



How to Protect your Assets with an LLC

A Limited Liability Company (“LLC”) can be an extremely useful Asset Protection tool, if constructed properly. The primary purpose of these business entities is to ensure that your personal assets remain safe in the event your LLC falls under legal attack. This handout is designed to provide some tips to enhance the power of your LLC:

The More Members, The Merrier

- It is generally accepted that “single-member” LLC’s (i.e., just one LLC owner) heightens the risk that a court will allow a plaintiff/creditor to “pierce the corporate veil.” This means that your personal assets may not be safe in this case.
- To enhance your LLC’s protection, consider adding additional owners. Fair warning– these owner will be authorized to act on behalf of the LLC (including accessing the LLC’s finances!), so choose additional owners wisely.

Other Ways to Bolster Protection

- To further lessen the risk that a court would find your personal assets available for attachment in the case of a lawsuit, consider the following:
 - Have all LLC owners sign an Operating Agreement. Having a document on hand that lays out the LLC’s information, policies, etc. makes for a more compelling case that the LLC is a legitimate business, which is essential for a court to respect the LLC’s protections.
 - Maintain a separate bank account for the LLC, and be sure not to commingle personal and business funds.

What Does NOT Impact Asset Protection

- The elected tax classification! It does not matter if your LLC is being taxed as a sole-proprietorship, C-corp, S-corp, etc.
- These tax elections impact the way the LLC is taxed, but bares no negative impact on its limited liability nature.

***Disclaimer:** This document is intended for educational purposes only. How this impacts your specific situation cannot be fully determined without a consultation with a business attorney.