

Protecting Assets and Limiting Liabilities

1. Form and use a separate business entity for operations and consider a separate entity to hold long-term assets such as land (Multi-Entity Structure; Silo Example):
 - a. Can form a legal barrier between personal and business assets
 - b. Can be useful in transition as it may offer flexibility in the transfer of operations and retention of long-term assets
 - c. Maintain separate books and records; also avoid, document and account for/reimburse all personal use, maintain a Bonafide business purpose (for-profit)
 - d. Draft, execute, and adopt well-drafted corporate documents and abide by them
 - i. Operating agreement/Bylaws
 - ii. Buy-Sell agreement
 - iii. Lease agreements
 - iv. Employment agreements
 - e. Abide by all state corporate requirements
 - f. Establish a business checking account and financing
 - i. Maintain separate corporate books:
 1. Income
 2. Expenses
 3. Payroll
 4. Etc.
 - ii. Obtain a business credit card and use it for business expenses only
 - iii. Track shared expenses
 - iv. Track the use of personal items for business use and vice versa
 - v. Corporate assets including cash, equipment, bank accounts, etc. are consistently treated as separate from personal assets
2. Obtain Comprehensive Insurance – Property/Casualty, Life, Disability, etc.
3. As appropriate, use revocable (limited asset protection) and irrevocable trusts
4. Make sure all gifts fit the definition of a “completed gift” and file the proper tax forms (if applicable; i.e., 709)