



when do
I need
an LLC?

podcast episode 6 tip sheet

Not sure when the right time is to create an LLC? Not even sure what an LLC is? This Tip Sheet will help you get clear.

When you're ready to go pro by putting a corporate entity in place, the first step that most entrepreneurs and small business owners take when transitioning from a Sole Proprietor is to form a Limited Liability Company.

What's an LLC exactly?

A Limited Liability Company (LLC) is the "easiest" legal entity to protect you, your business and your money.

It's a company that is formed at the state level to hold and support your business. The LLC is a simple entity – it's not fancy. It doesn't have a board of directors or officers like a corporation.

You can form an LLC with just 1 owner – and you as the owner are called a "member." It requires little paperwork or maintenance, other than annual paperwork and a fee in most states.

Why do so many biz owners set up LLCs?

In general, the LLC is (1) an easy corporate entity to create and maintain, and (2) it gives you asset protection and limited liability that you don't get as a Sole Proprietor.

It also supports your **third eye chakra**. You always KNOW when it's time to go PRO!





Pros of Creating an LLC:

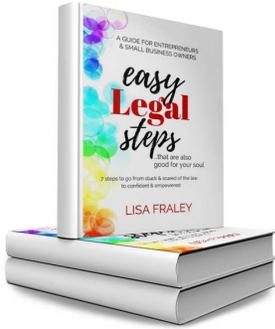
- Good asset protection – it separates your personal and business assets
- Limits your personal liability (your buns are covered!)
- Easy structure to create
- Little ongoing maintenance except for:
 - (1) filing a document called an annual report and
 - (2) pay an annual renewal fee. (Each state varies so be sure to know what's required for renewal in your state.)
- Provides tax and estate planning options
- Fairly inexpensive after initial investment of LLC creation
- Does not require the filing of a separate tax return for the LLC itself (like a corporation does)
- Costs of forming and maintaining an LLC are legitimate business expenses - which means you can record the filing fees and preparation costs as a business expense deduction for your taxes.



Cons of Creating an LLC:

- Not a lot of tax flexibility – you declare all of your income you made in your LLC and pay taxes on all of it at the same tax rate.
- Requires payment of self-employment tax if taxed as an individual. If taxed as a corporation, requires greater expense, attention and reporting





*Chapter 6 of my #1 Best-selling book on Amazon in 3 legal categories called “Easy Legal Steps...That Are Also Good For Your Soul” is all about LLCs. You can get it at lisafraley.com/book.

When's the Right Time to Form an LLC?

Like with many things legal, a simple question does not always result in a simple answer. The simple answer is that it depends on your individual situation. (You knew I was going to say that, right?) You'll want to talk with your own attorney and accountant, but here are some good rules of thumb:

- (1) If you have approximately \$50,000 in sales or gross revenue in your business, OR
- (2) If you ALREADY have substantial personal assets or business assets.

How Much Does It Cost to Create an LLC?

It can vary a bit, but you can expect to spend a few thousand dollars to have a lawyer create an LLC for you. This is normal – and reasonable.

Some lawyers charge to set it up piecemeal and charge you a separate rate for the filing, for the agreement, for the federal tax ID number, for filing other state forms, and for the state filing fee. I personally do it all in one package with a generous payment plan so it's super easy to spread out the cost.

It's worth having an attorney set it up correctly from the start so you know it has been done properly and you don't have to worry.

Be sure to work with an attorney who takes the time to make you feel comfortable, confident, and empowered, who understands your business, who understands your state laws or works with other attorneys or a service that does.



**Find out more about how to create an LLC
at lisafraley.com/llcformation.**



Have questions about LLCs or want to share how much safer and more secure you feel having listened to YOUR intuition to create an LLC? Feel free to reach out to us at clientlove@lisafraley.com. We'd love to hear about it.

Kudos to you for listening to this episode to find out when you need an LLC. Thanks for being part of the Legal Love tribe. Here's to getting legally enlightened!

With Legal Love™,

Lisa

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It is not legal advice and it does not create an attorney-client relationship.**

For my full disclaimer, please visit lisafraley.com/disclaimer.



Lisa Fraley, JD, CHHC, AADP, is an acclaimed attorney, Legal Coach®, speaker and #1 Best Selling Author of "Easy Legal Steps...That are Also Good for Your Soul." With her unique blend of coaching, legal expertise, and spirituality, Lisa has supported thousands of heart-centered entrepreneurs and small business owners to protect themselves, their businesses and their brands through DIY legal templates, online legal courses and one-on-one services.

From sharing international stages with thought leaders like Kris Carr and Gabrielle Bernstein to being featured on hundreds of podcasts, webinars, radio shows and bonus calls, Lisa has made it her mission to help every single small business owner understand that the law can be accessible, empowering, loving, and even spiritual. When she's not saving the world (with Legal Love) one contract at a time, she's posting free legal tips and connecting with her tribe at lisafraley.com.