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Time for a Business Check-Up
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David Byrne is an attorney based in Fremont specializing in estate planning, small business, probate and trust administration, and Medicaid nursing home planning. He also serves on Fremont Area Community Foundation's Professional Advisors Board.

We recently sat down with attorney David M. Byrne to talk about how businesses should be set up.

Why would someone need an LLC or corporation?

It is important to protect your personal assets from the debts and liabilities of your business (limited liability). If your entity is not set up correctly, all of your personal assets would be available to pay the debts and liabilities of the business. In order to get the limited liability of an LLC or corporation, there are many hoops that need to be jumped through. It is important to document and act in a way that is clear that your business is separate from your individual and your personal assets. An attorney pays close attention to the details and teaches you what you need to do to minimize the chance that your personal assets could be lost. If there are multiple owners, a properly set up LLC or corporation will protect you from the liabilities of/or caused by the other owners.

What does "limited liability" mean?

Limited liability means that if the LLC is properly set up, the members of the LLC and the assets owned by them are not subject to the debts and liabilities of the LLC.

What is an LLC?

An LLC or Limited Liability Company is a separate legal entity that acts like a partnership or sole proprietorship, but still provides limited liability. An LLC is taxed as a "flow through" entity.

What is a corporation?

A corporation is a formal entity that provides limited liability to its shareholders (the owners of the corporation) and is run by a board of directors.

Can a person file their own LLC or corporation?

Although you can file your own articles of organization or articles of incorporation and your business may be recognized by the State of Michigan, your personal assets are probably still vulnerable to the debts and liabilities of your business. By the time you find out that your business was not set up properly, it will be too late! You could lose your personal assets (those outside of the business) to pay the liabilities of your business.



What about a business with multiple owners?

I recommend that the LLC or corporation with multiple owners carefully define the roles of the individual members, the powers of each member, and what happens when one owner dies or becomes disabled such that he or she can no longer participate in the business, or desires to withdraw.

What if I am selling or buying from a family member?

To make sure that your desires are carried out and to reduce or eliminate any confusion, misunderstandings, or hard feelings between you and your family members, including those not involved in the sale or purchase of the business, it is important that you have an experienced business law attorney prepare the proper documents to protect you and your investment.

Anything else readers should know?

While the reader is meeting with an attorney to set up or update their LLC/corporation, I would recommend that they also review and update their estate plan.