RIDLEY LAW · CALIFORNIA · 2026

Asset protection for landlords: a decision tree

Start at the top. Every path ends in the same four layers, in the same order.

STEP 1 · STOP CONDITION

Is any claim pending, threatened, or reasonably foreseeable?

A lawsuit, a demand letter, an injury on the property, a tenant dispute headed to court, or a notice from a lender.

YES

Stop. Move nothing.

Any transfer now is a voidable transaction (Civ. Code, § 3439 et seq.) and can be unwound. Your protection is what was already in place. Call counsel before you touch anything.

NO

Continue.

You're planning, not reacting. Every tool below is available to you.

STEP 2 · INSURANCE

Do you carry an umbrella policy with limits at or above your net worth?

Net worth here means home equity plus rental equity plus savings and investments outside retirement accounts.

NO

Buy it first. Then come back.

$1 million of umbrella coverage for a small landlord runs a few hundred dollars a year. Confirm your landlord and auto policies meet the umbrella's underlying-limit minimums.

YES

Continue.

Insurance is the layer that pays whether or not a court respects your paperwork.

STEP 3 · ENTITY

Does the property fit any of these?

Three or more units in one building · A pool, old wiring, or other real hazard · A co-owner who isn't your spouse · Equity across the portfolio larger than any umbrella you can reasonably buy

NO

Skip the LLC.

For one or two single-family rentals, the $800 annual franchise tax buys more protection as additional umbrella coverage. Hold the property in your living trust.

YES

A California LLC may be worth the $800.

Form it here, not in Wyoming or Nevada. Keep a separate bank account and books. File the Statement of Information. Have your living trust own the membership interest, not you personally.

STEP 4 · TITLE

Is every property, or every LLC interest, titled in your living trust?

Pull the recorded deed. Read the LLC operating agreement. Don't assume.

NO

Fund the trust.

Anything outside the trust goes through probate, freezes if you're incapacitated, and is the one place Medi-Cal can recover from. This is the step most people skip.

YES

Continue.

Your successor trustee can step in without a court order.

STEP 5 · THE NEXT GENERATION

Does your trust hand the rentals to your kids outright at a fixed age?

Read the distribution section. "Outright at 25" means their creditors and their divorce court can reach it the day it lands.

YES

Hold it in trust instead.

A third-party spendthrift trust (Prob. Code, §§ 15300, 15301) protects what your children inherit in a way you can never protect your own assets. Costs nothing extra to draft.

NO

You're done. Review yearly.

Exemption figures, entity costs, and your net worth all change. Re-run this tree each January.

The order never changes.

Insurance, then the exemptions the law already gives you, then structure where the facts call for it, and all of it before any claim exists. A landlord who does the first two and skips the LLC is better protected than one who does the LLC and skips insurance.

This chart is general information about California law as of September 2026, not legal advice. The homestead exemption protects the home you live in, not the rental. Statutes: Rev. & Tax. Code, § 17941 ($800 annual tax); Corp. Code, § 17705.03 (charging orders and foreclosure); Civ. Code, § 3439 et seq. (voidable transactions); Prob. Code, §§ 15300 to 15306.5 (spendthrift trusts). *Ridley Law · 567 W. Channel Islands Blvd. #210, Port Hueneme, CA 93041 · 805-244-5291*