**Keeping your LLC Separate From Yourself**

Congratulations! You’ve gone through the exciting process of forming your LLC. (If you haven’t yet established your LLC and its founding, governing documents, check out our free Forming a PA LLC Resource in the [Resource Library](https://www.trellispgh.com/free-legal-resources).) Now it’s time to run your business legitimately. You may have heard the phrase “piercing the corporate veil.” This expression refers to when someone is able to show that you haven’t operated your business as something separate from yourself and because of that they can come after your personal assets in addition to suing your business. Keeping your business operations, assets, and liabilities separate from yourself can help protect you personally from your role as a member of an LLC. Below is a checklist of items to make sure you’re keeping things separate and running a legally legit LLC:

* **Bank Account & Finances.** With the formation of your LLC and filing with the IRS, you will obtain an EIN number. This, combined with your certificate of organization, will allow you to obtain a business bank account. Once you have a bank account, you’ll be able to start managing your business’s finances through there. You need to make sure you’re keeping your business transactions separate from your personal funds.

The simplest way to meet this requirement is to make sure everything you spend for your business is kept separate from everything you spend for yourself. You can use your business bank account only for business purposes. That being said, you can spend your personal money on your business expenses and reimburse yourself, but not the other way around. Any movement of money should be well tracked and organized. We recommend using accounting software and working with an accountant to help make sure your finances are all in order.

**Next Steps:**

* Check out our legal health check-up blog post on [Accounting, Banking, and Insurance](https://www.trellispgh.com/post/your-legal-health-check-up-accounting-banking-insurance) to learn more about distinguishing between your money and the business’ money.
* **Governing Documents.** Having governing documents like an operating agreement shows that you are setting yourself up to truly operate as a business, and it is important even if you are a single-member LLC to show how decisions are made. With multiple members, it’s even more important to explain how profits are divided, what happens if someone leaves or needs to be removed from the company, and how disputes are handled.

**Next Steps:**

* Check out our blog post on [Operating Agreements](http://www.trellispgh.com/blog/2019/1/10/new-year-new-operating-agreement) and feel free to reach out if you aren’t sure if you have one.
* If you need an operating agreement but don’t have the budget for a lawyer right now, download one of our affordable Trellis Legal [Operating Agreement](https://www.trellispgh.com/shop-all?Collection=LLC+Operating+Agreements) templates! Reach out to us if you want help selecting the right one for your business.
* **Business Records.** This one goes hand-in-hand with your banking and finances. Keeping solid, organized records can help show you are operating your business separate from yourself(ves). Keep a record of sales, purchases, returns, tax receipts, any refunds you’ve given, outstanding balances, and more. In particular, you will want to keep a record of any fund transfers, including distributions or reimbursements, between the LLC and the members, even if it’s just you. You also want to memorialize any major decisions of the company through “resolutions” or written decisions of the owner(s). You will want to draft resolutions if you change the principal address of your company, change your tax election, or change anything in relation to your owners.
* **Insurance.** Another way to ensure separation from yourself is to purchase business insurance that will protect you as a business from liability from customers, clients, employees, or any other stakeholder who might bring a claim against something your business has done. Purchase this insurance in your business’ name. If you own or rent property for the business, or have a vehicle through the business, make sure your insurance covers these components as well, such as damage to your space or if one of your employees gets in an accident. Keeping insurance under your business’s name separate from any insurance you have as an individual will show that you intend to protect your business assets separate from yourself. Plus, insurance is always a great first line of defense, just because your personal assets are protected by an LLC doesn’t mean you want all your business assets at risk!
* **Contracts & Signatures.** In any contract big or small you enter into for the business, signing your contract on behalf of the company is important — whether it’s taking on new staff, buying property, or entering into contracts to provide or benefit from services. This shows that the company is the one taking on the responsibility – not the individual. So you will want to do more than just sign your name and make it clear you’re signing on behalf of the business by including your office or role as well as the full business name itself-for example “Marlene van Nelson on behalf of Trellis Legal, LLC.”

**Next Steps:**

* Check out our blogpost about [Contracts](https://www.trellispgh.com/post/your-legal-health-check-up-contracts), or download our free resource which includes a download to our free resource, Contracts 101.
* Visit the [Trellis Template Library™](https://www.trellispgh.com/templates) for all kinds of easy-to-understand contract templates at approachable prices, including Independent Contractor agreements, Client Agreements, and more. We’ll even review the contract you purchase and customize it at a discounted rate.
* **Invoices and Payments.** Make sure any invoice you pay or send out is coming from your business. You can do this by signing as the business, sending invoices on business letterhead with the full name and title, and making payments to business purchases and contractors from the business. Ask for receipts as the business and write them to others as coming from your business.

**Do not commit fraud.** This may sound obvious, but still important to remember. You can’t be using your business to commit fraud – not only is it wrong, but it opens the door to immediately going after your personal assets because the courts are not sympathetic to someone who has tried to cheat the system. Fraud can include false financial reporting, forging signatures or altering documents, embezzlement, authorization or receipt of payment for goods not received or services not performed, and more.

* **Lawyers.** Every business has unique legal considerations specific to their operations so it’s important to seek a lawyer’s advice for your business.

Sometimes both the LLC and you, the person, need adequate legal representation to be able to help resolve issues and advocate for each’s separate needs. Make sure it’s clear whether the lawyer represents you or your business. Your business lawyer will represent the business’s goals and legal needs, but if there is ever a dispute between owners or you have a personal legal issue that involves the business, you will likely need to obtain separate counsel. Remember it’s all about separation ☺