



# From a Side-gig to an LLC

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# Why start a Business

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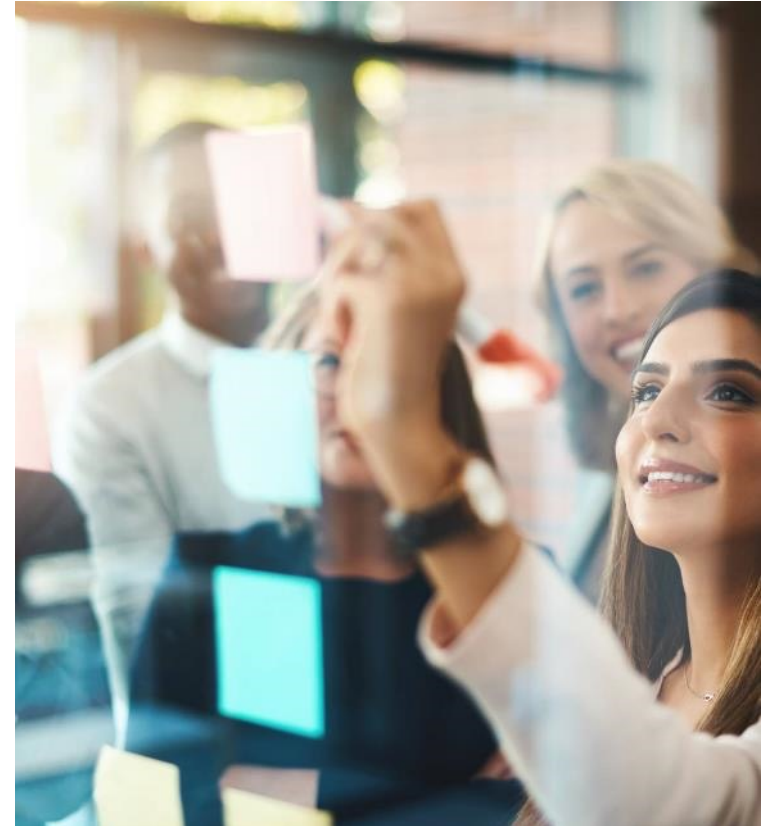
- You've had this talent, skill, or hobby for years, maybe even since childhood.
- Now, you see a potential opportunity to develop a business structure and monetize it.
  - **Decide to use your passion to start a business!**



# Why start a Business

- Many Small business owners launch their companies as a Sole proprietorships in which they and their businesses are essentially one and the same.
- However, changing the format of a small business to a Corporation or a Limited Liability company (LLC) can offer a range of advantages for entrepreneurs.
- Most notables is that a Corporation or LLC protects entrepreneurs' personal assets in case debts or legal judgments are claimed against the business.





# Business Structures



## The advantages of incorporation a small business include:

Corporations and LLCs are both separate legal entities (business structures) that enjoy certain protections under the law and important benefits.

Most people form a legal business structure to safeguard their personal assets.

Incorporating or forming an LLC allows you to conduct your business without worrying that you might lose your home, car or personal savings because of the business liability.

Personal Asset protection

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graph TD; A[Personal Asset protection] --> B[Additional credibility and name protection]; B --> C[Perpetual existence]; C --> D[Tax flexibility]; D --> E[Deductible expenses];
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Additional credibility and name protection

Perpetual existence

Tax flexibility

Deductible expenses

## C Corporation

- Unlimited growth potential through the sale of stock
- NO limit on the number of shareholders
- Tax deductible business expenses

## S corporation

- Elimination of double taxation of income
- Investment opportunities
- Once a year tax filing

## LLC

- Simplicity
- No residency requirement
- Structure flexibility





# Tax Advantages

- Incorporating usually provides tax deductible benefits for you and your employees.
- Even if you are the only shareholder and employee of your business, benefits such health insurance, life insurance, travel and entertainment expenses may now be deductible.
- Corporations usually provide and increased tax shelter for qualified pensions plans or retirement plans.



# Real life example

- Juan is an Uber driver,
- Without an LLC Jose will pay self employment taxes of 12.4% based on all the income as a driver.
- If he decided to open an LLC he can pay taxes as an S-Corp.
- Meaning that he can pay himself a salary and only pay taxes on that base salary.
- So instead of paying \$9,300 of taxes over \$75,000 of revenue, he can pay himself \$30,000 and only pay \$3,720 of self employments taxes.
- With an LLC and an EIN he can create a commercial checking account , build credit history with higher credit limits and lower interest rates.





## Sole Proprietorship

- Owned by a person
- No legal or financial distinction between business and business owner

## Partnership

- Business, financial and legal responsibilities equally divided
- No legal or financial distinction between business and business owner

## Limited Partnership

- Ideal for those interested in raising capital from investors who aren't active in day-to-day duties

## Corporation

- Independent, multiple shareholders
- Appropriate for established business with employees.

## LLC

- Blend of partnership & corporation.
- No personal property at risk
- Less regulation

## Non-Profit

- Earnings pay expenses of company.
- Can apply for "tax exempt" status

## Co-op

- Earnings divided among members
- No external stakeholders
- Members use its services.





# How to start and LLC

- 1. Find your state's LLC laws
- 2. Choose a unique name for your LLC
- 3. Include "LLC" or some variation in your name
- 4. Ensure that your chosen name is available
- 5. Decide whether to trademark your name



# Setting up your LLC

1. Decide how your LLC will be managed
2. File your “Articles of Incorporation”
3. Choose a registered agent
4. Obtain a required business licenses
5. Apply for an employee identification number EIN
6. Open a bank account for your LLC

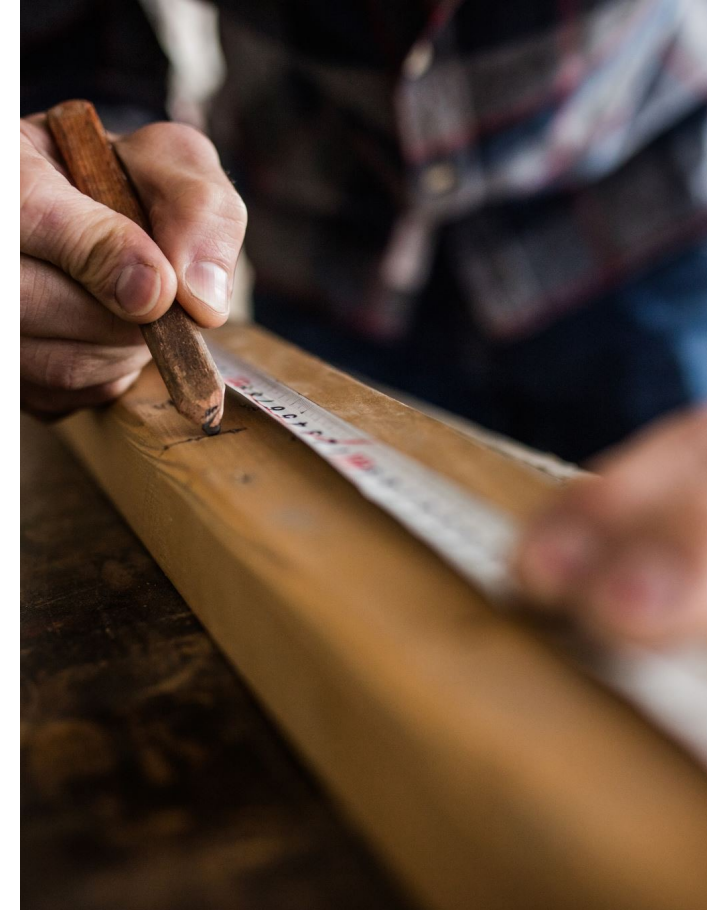


[Apply for an Employer Identification Number \(EIN\) Online | Internal Revenue Service \(irs.gov\)](https://www.irs.gov/ein)

<https://sunbiz.org/>

# Writing and LLC Operating Agreement

1. Protect your LLC by Writing and operating agreement
2. Decide what to include in your operating agreement
3. Find resources







# Thank you

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