

# Sub30k Income Coaching : Setting Up

## A Business Entity

For Real Estate Investing, Its worth having a business (either generating revenue, or a start up) To show legitimate expenses and pay stubs if needed.

Businesses entities not only allow a lot of flexibility in how you structure the business, but your place within it. It offers also reduces audit risks inherently by choosing structures that receive the least amount of heightened IRS scrutiny

### Flexibility That Having Your Own Business Gives You

- Extremely easy to set up online for most states
- Ability to become an "Employee"
- Employees have paystubs that can be submitted to banks for mortgage financing (if structured properly)\*\*\*
- Employees can also get unemployment insurance if they are released due no fault of their own \*\*\*
- You can choose to a salaried, part time, full time, temporary, non -wage earning employees with whatever salary you deem necessary for the business, be that monetary salary or equity stakes (current or future) in your company.
- All these decisions can be made simply by writing meeting minutes and/or drawing up simple documents that state the changes/durations/and nature of changes, and just needs to be signed by management/partnership/officers (which can be you, depending on set up).

**\*\*\*I am not a CPA. Please take the outline of what I am doing as a theoretical discussion, and see how it applies to your own circumstances with a tax lawyer or CPA \*\*\***

## **LLC And Investing FAQ**

**Should I get my LLC before or after I get my property?**

Depends - do you want to put the property in the name of your LLC? Yes. If not, no need. There are actually LESS benefits to putting your property in the name of an LLC vs your own name or trust.

**Should I get an LLC?**

I recommend a business structure, but a Limited Liability Partnership offers more IRS protection and anonymity.

**Should I put the name of my property in my LLC's name?**

Despite all the scare tactics about owning property in your own name, this is less than ideal. You would be much better off putting the property in a trust or estate plan (easy enough if you are paying cash). You have less constitutional rights to property (especially with defaults or tax default confiscation) as a property owner than a business. And, a company won't let you refinance and tap into equity with a property with LLC\*\*\*

## **Types of Business Structures And Recommendations**

**Sole Proprietorship** - High discourage as this has the highest audit rate of all business types and little protection of personal assets.

**LLC** - A nice alternative, and not as audited by the IRS as a sole proprietorship, but is considered disregarded entity for most legal purposes. Although, for business expense purposes, offers a lot more

ways to deduct ordinary and necessary business expenses than a sole proprietorship.

**S Corp** - This gets audited significantly less than the LLC, so offers that form of protection, as well as make it easy to separate the business from the personal assets of the owner. This has a few more legal, procedural and documentation requirements for running than an LLC or Partnership, but is second to a Partnership. You can do an LLC and file as an S Corp (easy to set up the LLC online, and then just file a form).

**Partnership** - These get audited the least of all the entity types, has the least formal procedural and requirements (you don't even have to register a partnership with the state, only the limited nature of it, depending on the state), and has great flexibility on how the Partners will run it. It's great to do this with someone you trust, and make sure you document all business changes. This is the entity type I personally prefer due to its anonymity with the state and lending organizations when applying for mortgage loans.\*\*\*

### **Templates Of Meeting Minutes and Formal Record Of Actions**

Regardless of when you start your LLC, the most **IMPORTANT** part of managing your business is **DOCUMENTING** all items properly!!

For more casual decisions by owners of the businesses, I use meeting minutes, but for more significant changes, I log them as formal record of actions. Get a list of ways to document your investments [with this fantastic book I use all the time!](#)

Example Of Meeting Minutes:

Monthly meeting minutes and activities summary for March 2014

Expense Activities For January:

- Virtual Assistance – build twitter following, distribute blog entries
- software purchases
- Ecommerce shopping cart solution
- Before You Buy Final Editing Expense

Customer Relationship Building

- Responding to all audience question inquiries
- Responding to one – on –one inquiries
- Responding to youtube comments/questions

Total Revenue Activities

- youtube adsense account

Total Business Development Activities

- Creating videos and distributing through blog/youtube
- Interviewing guest contributors
- Marketing Research

Time Spent March 2014: 150 hrs

Signature of ACME LLC Authorized Managing Member(s):

\_\_\_\_\_

Managing Member

\_\_\_\_\_

Date

\_\_\_\_\_

Print Name Managing Member

## Example Of Formal Record Of Actions:

### ACME LLC

#### FORMAL RECORD OF ACTION

The following is a formal record of action taken by the governing body of ACME tments LLC (the "Company"). With respect to the adoption of meeting minutes and documenting business activities within the company, the following resolutions are hereby adopted:

**RESOLVED:** That the Company will be asserting a formal health and wellness program for all employees

**RESOLVED FURTHER:** That up to \$9500 in gym, class, fitness membership, and equipment allowance is allotted to all employees for "on-site" wellness programs, including internet based programs that can be used on-site and on location at the designated office, as well as fitness equipment that can be used "on-site"

**RESOLVED FURTHER:** That all materials specific to each membership is allotted up to 9\$500.

**RESOLVED FURTHER:** All preventative maintenance visits to the hospital will be expensed for all "well woman" exams and any other medical visit classified as "preventative."

**RESOLVED FURTHER:** That all expenses are only for that calendar year, beginning January 1rst, and end December 31rst of that calendar year

**RESOLVED FURTHER:** Allowable expenses will not be carried over and will reset at the beginning of each calendar year.

**RESOLVED FURTHER:** That the officers of the Company be, and they hereby are, authorized and directed to take any and all actions and execute and deliver such documents as they may deem necessary, appropriate or convenient to effect the foregoing resolutions including, without limitation, causing to be prepared and filed such reports documents or other information as may be required under applicable law.

Dated this 6th day of February, 2013

You can do this for the decision to manage the rental property of a house in your personal name, allocate expenses that are directly necessary for your business, etc.

This is ALL you need to know about owning a business - more details on how to incorporate, which entity type, as well as building business credit and even if you SHOULD put your home in an LLC (hint - you shouldn't!) are given more detailed with my coaching clients and/or courses. If this sounds like it makes sense for your business and you want to find out more, we'd love to schedule a call and explore what kind of approach and campaign would generate the best results for you.

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\*\*\*Caveat - more details are required to make sure you structure these actions properly