

Overview of the Family Limited Partnership as a Personal Liability Protector

The limited partnership protects partners against the debts of the partnership. But this remains true only if the limited partners do not actively participate in the management of the partnership as outlined previously. Yet it is easy for a limited partner to overstep his bounds and incur liability for partnership debts. Therefore, limited partners should fully understand the prohibited activities if they are to remain personally immune. Here the limited liability company has a decided advantage: Its members can freely involve themselves in company affairs without jeopardizing their personal immunity.

General partners are liable for all debts of the partnership, including all tort and contract claims. Therefore, individuals should never become general partners when the partnership has liability-producing assets or activities. In this instance, they should form a corporation or limited liability company, with minimal assets, to be the general partner.