

# How to Protect Your Assets As a Business Owner



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Jonathan Kinney

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We often discuss various estate planning tools that can help preserve your assets in the event of a death in the family. It's also important, particularly for those who are business owners, to protect assets during your lifetime.

Most business owners have already structured their business as a corporation, limited partnership or limited liability company in order to protect personal assets from business liabilities. While this is a great first step, in our experience many business owners do not follow the formalities necessary to maintain a limited partnership, corporation or limited liability company as a separate entity. Courts will uphold the distinction between business liabilities and personal liabilities as long as simple requirements are followed. These include maintaining written records of director and shareholder meetings, including issuing stock or membership units, and recording transfers of ownership interests.

Failure to follow the state's annual filing requirements will result in the termination of a corporation, limited partnership or limited liability company. While these entities may be reinstated within a statutory time frame, this is a problem you want to avoid.

When a lawyer brings suit against a business, they're always looking for deeper pockets and most of the time the business owners are those "deeper pockets." Often litigation will attempt to "pierce the corporate veil" – a term meaning that the litigation is seeking personal assets to satisfy business liabilities. However, if you follow the strict rules of maintaining a corporation, limited partnership or limited liability company, personal assets will be adequately protected. However, failure to do simple things such as maintaining minutes of meetings and recording business decisions can lead to undesirable consequences. Failure to maintain a corporation's existence or allowing a partnership or limited liability company to terminate can be disastrous. Although court decisions that actually pierce the corporate veil are not frequent, the consequences can be devastating.

Maintaining separate business and personal bank accounts and credit cards are essential, as are filing separate income tax returns, with the exception of single-purpose entities where the business income can be filed as part of your individual tax return.

While a lawyer or accountant can advise you what to do and what not to do, we continue to see individuals who, because of the rush of time and the other demands, simply do not follow these minimum requirements to maintain their business as a separate legal entity.