then under certain circumstances a judge may order the manager to distribute a portion of the partnership's assets to satisfy the judgment. (Remember, that, as discussed earlier, although charging order limitations were once thought to be unassailable, there are now a few isolated cases which demonstrate the contrary.) Although the general partner may be changed to a safe onshore individual in advance of a claim being reduced to judgment, the fact remains that as long as the general partner remains inside the U.S., he is within the powers of the courts. Therefore, an individual who wants the absolute best asset protection may wish to place the partnership's management outside of the courts' jurisdiction by making the partnership's general partner an offshore LLC. This strategy would allow an onshore person to manage the LLC until creditor threat arises, at which point the LLC's manager is replaced with an offshore LLC. After the threat has passed, the offshore LLC's members may vote to once again replace the offshore manager with one that is domestic.