

***Why should a business owner use different LLC's (or corporations) to help manage their risk and exposure?***

First of all, legally speaking, it's important to understand that LLC's (or S-Corps or C-Corps, whichever one you use) are actually their own, separate, "legal persons." This means that, just like you or me, the LLC (or corporation) can actually sue and/or be sued as a separate, legal entity (Note: the only difference between you being your own, legal person and the LLC being its own, legal person is that you, as a human being, in addition to being a separate, legal person, are also what's called a "natural person" who is, medically speaking, an entity that is alive and breathing!). Second of all, as a business owner, it's important to understand the incredible importance of having your various interests owned by various LLC's (or corporations) because doing this, in and of itself, is actually a great way to perform the critical function of risk management. How does it work? Read below...

Using LLC's To Manage Risk

For example, let's say you're a business owner who owns a plumbing company with 50 plumbers, 50 trucks and you own a 5 acre tract of land which contains your warehouse building and your administrative offices. You own all the land, the offices, the trucks and the warehouse building. Accordingly, you'd likely want to separate out your ownership of these various assets in the following manner:

A) You'd want to change the ownership of the trucks from your personal name (or from the one, single LLC or corporation that currently owns everything associated with your entire business) to a different, separate LLC - let's call it "Truck, LLC." By putting your equipment into Truck, LLC, you've separated it from the other assets you own (i.e., the 5 acre tract of land, your warehouse and your administrative offices) so that, if an accident was ever caused by one of your 50 trucks, the other assets won't be exposed or made vulnerable to any claims arising from such truck accident.

B) You'd then do the same thing with your warehouse (i.e., Warehouse, LLC), your administrative offices (i.e., Administrative Office, LLC) and perhaps even certain pieces of plumbing related equipment (i.e., Related Equipment, LLC) which have their own unique, high liability risk factors such as: high voltage generators, tractors, backhoes, lift equipment, etc..).

This way, if any of these different categories of assets ever cause an accident (or are ever involved in an accident), all the other assets in the other LLCs will be neatly protected within their own separate, legal entity. Is this method completely fail safe? No. But it's a great way to begin doing some risk management for your company. Otherwise, the line from that old Buster Poindexter rap song "***Bust A Move***" comes to mind where he says: "***...got no money, got no car, got no woman, and there you are.***"

What My Clients Are Saying

"Starting my own business presented many obstacles and uncertainties. I was fortunate and blessed to have my real estate broker recommend Chris Griswold as a resource for my lease reviews and negotiations. Chris addressed all my questions and concerns with unyielding patience and guidance and helped me secure a strong and favorable lease. Chris you are an exceptional resource and even better friend.... Thanks for all your help with this first location. I look forward to working with you on the next one."

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