



## Legal Note – The Drawback to Tenancy by the Entities

Spouses should avoid the principle disadvantage of TBE ownership – joint liability. Both husband and wife are liable for joint obligations arising from, for example, joint ownership of dangerous and/or active assets (such as automobiles and active businesses). Such joint liability (in turn) exposes other assets held TBE (if not otherwise statutorily exempt from creditors or sheltered in a protective entity). Assets which potentially create joint liability should therefore generally be held in an entity, to shield joint owners from any liability arising from the asset. The entity itself may often be held TBE (generally without any exposure to joint liability arising from the underlying property). Insulation of dangerous assets within a protective entity therefore helps avoid joint exposure to the liability derived from such assets.