



Chris Griswold, P.C.

News From the Firm

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Message From Chris....

I get quite a few phone calls from people starting new businesses. From the questions I normally receive, I wanted to share a few of these good ideas with everyone (and for the benefit of everyone). This is good stuff for everybody to know... (don't forget to click on my Facebook or YouTube links below to also see my short video on this material).

Things To Remember When Starting A New Business

- 1) Get a line of credit established *before* you quit your day job and start your own business (not afterwards when you probably won't qualify),
- 2) If you *don't have a written agreement* with your business partner, then the law deems you both to have formed a general partnership (and hence each of you are liable for the other's acts/omissions and debts incurred),
- 3) If you enter into a business contract (e.g., an advertising contract with the yellow pages for a full-spread ad, to the tune of \$30,000) and haven't yet formed a corporation or an LLC, you'll be deemed a "promoter" in the eyes of the law, and, as such, you will be personally liable for the debt,
- 4) If you form an LLC, another LLC, corporation, business trust, etc... can be members of such LLC. However, if you form a corporation, then only natural persons (i.e., individually named persons) can be shareholders (not other entities like an LLC can use),
- 5) Carry professional and/or general liability insurance on your business. Your personal, homeowner's insurance (and any umbrella upon same) will only cover your personal activities and liabilities, not your professional and business liabilities. So, obtain such policies (and their corresponding umbrellas) in the name of your business, lest you not be covered for business and/or professional claims,
- 6) Get an accountant involved early on. *Why?* People think that being in business is just about earning money and paying taxes; however, it can be more complicated than that.... Filing taxes is an ongoing process when you factor in both federal and State wage withholding reports for employees, unemployment tax withholdings, franchise/business activity tax, and quarterly estimated taxes. These requirements can occur before you file your annual return. Even if you do not plan to hire any employees, you should still be aware of the IRS "reasonable compensation rule" which says that you've got to pay yourself personal income in an amount at least equal to 30% of the gross amount your business produces. Salary pays federal tax, state tax, and FICA tax.... Most of today's LLC and Sub-S Corp's will flow net profit/loss to your personal tax return (schedule K) and will require an additional annual Corporate Tax Return to be filed for your business. The net profit will then be subject to Federal and State tax at your income bracket, and

- 7) Once you've formed a business entity, you need to open up an operating account (i.e., a bank account) in the name of your business. When you make money from operations, you deposit it into your operating account. When you pay yourself your personal payroll, you draw against such operating account and deposit it into your personal bank account (**Note:** you don't commingle the funds from one account with another).

What My Clients Are Saying

"I was referred to Chris from a friend of mine who has used him for years. I have 23 offices nationwide and tons of legal items that I don't have time to deal with myself (nor would I trust just any attorney). What a blessing to find Chris.... Here is someone I know will get it done right, day or night. Chris' good legal services free me up to run the day to day operations of my business with the peace of mind that the legal details are covered; all at an honest, fair price.

Thanks Chris!"

James Gray / President & CEO / Full Circle Financial Group / Oklahoma City, Oklahoma

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