



3 things all LLCs must do

podcast episode 39 tip sheet

An LLC is one of the easiest corporate entities to set up for your business.

Even with the simplicity of setting up an LLC, to protect and honor your status as an LLC, there are 3 things ALL LLCs must do so you don't jeopardize the limited liability protection created by your LLC.

3 things all LLCs must do are:

1. You must make it obvious that you have an LLC.

It can vary from state to state, but generally speaking, when you form an LLC, you are required to select what I'll call the suffix – the LLC designation.

Typically, you can choose "LLC" (with or without periods between the letters) or the full words "Limited Liability Company", "Limited Liability Co." or just "Limited".

(If you aren't sure what to name your company, you might want to have a listen to podcast Episode 31 called "How to Choose the Best Business Name". That will give you some insight.)

You need to publicly identify your company as being an LLC. Most states require that you have that designation shown visibly whenever you are using your LLC name.

Where do you need to show your LLC designation?

Basically everywhere! Here are 6 of the most commonly seen places:

1. Website
2. Business cards
3. Invoices
4. Marketing materials
5. Contracts
6. E-mail signatures

The only place you can get away with not including the LLC designation is your logo if your logo is the same as your LLC name – and that's solely for design reasons. But, your full LLC name with the LLC designation should be printed nearby.

Why do you need to inform people that you have limited liability?

If you don't, a court may find that since you're not representing to the public that you HAVE an LLC, you could be perceived as entering into a contract or otherwise representing yourself in an INDIVIDUAL capacity – not a CORPORATE capacity – and they could find you individually liable. This is a problem. That could mean the other side could come after your house or your car or other assets that you own.

When you sign contracts, you want to be sure that the contract is between your LLC and the other party and you are signing on behalf of your LLC as an owner - a member – of your LLC; otherwise, you could be found personally liable in a conflict about the contract.

2. You'll need at least one business bank account set up for your LLC.

It's important to set up a bank account for your LLC in the name of your LLC. This is a bank account that is to be used strictly for business. You deposit business income from the sale of your programs, products or services into the account and you take out money for your BUSINESS expenses, like for your BUSINESS internet or cell phone fees or to run to Staples to get printer ink cartridges, paper clips, and so on.

You are REQUIRED to have a separate bank account for your business transactions when you have an LLC. This isn't a "want-to-do" – this is a "must-do". It's required.

How do you pay yourself?

When you want to pay yourself, you must electronically transfer money out of your business bank account to your personal bank account. You can also do it old-school and write yourself a check from your business bank account and then deposit the check into your personal bank account – that's fine too.

How do you pay for personal expenses?

When it comes to personal expenses, pay ALL of your PERSONAL expenses from your PERSONAL banking account, NOT your business account. Use your personal banking account debit card for personal expenses like your weekly grocery shopping, running into Whole Foods to get a green juice or to head to the spa for your 1-hour massage.

And when it comes to recording your business expenses – and what qualifies as a business expense and how that impacts your taxes, you'll want to be sure to talk with an accountant.



To get a head start on the accounting front, I have two free resources for you:

1. **"Top 10 Questions to Ask When Hiring an Accountant"** which you can download for free at lisafraley.com/accountant.
2. **Listen to my Podcast Episode 34 for my interview with "Erin Armstrong on accounting and tax deductions for business owners"**. Erin is a Small Business Tax & Money Coach who specializes in helping online biz owners maximize their tax deductions. You'll definitely want to check out Episode 34 for a link to download her "73 Top Business Deductions for Small Business Owners That Are Often Overlooked" Resource Guide. It's amazing!



3. You can't "commingle" your funds.

Yep –you don't want to "commingle" your funds. What is "commingling?"

Well, it's kind of like "conscious uncoupling" – you know, how Gwyneth Paltrow and Chris Martin "consciously uncoupled" their marriage. And while Gwyneth may make fun of herself for using that term now, you get the picture. It means, in the words of the band The Offspring "you've got to keep 'em separated".

One of the reasons you need to have a separate business bank account is because you need to keep your business money SEPARATE from your personal money. You don't want to mingle your personal funds and business funds together – the legal word for that is "commingle".

You want to pull them apart. You want to unblend, unmerge, and unfuse them.

In addition, on an ANNUAL basis, don't forget to file what most states call an "Annual Report" with your state and pay an LLC renewal fee. Once your LLC has been formed, be sure you know what paperwork and fees you need to file annually for your LLC to remain in good standing and operational. Each state varies, so don't forget to check on that.

Energetically, I align LLCs with the **third eye chakra** because I always say that "you always know when it's time to go pro" by creating an LLC or an S-Corp. Follow that nudge and talk with an attorney and your accountant to make sure at an LLC is right for you before you create one.



If you already HAVE an LLC, you can feel proud that you now know 3 big things that ALL LLCs must do so you don't jeopardize the limited liability protection that your LLC affords.

**Have questions about LLCs or want to create an LLC?
Learn more at lisafraley.com/llcformation
or feel free to reach out to us at clientlove@lisafraley.com.**



We're happy to help you however we can and I always love hearing from you.

Here's to getting legally enlightened!

With Legal Love,

**This information is for educational and informational purposes only.
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.