

BONUS EPISODE 4

LLC or S-Corp?

Choosing the Right Business Structure

With Bobby Klinck

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AMY PORTERFIELD: Well hey there, welcome back to another episode of The Online Marketing Made Easy Podcast. I'm your host, Amy Porterfield, and I'm thrilled that you've tuned in to this bonus episode.

As always, first a shout out to a loyal listener. My listener review spotlight is from Carolyn Carpenter. She posted a picture on Facebook of a piece of paper that she filled out with all of my podcast episodes broken down into categories. She's a girl after my own heart.

She's efficient here because she wrote in a Facebook post:

"Here's my listening list for today. I'm in the midst of a launch and I like to make tweaks from the podcast. Total gold! Thanks, Amy."

Carolyn, thank you so very much. I love how organized you are and I love that you are inspired to listen to my podcast to help with your launches. That's music to my ears.

If you've been listening for a while you already know that I love helping people build their email list and to create and sell online courses. I am very passionate about helping people make money online while doing what they absolutely love.

While there are some super sexy parts to building and growing your online business there are some not so sexy parts as well. Today we've got to dive into one of those, setting up your business structure to protect you and your business.



Today I have brought on Bobby Klinck, who I like to call our resident attorney. He is going to talk to us about the options we have in setting up a legal entity to protect ourselves and our businesses.

He will go over what your options are, the differences between those options, and what kind of business structure is best for an online entrepreneur. Don't worry, Bobby has a way of making all of this legal stuff sound kind of fun.

I'm not really sure how he does that but I often say he's an entrepreneur first and an attorney second so he really gets who we are and what we're doing online.

I won't make you wait any longer. Let's go ahead and dive in.

AMY: Hey Bobby, welcome back to the show.

BOBBY KLINCK: Thanks for having me. I'm excited to be here, Amy, and talk about another subject that's almost as exciting as the last time we were together.

AMY: It's a super sexy topic so let's get ready. You are now officially our resident legal counsel. I think that is very cool. I come to you with so many questions around legalities with courses and our website and contracts and all that good stuff so you are the perfect person to have on the show to talk about this topic.

As you mentioned, the last time you were here we were navigating through GDPR. I'm so thankful that you walked us through that so, again, thanks for that episode.

BOBBY: You're welcome. Thanks for having me on. It was a lot of fun. By the way, tell Rick I'm coming for him. I'm going to start taking his place as your resident person who comes on every once in a while.

AMY: I'm totally going to let him know that you are taking over so he'd just better watch out. It's so funny because when I had Pat Flynn on he said, "I'm taking over for Rick." Everyone's vying for his position. He'd better show up and represent soon, right?

BOBBY: I love when you have him on, your rapport with him is great so I just thought about that and I've been interacting with him a little bit the last few weeks so I thought about that.



AMY: It's so funny. I love that man. Today we're going to help my listeners decide on whether they should be setting their business up as a limited liability company, and LLC, or an S-Corporation. But, before we dive into all of that will you tell my listeners a little bit about yourself in case they didn't hear the GDPR episode we did a while back?

BOBBY: I'd love to Amy. I am an attorney but I like to say I'm not really an attorney. I'm also an online entrepreneur. That's where I spend most of my time these days, thinking about the same issues that your listeners are.

I'm currently working on creating some courses and revamping my funnels and all of those things. I'm kind of at that point where lawyers come together with online entrepreneurs.

I help other online entrepreneurs get legal peace of mind. I help them get all of the basic protection in place. I do it a couple of different ways. I have the do-it-yourself option which is YourOnlineGenius.com which you told me you always thought I was saying "I'm the genius". I'm not.

I'm saying I'm helping you protect your online genius. That's where I have DIY options and training. Then I have a law firm, Klinck LLC where I help people one on one in direct relationship when they want a little more help.

AMY: I said this in the intro but I'm going to say it, Bobby, because you didn't hear me say it. What's really cool is that I love that you are an entrepreneur at heart first. That really comes through so when I talk to you about my legal stuff you get my business, which is very rare when I talk to lawyers.

You definitely have that secret sauce in terms of understanding entrepreneurs and how an online business is run. That's why I keep coming back again and again.

I have listeners from all over the world so does this information that we're going to cover today help people in, let's say Canada, or people overseas?

BOBBY: Some of the things we're going to talk about will help them but sadly, deciding whether you want to be an LLC or S-Corp is not an issue outside of the United States. In fact, outside of the United States the concept of a limited liability company doesn't really exist.



There may be some places but in places like Canada, the U.K., and Australia you don't have that option. Instead you just have something called a limited company, which is more like a traditional company here in the United States. It is like what we would call a C-Corporation.

At the same time, what we're going to talk about with the reasons why you should be thinking about setting up a company in the first place and all of these considerations do come into play. So, it is useful from that perspective. But you're not going to get a ton of value over hearing things about U.S. tax law, for example.

AMY: Got it. I just wanted to make that clear before we jump in. So let's go ahead and get started. Why should an online entrepreneur create a corporate entity in the first place?

BOBBY: I'm glad you asked this question. Let me start with some tough love here. If you are serious about your business, and by that I mean if it's more than just a hobby, if you actually intend to make money and try to help your personal life and family to succeed you need to set up a corporate entity for your business.

A corporate entity just means a corporation or something where you are actually going to file some paperwork. The primary reason, and really the overriding reason, is to limit your personal liability.

If you don't do anything and don't go through the step of setting up a corporation of some form every time you sign a contract on behalf of your business you are guaranteeing it personally.

That means if for some reason you can't perform or you mess up or something like that happens people can come after you. They can take your house. They can take your car. They can take anything you have personally.

All of the sudden, instead of being something that actually helps you support your family, can become a drag on your family. That's the primary reason. What the law does is we view a corporation as a separate person under the law.

Your corporation, whether it's an LLC or something else, can be the one who signs contracts, signs leases, signs all of that stuff. I like to give the example of my law firm. My law firm has signed every lease I've ever had. I've never signed it personally.



One time I signed a three or four year lease. If things had gone belly up and my law firm had been a failure and I wanted to go do something else I could have walked the lease. The only thing the landlord could have done is come after the money in my LLC, my law firm bank account.

They couldn't say, "Hey Bobby, you have to pay us the rest of the lease." That's the kind of power of it. It will also help you if you have contractors or employees who mess things up. It can give you some shielding there.

I do want to be clear on something. There is something that a lot of people get confused about. Having an LLC does not protect you if you screw something up personally. In other words, as a lawyer if I commit malpractice in a one-on-one relationship the person can still sue me because I'm the one who screwed up.

You'll still have some liability if, for example, you are a coach or consultant. They can come after you, your clients could. But other people won't be able to based on what you do in your business.

That's the reason you should do it. Again, it's also a pretty cheap investment so it's worth doing.

AMY: Cool. That all makes perfect sense. There are so many kinds of company forms so can you walk us through the most common ones?

BOBBY: I'm happy to. There are really four major kinds of companies. You have to think of this on two levels. Within your state, wherever you are, I'm in Washington, D.C., but I used to be in Texas, and you are in California. There will be multiple kinds of entities you can create under state law.

Really, there are four main ones. The first is a sole proprietorship. That happens if you do nothing. If you don't take action, under the law your state is going to treat you as what is called a sole proprietor.

That means you are liable for everything you do in your business; if you have contractors, everything they do in your business; if you have employees, everything they do in your business; etc. It works that way.

If you are a sole proprietor your profits, here in the United States, are reported on your personal tax return. I think it's a Schedule C. You basically say, "Here's the revenue. Here are my expenses," and it all flows through 100% to you.



That's the most basic form and that's what a lot of people go with because it's the default. It doesn't cost anything and you don't have to do anything to set that up. I'm going to counsel that you shouldn't have that but that's the most basic.

The next form is a partnership. This can be formed either through a contract, maybe you file something, or maybe it just happens naturally. If you agree to share profits and expenses with someone, Amy, the law will presume a partnership. It will say you guys are partners in fact.

It has the same kind of problems as a sole proprietorship. That means you are going to have all of the liability. But here is an extra problem, you are also liable for everything your partner does and that's not a good thing because you don't necessarily control them.

Again, the profits are passed through on your personal tax return just like they would be. But, it is a split. If you are 50/50 partners you figure the profit of the business and then you get 50% of those.

Those are the two options that are bad options. Now let's talk about the ones that are more formal.

The next one we should talk about is the LLC, limited liability company. This is the simplest form of a corporation in the American system. It's great for a lot of ways. You get the liability protection. It's a separate entity so you can sign contracts on behalf of the company. You get all of those really good protections.

It's also normally going to be member managed. You don't have some separate board of directors or things you might think about when you think of a company like a G.E. of the world.

Each of my businesses is a member-managed LLC where I'm the only member and I'm the only manager. I get to control everything and I make all of the decisions.

The good thing about LLCs, once they are formed there aren't a lot of what we lawyers call "formalities." That is just a fancy word for saying "stuff you've got to do." You don't have to keep books and records for an LLC. You don't have to have meetings of a board of directors. You don't have to have stockholder meetings or anything like that.



You can set up what you want in your operating agreement. In my case it would be kind of hard for me to have a meeting since I'm the only manager and the only member. So I don't have to deal with any of that stuff.

The default for an LLC is that the profits are passed through to your tax return exactly like they would be if you are a sole proprietor or if there are multiple members as a partnership. Again, you just allocate it based upon that and you just go ahead and report those on your Schedule C. You don't have to file anything with the IRS, etc. You get that protection.

The final type of corporation is what you and I think of when you think of a corporation. It's called a C-Corporation. This is the classic situation where you have stockholders or shareholders. You have a board of directors that are elected to run the thing. You have executives and a lot more formalities involved.

You have to do things like have annual meetings. You have to have board of director meetings and all of those types of formalities. You get the same liability protection as an LLC but you also have a double taxation problem there.

As a C-Corp the corporation has to pay income tax on its profits. Then when you, as the owner, take it as a profit or distribution you are going to pay taxes on that as well. So it's not an ideal form for most entrepreneurs.

AMY: Got it. Okay, so what is the right kind of entity for an online entrepreneur?

BOBBY: As you can probably imagine from the discussion, it's generally going to be an LLC. That's what you are going to want to create because it's better than the sole proprietorship or partnership because you get the liability protection and really the only down side is the filing fee, what you have to do to get it set up. Then, in most states there will be either an annual or biannual fee.

Here in D.C. we have to do a biannual report, which means you have to file something and pay some more money. But that's all I have to do once it's set up.

It's better than a C-Corp because it's a lot more simple. You don't have to deal with a board of directors or stocks or shares or any of that stuff and you get all of the protections.

Someone might go with a C-Corp if they are much further along and you can get some extra advantages for things like employee benefits programs and benefit plans.



But most of us online entrepreneurs aren't there and so you're just going to start with an LLC.

Once you get there the questions becomes whether you just do a normal LLC or if you want to go with the S-Corp election, as it's called.

AMY: Okay, so what is an S-Corp?

BOBBY: Remember earlier when I was talking about the different kinds of corporations I was talking about how things get set up under a state law system?

The S-Corp is where the IRS and lawyers have made things complicated to try to confuse people.

AMY: Great.

BOBBY: But it's not that confusing. The reason it seems confusing is people think it's a completely different kind of corporation. It's not. An S-Corporation is an election you can make with the IRS to be treated differently. You can do this if you had a C-Corporation or an LLC. You can make what's called an S-Corporation election.

Now let me kind of walk through what happens if you don't make the election versus what happens if you do make the election. If you don't become an S-Corp and just go with a traditional LLC you pay yourself as the owner through disbursements whenever you want to.

You can just write yourself a check. You don't have to have any schedule. You don't have to withhold payroll taxes from it, etc. The company just writes you a check and then you as the owner will pay quarterly taxes (quarterly estimates) on April 15, then June, and October.

Every three months you have to file your payments. You don't have to file anything. You just send in payments and come tax return your business doesn't file a tax return. You put it all on your personal tax return and all of the profits from the business, regardless of whether you paid yourself or not, come through to your tax return and you have to pay taxes on it.

Here's the key point. You're going to pay two different kinds of taxes on it. The first is what we think of as the federal income tax. That is the thing we all argue at various times about what it should be.



The second part is self-employment tax. This is the Medicare, social security, that stuff. Under a normal LLC you pay income tax and self-employment tax on 100% of the profits from the business. You are going to pay that and it's your income tax level plus 12 or 15%. I don't know the exact numbers for self-employment but you will pay that.

On the other hand, if you make the S-Corp election things get a little bit different. If you do that you are required to pay yourself a reasonable wage through payroll on an ongoing basis.

What reasonable means, it can't be minimum wage for someone like you or me. We have to look around and ask, "What am I worth?" What would you get as a salary somewhere else? You have to justify what that number is.

You have to pay yourself through payroll and this requires you to submit your payroll taxes and forms to the government throughout the year. I think in my business, my law firm is an S-Corp, and we have to deposit my taxes every month and file forms quarterly about what wages have been paid.

I do it through a payment process where I don't try to do it myself but you do have to do that. You then, as the owner, will still have to pay quarterly estimates for profits within your business that weren't paid out as part of your wage.

Let's say you made a million bucks in profit but were only paying yourself \$250,000. You're still going to have to pay income taxes on that \$750,000 above it. But here's the good part. You won't have to pay the self-employment tax on that money, only the income tax.

It can save you that 12-15% of taxes that you would otherwise be paying if you had just a standard LLC.

The other difference is that with an S-Corp the corporation has to file a tax return. It doesn't pay taxes but it has to file a tax return so you will have to hire someone to do that or do it yourself as well.

Summing it up, basically an S-Corp saves you on taxes but adds some administrative burdens to your plate.

AMY: I have an S-Corp for my business. It started out as a C-Corp and then we did the election for an S-Corp. I use a payroll company to pay myself. Every month I get a check in the mail that is for me like I was working a job and getting a paycheck.



My payroll company does all of those different tax forms and taxes and all of that stuff you have to do every month and every quarter. They take care of that.

You are right, there is a lot of different forms and paperwork and kind of a lot of hoops you have to jump through. Because I have the type of revenue I have coming in I feel comfortable paying people to help me make that all happen.

You and I were talking before this episode because I got a little nervous. I was reading all of this and thought, holy cow, we're talking about and going to talk more about the LLC. I said, but I'm an S-Corp. Am I doing this wrong?

Can you share what you shared with me about that?

BOBBY: I think for your business there is no question, you should be an S-Corp. There are multiple reasons. You have employees so you already have the payroll processing. Again, I don't know what you have to pay. I know my payroll processor is an extra \$4 per month per person for the payroll processing.

AMY: Yeah, it's not a lot.

BOBBY: It's not a big deal. So, if you're already set up to do it you don't have a lot of administrative burdens there. You, Amy, I know you're going to be working with an accountant anyway. I don't know what you have to do to do the separate corporation tax return but that's not going to be a huge cost for you.

For you it really is a no brainer. For some entrepreneurs it's not as easy of a choice. It comes down what is a reasonable salary to pay yourself? You are required to pay yourself.

Remember, what you are trying to do is save those taxes but take on these administrative burdens. If you're a solopreneur who is a coach, let's say, and that's how you make all of your money with one-on-one work you are going to have a hard time arguing that your reasonable salary is less than something close to your overall income because you are the one.

It's your direct work that is generating all of the income. Some people are looser with this and would say that you could pay yourself very little and it's not a big deal. But, under IRS rules you're supposed to look out and see what you would get paid in the market for a similar job.



There are other factors you are going to consider but for a typical coach or someone like me who is a lawyer it's hard for me as a solo lawyer in my law firm practice to say that something less than what I'm making the income there is my reasonable wage.

That's kind of the problem. But when you are a course creator and all of the sudden you have money coming in from products or let's say you have employees who are generating profit for you. All of the sudden that's where you look at it and say, "Well, my wage is not necessarily reasonably all of my profit."

It's something less. You are generating profits from products, from other people, etc. That's when you can generally start to make the justification to pay yourself less. Again, on this I am always going to tell you to talk to your CPA because they will be a person that can really guide you in the process.

The way to think of it, largely, if you're a solopreneur making money off of your own work and that's how you make your money you are probably not going to want to go the S-Corp route.

Beyond that it's probably going to be a good decision for you.

AMY: I know this might be a little bit redundant but I want to make sure we give our listeners all of the information they need. How should an entrepreneur decide whether to become an S-Corp or not?

BOBBY: The first thing is you've got to make sure you qualify. There are a number of rules to being an S-Corp. Most of them are not an issue. An S-Corp can only have 100 members or owners. Again, for your audience that's not a problem.

An S-Corp can't be owned by other corporations or other LLCs or most trusts so it has to be owned by the individual. There's a small exception for trusts, but again, that's normally not a big issue either.

Another thing that's not normally an issue for your listeners, the S-Corp can't have different levels of ownership. In a traditional corporation you can have preferred members who have voting stock and non-preferred members who don't have voting stock. You can't do that with an S-Corp. Everyone has to be equal.

One share is one share, essentially is the way it has to be treated. Again, that's not a big problem for your listeners. The last requirement is the one that might come in. The owners have to be U.S. citizens or U.S. residents. And that means all of the owners.



If you have a partnership with someone who lives overseas and is not a U.S. citizen you can't be an S-Corp. That's just not allowed and that's where this can come in and create a problem. That's really the only qualifier that you need to make sure.

Once you qualify, again, you have to decide if the tax savings you'll save by paying less in your self-employment tax will offset the costs and burdens of setting up and operating your S-Corp.

Like I said, normally your best route here is going to be to talk to your tax person, your accountant, whoever you talk to with these things, because they will give you good sense of it.

You have to figure out what your reasonable wage is going to be. It has to be a reasonable approximation of the value of your time based on your skills. Again, the fact that I'm a lawyer doesn't mean I have to pay myself a lawyer wage in some other business.

If I had a brewery business I wouldn't have to say, "Well, you're a lawyer and you could make that much." No, it's what I would make in that business and that line of work.

Generally, like I said, a solopreneur is going to have a hard time separating a large part of the revenue or profit and say that it's profit and not a wage. So normally you're not going to get a lot of savings there.

But, you can, once you get bigger. The example I use as a lawyer is let's say in my law firm I had revenue after costs other than myself of \$250,000 for the year. I couldn't pay myself \$24,000 and call that a reasonable wage. The IRS would never buy that.

Maybe I could make some argument that it's something less than \$250,000 but I'm going to have a hard time justifying it. That's a problem but if you can make a good argument that your reasonable wage is something less than your revenue minus other costs other than yourself then you will likely want to go the S-Corp route if you're making a decent amount of money.

It's going to cost you. I think I pay \$100 a month for my payroll company and then you are going to have to do a tax return at the end of the year. It's not a huge cost. I think it's less than \$2,000 at the end of the day on an annual basis. At 12% you can get there pretty quickly so that's the analysis you have to do.



AMY: Could you start as an LLC and then, as your business grows and you make more money, move into an S-Corp?

BOBBY: You can. The S-Corp is an election with the IRS and you can make it at different points. You can elect to be treated as an S-Corp from the beginning. You have 75 days. Within 75 days of forming your company you can make that election. Or, each year you can decide.

For each tax year you have to decide and file something with the IRS. I think it's called the 2553 Form but you can find it by searching for S-Corp election form and you will find it. You have to file it by mid-March. It depends on the way things fall and weekends, etc. But just think March 15 as your deadline that you have to file in any given year.

You could operate as an LLC for a few years. I did that in my law firm at the outset. Then I think my second full year in operation I made the S-Corp election and I filed the form and converted to an S-Corp.

Part of the reason I did that I knew I was going to be hiring someone. I was going to have payroll so it just made sense. You can make that any future year. There is a process to try to file late in a year but I don't personally like messing with the IRS so if I was going to do it I would make the decision at the beginning of the year and file by whatever March 15 or the particular date is in a given year.

Once you make the election as an S-Corp you continue to be an S-Corp unless you file a form changing back in the future. You can be an LLC and then later decide you are going to become an S-Corp and you are set as an S-Corp until you change your mind again.

AMY: Let's circle back to the LLC because that's where a lot of my listeners are going to want to start. Can you talk about the process of actually forming your LLC?

BOBBY: Happy to. The first thing I want to do is to dispel a myth that a lot of people have heard that you should form your LLC somewhere else. A lot of what I hear from people is that they should form it in Nevada because there is no tax there.

That is not true. It doesn't matter where you form your LLC. You are going to pay your income taxes based on where you live. If you live in California and create a Nevada LLC you are still going to pay California income tax on all of your profits.



The advice I give to people is to form the LLC in your own state. The reason why is it's the simplest way. When you do that you just form it in your state and that's all you have to do. You can make some decisions to do other things.

If you form it in another state here's what you'll do. You'll file in that other state to form it. You will have to hire what is called a registered agent in that state, someone who is physically present there and could accept a lawsuit on behalf of the company.

Then you are still going to have to register your company as a foreign corporation within your home state, pay a fee there too. You will be paying multiple fees and paying an agent and it's just a lot more complicated. Really there's no reason to do that.

Form it in your own state and the process is actually pretty simple.

AMY: Oh good.

BOBBY: In most states what you are going to want to do, go to your state's corporation's division website. In most states it will be in a division called the Secretary of State office. You just search on how to form an LLC in your state and you will find where it is.

I say to do that because most states will have great information about exactly what you have to do, including exactly what information you are going to have to provide to the state. It's not a bunch.

In D.C. I think I have to answer eight questions. You don't have to worry that it's going to be a very hard thing to do. The first thing to do is to figure out what you're going to have to submit. Figure out if there are any special rules.

In New York there is the publication rule that you have to publish that you are forming this in a publication. That's kind of weird to me but you have to do that. You need to see if there are any weird rules.

Then you have to pick a name.

AMY: I love the legal part of that, "Check to see if there are weird rules."



BOBBY: That's the problem with our federal system. With 50 states plus territories there might be weird rules.

AMY: Got it.

BOBBY: My point is I'm going to walk through the basic process. You need to check to make sure your state doesn't have some additional requirements.

The second piece is to pick a name. This isn't really something that relates to your trademark, for example. Amy, your company name is actually different than what you market your brand under. That's perfectly common and there's no problem with that.

You can do that. You just have to find a name that has not been taken in your state. That's all you have to do for this purpose. Again, you might want to go through the process of figuring out what your brand is going to be and use that but you have to do that process to basically find one that isn't taken yet.

Then you are going to file the necessary paperwork with your state. It's going to be online. You're not going to want to go in person. Most places will actually charge you more if you do it in paper. It's generally a simple process.

In D.C. it's eight questions and one of them is, "What's the name." One of them is, "What's the address." One of them is, "Who is your registered agent?" If you file it in your own state you can be your own registered agent. Me, Bobby Klinck, I am the registered agent for both of my LLCs. If anyone wants to sue the company they serve me with the lawsuit. You do that and then you are done.

At that point you will have an LLC set up in your state. Then you want to go to the IRS website and get yourself an EIN, and employee ID number. Think of this as your social security number for your business, if you haven't done that yet.

The fifth piece is to create an operating agreement. This is basically the agreement between you and the company that defines how it's going to be managed and talks about basic ownership issues.

Again, if you're a single member LLC it's pretty simple. If there are two people it can be more complicated and you need to have some things in it about what happens if someone wants to get out, what happens if you can't agree. Those are pretty easy and you can find templates a lot of different places that you can use as a starting place for those.



That's it in a nutshell. Those are the steps you're going to need to setup your LLC.

AMY: This is doable, very doable. What do entrepreneurs need to do once they've set up their LLC?

BOBBY: I'm reminded of a song by The Offspring that says, "You've got to keep them separated." In other words, you have to keep your business finances and your personal finances separate.

AMY: So important. I'm so glad you brought this up. I'm sorry to cut you off but when I was just starting out this was a big deal for me to create the business bank account and have these two totally different accounts, which feels weird when you are just starting out because all of the money feels like it's all the same.

You've got to get legit in this way.

BOBBY: Let me back up. If you're going to go through the process of creating an LLC or any other corporate entity the last thing you want to do is do something that would make a court (I'm going to use some legal lingo here) pierce the corporate veil.

Basically that means if someone were to sue you for something for the business they would say, "I'm going to let them go after you personally, not just the business." The quickest way a court will do that is if you don't treat your finances separate.

If you treat your finances and the business finances all the same the court will say that they can come after you. So you've got to separate it to keep that liability protection in place.

Candidly, one of the best reasons to do it, Amy, has nothing to do with the law. It makes it so simple come tax time. I take my QuickBooks over to my accountant and say, "Here you go. Here's my business. Here are all of my business expenses, revenues, and everything all done."

I don't have to worry at the end of the year trying to figure out if it was business. I don't have to do any of that. That's the first piece. The big part of this is to not pay personal expenses out of your business.

A lot of people freak out about this and ask, "What about if I want to pay for business expense personally." You can do that, you just do a reimbursement form.



For example, I have a personal credit card that gets me American Airlines miles and gives me special benefits when I fly on American. Any time I travel I use that to buy my ticket. Even if it's business.

But then I submit a written piece of reimbursement form and write a check from the business to myself to pay for it. I literally do this. I have a piece of paper which I sign on both behalves. Then there is just no question that I am treating it differently.

That's the first piece. Keep the finances separate. The next piece is to sign things on behalf of the corporation. Get in the practice if someone sends you a contract, for example, let's say it's a vendor or outside contractor and they name you personally you tell them you want it to be in the name of the company.

Put it in the name of the company, not your personal name, and then you sign it as a representative of the company. You get in that practice and once you do that it becomes routine that that's how you are doing it and then the liability would be on the company and not on you.

Those are the important things. Keep it separate and keep it separate in the finances but also in how you are signing different contracts.

AMY: Perfect. What about multi-passionate entrepreneurs? Should they set up a different LLC for each business they start?

BOBBY: Well, I like to tell people to not go LLC crazy. Ultimately, if you are running multiple successful businesses you are going to want to have separate LLCs for the different businesses. Amy, you and I know a lot of people who have a lot of different ideas and start a lot of different businesses and then maybe it fizzles out and doesn't go anywhere.

You don't want to go through this process, most likely, of creating an LLC until you are pretty confident that is going to be another going concern for a while.

I want to tell you that the liability is based on the LLC so if you are running multiple businesses out of one LLC any liability of any one of your businesses kind of transfers to all of the others.

That means if you are doing great in one business but you really mess something up in this other one they can come after your first business to satisfy the debt. If you have different LLCs they wouldn't be able to do that.



Don't make it complicated. Don't let that be a reason. I kind of tell people to wait until you are pretty darn sure that you are going to be running it as a separate business for a long time and then it might make sense.

The one caveat, there might be a reason why from the very outset you want to make clear it is a separate business. I did that with my online business, YourOnlineGenius. I wanted to make absolutely clear it was a different entity from my law firm. It's not providing legal advice or legal services so I went ahead and set up a second LLC right away.

That might be a reason, if you're a counselor, if you're a coach, and you're setting up some kind of different online business where you aren't providing professional advice at all. That might be a reason to set up a different LLC from the get go.

AMY: That makes sense, definitely. Bobby, it looks like our listeners have some guidelines as to what they need to do next to protect themselves and the businesses they have worked so hard to create.

Although you come here with the least sexy topics in the world, in my humble opinion, you sure as heck do us right. Thank you so much for spending the time talking about all of this stuff with us.

BOBBY: Thanks for having me on, Amy, it was my pleasure. Again, I kind of enjoy this stuff but I get that this is not the stuff that entrepreneurs really want to be thinking about. Luckily, this is one that once you get it set up you don't really have to think about it again.

AMY: It's true. You know, I've had my business for almost ten years now and I've had it set up a certain way. But, in all honesty, I didn't know these particulars. So it was really good for me just to listen intently, really understand it, and I did think that once I know this I don't need to come back to it. It's done.

But we do need to educate ourselves so I hope that my listeners just take the time to take it all in. We've got to put on our big boy or big girl pants and say, "I need to know this stuff." But once you know you are good to go. You can make the moves you need to make and then go on to the stuff that we absolutely love doing in our business.

Again, thank you so much for this. Bobby, I know we talked about this in the beginning, but one more time tell people how they can learn more about what you've got and work with you in different ways. Give me a rundown.



BOBBY: The best way for people to find me is just at YourOnlineGenius. The website is YourOnlineGenius.com. You can find me on Instagram at [@YourOnlineGenius](https://www.instagram.com/YourOnlineGenius). You can find my business page and then I've got some free Facebook groups, again by searching for [Your Online Genius](https://www.facebook.com/YourOnlineGenius). That's the easiest way to get in touch with me.

I have my law firm, Klinck LLC. If you go to the website, hopefully by the time this goes live this will actually represent what I do but as we're recording it has nothing to do with what I currently do. But, if you want to get in touch with me you can do that.

The easiest way is to find me on Facebook, find me on Instagram, or go to YourOnlineGenius.com and then from there you can start the process of getting in touch.

AMY: Awesome. Fantastic. I know you're going to be back with some more legal wisdom so until then thanks again, Bobby, and take care.

One more thing before we wrap up. I really want to tell you about next week's guest. You're not even going to believe who's going to be on the show. Are you ready for this? Next week's guest is Seth Godin. The Seth Godin!

I am so excited about this one and to tell you the truth, I was so nervous about this interview. I just didn't want to mess up. But, of course, Seth is a complete professional and so incredibly kind. The interview was fantastic and I can't wait until you hear all about it.

I've been following Seth's blog and reading his books since the early days of growing my online business. I am a huge fan. Seth has a new book coming out and we are talking about marketing that is rooted in empathy and generosity.

Because I attract people that lead with their heart, that put a lot of heart and soul into their marketing and launching and messaging (hint, I'm talking about you), Seth's interview is going to resonate with you more than any interview I've ever done.

You definitely do not want to miss it. Because today's episode aired on a Tuesday Seth's interview is coming up in just two days, this Thursday. So join me right back here later this week as I welcome Seth on the show.

I guess I've got one more thing for you. Do not forget to subscribe to my podcast. The minute the bonus episodes go out you will be notified because I don't always email about those. The minute that Seth is on the show you will get notified.



Wherever you listen to this podcast (iTunes, IHeartRadio, wherever it might be) make sure to hit the subscribe button so you don't miss a thing.

Okay guys, I cannot wait to talk to you again soon. I will see you this Thursday with my extra special Seth Godin. Talk to you soon. Bye for now.