



Jeff Large:

Millions of businesses are started every year in the US. Maybe you're one of those people, but where do you begin and how do you know you're doing it correctly?

Tony Pearson:

Well, I find with a lot of today's business founders entrepreneurial types, as you've done a lot of homework, a lot of people have done quite a bit of homework and you obviously you know your market, you know your industry, you know how to do all of that. So usually by the time I start coming in and we start looking at the legal side of things, it's how do I make sure that I can make those things operate in a way that doesn't leave me with risks that I'm not even aware of sometimes?

Jeff Large:

That's business attorney Tony Pearson. Tony specializes in areas like business planning, corporate law, and commercial and financial services. Today on conversations with a business attorney, Tony and I explore everything you need to know about building the right team of professionals to help you start your business. My name is Jeff Large. I'm going to be the host of this show and I'm also a business owner. I want you to listen for two specific things on today's episode.

The first one is, what advisors and professionals should you hire? Now as a business owner, I know firsthand how important it is to make sure that I'm focused on the right things, that I'm able to save time and that I can avoid making mistakes. A team of professionals will help me do that. The second thing that I want you to listen for is what are the options when it comes to forming a business entity? Now they do matter. You might not know why, but today we're going to explain it.

To begin, one reason you should align yourself with professionals, and this is a big one, is to help avoid any unnecessary risks. The reality is, you don't know what you don't know. Now, depending on factors like your business size, the constituents of your business and other things like this, the size of your risk will vary. Fortunately, the professionals you want to hire is consistent.

Tony Pearson:

The four that most immediately come to my mind are an accountant, a lawyer, an insurance agent, and I'll put as an option depending on where you are and what your knowledge base is in the business world, consulting, business coaching, anything like that, that helps be an outside. Sometimes it's just a mentor, but someone that helps you as an entrepreneur to be able to identify translating your ideas into strong performance.

Jeff Large:

So what are the changing factors that I should be considering as I prioritize those roles to help me?

Tony Pearson:

I think that on the accounting side is a very important one because we're all... When we get into business, at the end of the day, we need to make money and we need to know how we're managing that. Now, some entrepreneurs, one of those variables is that some of them are very



good at that. Some of that come out of the accounting world and they don't necessarily feel a strong need to prioritize that team member because they can make do and cover that as they come along. So that would probably be the first variable I would identify is your own skillset as a business owner and where you might be able to cover some of these.

But having said that, then I think on the accounting side, being able to manage your operations, understand how all of your expenses and revenues fit together to create profits for you and create a return on this opportunity that you've created. That's got to be towards the top priority. But I would say operationally, perhaps even a higher priority is having an insurance agent, having someone that understands your business and gets those policies in place. You start transacting business whether you have assets that you need to protect, whether you have liabilities that you need to protect, and I'm speaking in two realms.

One, you have maybe a bunch of equipment or those kinds of assets that you need property protective insurance for, and on the other side, you're interacting with people in such a way that that may create a risk for you, whether they're coming to a store and could slip and fall. It could be that simple or other ways in which you might accidentally create liability to a third party. Having insurance to cover that as one of your first and most fundamental areas of risk management.

So I would prioritize it in that sense, and having someone that understands your business well enough to be able to help you to find the right product for you is probably a high priority. I don't mean to deprioritize the lawyer for all sorts of right reasons, but I would say those two are a very high priority and your lawyer I think helps you again to manage a structure. I would love it if clients would engage us right from the get go and do all of that.

The truth is a lot of people come and they've been doing business for a while and now they want to bring a lawyer in, help them to restructure, and that oftentimes works for people. Just remember that first variable we talked about, your individual skills. Some people have a lot of experience with these kinds of things and know how they might be able to manage some of those legal risks. Others not so much. The less that you have skills and experience dealing with that, the more I would prioritize just like with accounting or insurance, the more I would prioritize having legal representation. Because, here you go on, you've made investments, you've started operating your business. If you're not great at managing them, having someone who helps you learn how to manage those risks, whether again, it's through contracts, whether it's through creating structures, legal structures to help to protect what you're investing, you're not protecting that flank of risk there.

Jeff Large:

Yeah. I would imagine I see a lot of even the synergy between the different roles. Should I expect my attorney to have an understanding? Because one that stands out to me because you're talking about how a good attorney will often help mitigate the risk or identify liability. Should I be expecting my attorney to help me with things like pointing me in the right direction for insurance or how do those relate interrelationships work?

Tony Pearson:

I think interrelationship is a great word for it. I think there has to be some interactivity both between... I see the business owner we're owners as a hub and they've got this team around them while on the one hand, they by necessity have to be the hub. They're the common connection for those points. I don't think you want to foreclose the wheel conversations. In other words, your various professionals interacting with each other.



Everybody gets a little leery because now it's costing me twice for that conversation because they're both talking to each other. But if you are the hub, as the business owner and you're having one conversation with your accountant and you hang up that phone, and then you go call the lawyer and you try to translate what you think you've heard from your accountant to your lawyer, then get your lawyer's input and then you're going to translate that back to your accountant.

You brokering that conversation can be more risky and potentially more expensive in its own way than facilitating a direct conversation so that everybody knows what everybody's doing to help you and to serve you. So I think it's very interactive and that not every conversation has to be everybody together all the time, but opening up the opportunity for those professionals to know each other, to have each other's contact information and to know that you want them to let you know if there are any points at which they think they should be talking to each other. It may not be all that often, but when it is, it will probably pay you great dividends to allow them to facilitate direct conversation and they can include you in it as well. But taking you out of the position of having to translate all of that professional speak can be very valuable.

Jeff Large:

So let's recap. There are four main roles you're going to want to consider hiring for your business, an accountant, an attorney, an insurance agent, and a coach. Now as Tony mentioned, you are different from other entrepreneurs. Your needs will vary based on your knowledge set, the season that you're at with your business and other variables. So just for a point of reference for me and my business, I started with a business coach and an attorney. Within a year or so, I ended up finding myself a good accountant so I wouldn't have to worry about that piece of it anymore. And then finally I realized that I needed an insurance agent. But what about beyond these four? Are there other professionals that you should consider hiring?

Tony Pearson:

Financial planning. Although not at the heart of the business operation necessarily itself. It is at the heart of the purpose of the business operation, which is to put you and your family in a better position than when you started this whole endeavor. It takes a huge amount of work. You put a huge amount of risk into it, and the whole goal of that is to better your position. Having a financial planner to help you make sure that you are doing what you can do once you take those chips off of the table to manage them in a way for those two to create a return for you and to protect those.

Similarly, a real estate broker, a little bit different, that is probably more operational and there's really the variable there is how important the real estate piece is to you. And oftentimes that will evolve over time and certainly changes by industry. But you could be a startup that operates from home and now I'm outgrowing this. I need to go find a spot. Don't forget that real estate brokers aren't just for purchasing property, but also can be really key in helping you identify property for lease. It goes beyond identifying property for lease.

Realtors can help you identifying appropriate terms, being able to compare and contrast different properties from their experience. In terms of the terms that are being offered by the landlord, the amenities that go with the property, the location of the property. There are so many elements there of leasing that people sometimes think of a real estate broker as only being there for buying property and overlook what a very helpful resource they can be in selecting a place to lease and facilitating that and helping you work through initial terms of a lease.



Oftentimes, your lawyer will get involved when it comes time to review a draft lease from your landlord and negotiate some of those specific terms. But it really starts with someone helping you to identify the market and identify what your opportunities are within the market. And realtors are the very best position to do that and help your team out.

Jeff Large:

Do you have overarching or foundational indicators, questions, qualifications that you recommend to your clients as we're vetting these different types of positions to help us?

Tony Pearson:

I would say that the main starting point for me oftentimes is a word of mouth. Talk to people who you know that have been successful, talk to your mentors, talk to colleagues that you've bumped into that have had experiences similar to yours and start talking to them about the team that they've worked with, what they've liked, what they haven't liked. That will often give you the best indicator as a consumer of those kinds of professional services, what you're looking for that's going to be a best fit for you. Just like in service areas, there's not a one size fits all. Also among the professionals, there's not a one size fits all. Some clients like more of a hands-on approach. Some people like to be the ones who direct and choose where the service should be provided and to what extent. And those all can be very helpful indicators by just talking to other people about what their experience has been.

Similarly, if you have existing team members, talk with them about who they've worked with, who they've found to be good for them to work with. You're putting a team together, you want to know how those team members are going to interact. So having some clues about that oftentimes your best referral sources can be someone who's already on your team. When you're ready to do the next thing, you're ready to get a real estate broker and you've had a lawyer and an accountant and an insurance agent and you're trying to figure out who to pick for a broker. Talk to folks that are going to be interacting with them. Most often they will have some ideas of someone who will be a good fit for you and help you to make those right decisions.

Jeff Large:

So I mean this very much sounds like an appropriate use of word of mouth.

Tony Pearson:

And you don't necessarily have to solely rely on that. It's not inappropriate to ask a professional once you've had that word of mouth if you can have a initial consultation. I typically suggest that you focus more on what your needs are and what their capabilities are and how you'd interact. I'd say that initial conversation I would have focus around making sure you understand how they work, they understand how you work, and that seems like a good relationship. And it's absolutely acceptable and understood that you may have questions about how billing is done, how pricing is set up.

For professionals it may be difficult sometimes to give you an estimate or a quote on pricing. These aren't widgets. It's a service that involves interaction sometimes with third parties. So there might be some things that we can't control, but we can typically provide a range of what you should expect. And we can typically talk about how services might be rolled out over a period of time. You don't necessarily need everything all at once. It might be a progression over a course of time of different services that need to evolve as things go on.



Jeff Large:

That makes sense. And in the same vein, do you have any tips in terms of reviewing performance as time goes on and I would to say especially in regards to when an area is not our expertise?

Tony Pearson:

Yeah. I think that, again, benchmarking a little bit off of colleagues. I wouldn't just go treat your colleagues in business as necessarily being the experts either, but they may have some experience in what they've benchmarked. So especially if you're hitting points of friction, boy, it seems like my rates keep going up. Let me just benchmark that, check around, see what's happening. That is happening everywhere. That's a very common experience. That's part of what goes with this.

As we grow the business, our insurance rates go up or whatever. Okay. Now I understand that. Well, that's how those relationships are and that's how that's structured. That seems appropriate. And I think the other thing I would suggest is anytime within a professional relationship and frankly probably any business relationship that you're sensing a certain friction or uncertainty, having a conversation about it with the professional themselves and hearing how they respond and having some interaction there before it becomes a more frictional friction is always a good idea. And that's a good way of just keeping in touch with how things are going. And it's always okay to ask, how can I be doing things better? What more could you need from me in terms of how I'm interacting with you as a client or a customer as well as what you can do to help me out as a professional.

Jeff Large:

Valid. Do you have any examples that maybe come to mind of people doing this right, of when you've watched success come out of people doing their due diligence and putting together a good team?

Tony Pearson:

Yeah. Absolutely. So I can think of a client who was in a position, he had retired, he had taken an early buyout from a large company, had a large sum of money, was too young to just completely park all of that and put his feet up. Wanted to go put that to work and put himself to work doing business. So he had vetted out and identified a business that he was going to buy. It was a little different than your typical startup. He was in a position to buy that business and get going.

So it was an existing business structure. So that existing business structure had something, of course a team around it. The seller had a lawyer, the seller had an accountant, a seller had insurance agent. So our client had had professional relationship with one of the other lawyers here in our firm, but never had to have a business lawyer before. It was for piece of litigation. Hadn't been in that place before. In his instance he started with the lawyer they had a good relationship with on that litigation matter and said, "Hey, do you have someone that would be a good fit. Understands business issues, would be able to work with my team and do whatever." Yeah. We made that connection. We had a great connection there.

So as he started to piece together his team and as he was vetting things out with the seller after we got through the initial transaction for their existing business, he really liked the insurance relationship that he had. He had a different insurance relationship from the other business that he had been in before he took the early buyout and he was able to compare and contrast and



go back and forth a little bit with those folks and identify who was the right fit for him in that realm. He ended up at least for the time being, sticking with the same accounting firm for that business because they were an intact team. He ended up choosing to continue to use our firm for business work because he felt like that was a better fit for him and his personality. So then we were starting to work on building the relationships and he facilitated that, introducing us with the accounting team there, with the insurance agent that he had and then we started those interactions, started building our own relationships.

In that regard, and I didn't have prior experience with either of those two, but we've had enough interactions working with the client to have built those relationships. Now I think he's got a very solid team that happens to include folks who had some experience with the company that he bought ahead of time and me. So he didn't completely clean house, but he picked and chose what seemed like the right fit for where he was going with the business, and I think it's worked out really well for him.

Jeff Large:

Yeah. It's one of those things where, I mean, you even alluded to in the beginning, I think especially at the beginning, it can be daunting to think about the costs and fees that go along with everything, but at the same time, even for myself running a business for a while, when you partner with the right individuals, the advantages you can get are really truly amazing. So when you build a group of experts around you, just the amount of time even that you save or again, liabilities that you're able to avoid because you are looking out for me just seems very significant.

Tony Pearson:

And you're right, sometimes it's hard to measure because hopefully in many instances you're creating efficiencies, you are doing things more effectively, more efficiently, so your goal is for something not to show up on the balance sheet or income statement. You're trying to save yourself whether it's a liability here or an expense there. There are expenses that show up, I understand, but hopefully at the end of the day, that starts to grow in the equity.

Jeff Large:

Now let me point that out again, hiring professionals to help you can be daunting, especially if you're a new entrepreneur or business owner, but I can't stress this enough. When you find the right partners, the amount of time you save, the amount of mistakes that you're able to avoid and really just the peace of mind that you get, it's completely worth it. So now that Tony and I explored team building and finding the right people, the right professionals to support us, let's step back a little and better understand what our options are for forming a business entity.

Tony Pearson:

So let's take that step back. Our legislature has created, it's a creature of state legislation, various separate legal persons that we can create. There's corporation, there's a limited liability company. There are some others we might get to and talk to, but there is an act that says you can create one of these and we will treat that legally as a separate person from the people that own it. And very critically in the Corporations Act and the Limited Liability Company Act, their specific language that says the owner is not responsible for the liabilities of this separate person. That is at the core of why are we selecting a business entity.



We're trying to protect the liabilities of that operating business person from me as a business owner. I'm trying to insulate my personal assets from that business operation. And again, at the beginning, I'm pretty heavily dependent on that. I'm all invested in that business. I understand that that might seem like financially I'm fully invested, so if that thing goes down, I'm going down too. You might feel that way, but there is a difference between the exposure of your legal assets to the legal liabilities of that business operation that certainly by starting off with that recognized as a separate person, you get off on the right foot and make sure that that operation operates on its own and doesn't have to affect your own personal assets from the get go. So that's the start of it, is it's a separate legal person that can operate and transact business.

Then you start to branch out from there. If you're in certain licensed professions, your entity might have to be a professional entity, professional corporation or a professional limited liability company that then is vetted out and can only be owned by people who have that license. Then you get into, if you want to talk about specifics of what are recognized by the law, the law recognizes partnerships. Partnerships are multiple people coming together with some joint shared risks and shared return on the venture, which sounds like very broad and it is very broad.

But one of the downsides of being a partnership is everybody's on the hook for all the liabilities of the business venture. So most people don't care to be in that situation. There are limited partnerships and we probably see very little of that. And part of the reason we see very little of that is there are some unique aspects to its structure that are a little bit chafing sometimes. There's the limited liability company, which has quite a bit of flexibility and really I think in many respects has replaced the partnership in terms of being your most flexible way of operating. And of course one of the things that we all like about that is that limited liability part of a limited liability company is probably your most flexible entity from a legal standpoint.

Then we have your traditional corporation. A corporation is a fairly formal entity and it then has some restrictions on how it is structured. It has some flexibilities allowed within it, but it's a little bit more rigid, a little bit more compartmentalized in terms of how that is structured. But those are your basic entity structures that you'll often see.

Jeff Large:

How do I go about deciding which entity is right for me and my situation?

Tony Pearson:

And that is a great segue to the secondary level of entity choice. And there are two elements to answering that question that you just asked, I think. One of them is flexibility of the relationship you want to have among your business owners, and the other one is tax considerations. So different entities can have different tax effects under the internal revenue code and under state tax law. So that can be one consideration in how I want to be structured. And the other one, when we talk about that flexibility, we discuss that's about the relationships between whoever are the constituent, I'll call them owners, but there's a lot of flexibility even in what that can mean. Are they voting? Are they non-voting? What return do they get? Are they going to be able to be bought out? Is this a temporary investment, a long-term investment? What's the nature of that relationship?

And there are a lot of ways of accomplishing common goals between the different kinds of entities. But those are probably the two main things that come into it. So to answer the tax question, we're looking to our friends in the accounting realm principally, and there can be multiple layers even within that because it can take into account the various tax positions of the



various owners, as well as the nature of the operation itself. How revenues come in, how expenses are paid, and what might work the best to do that in a tax efficient manner. So that's probably the next layer.

So in very broad terms, something like a limited liability company gives you lots of flexibility in the business owner relationship realm and from a tax standpoint, the internal revenue code allows it to select from a very broad spectrum of tax treatments. It can be its default treatment if there are multiple owners is as a partnership. If there's just one owner, it can even be a disregarded entity and that income just flows through to your personal tax return, like Schedule C income as a sole proprietor. But it can also choose to be taxed as a subchapter C corporation or subchapter S corporation, which has some unique hybrid qualities, a little bit like a partnership, a little bit like a corporation. So there's a lot of flexibility there in how you do it. When you go to be a corporation, you're going to have to choose a subchapter C or a subchapter S, and you've got, again, just a little bit more limited options, but if they're the right fit for you, it doesn't matter. That's totally fine.

Jeff Large:

So there's clearly a lot of nuance to what you're talking about here in terms of how you can make the decision. Could you give us maybe just a very practical or a very pragmatic way of how you see this typically play out?

Tony Pearson:

Yeah. So I have a client that was going to buy into a franchise, a well established franchise. He was going to be a new franchisee. So starting off, he had guidance from the franchisor in terms of what they would suggest based on their experience with other franchisees would be a good tax structure for him to operate under. From there, he had interacted... This overlaps a little bit with our conversation about putting your team together. He interacted with another, probably a couple of different franchisees around the area. They had an accountant that they had used. The franchisor also recommended to him an accountant that was in some other state, but that knew their franchise well. He talked with both of those accountants, ended up using someone who was local here.

But in the course of those conversations had a general vetting from them that based on his situation and the nature of that business, the recommended tax structure was a good one for him. So when he came to me to talk about buying into the franchise, setting up his business entity and so forth, he had a conversation with me about what was recommended to him from a tax structure standpoint. What he had been recommended was consistent with my experience. So there he leveraged his team to make sure he was coming up with the structure that was a good fit for his situation and for the business industry that he was in. And then we went forward and I coordinated after he and I talked. I coordinated with his accountant to make sure I knew which public filings I needed to make to form the entity and what documents I was going to be preparing to create this formal legal separate person and which ones the accountant was going to handle.

Now we had the whole package together and if you will, the new business entity person was born and we had made a good decision on how to structure that through his interaction with those various constituent team members.

Jeff Large:



Do you have any general advice for how much weight I give to either one of those sides? How much do I allow the flexibility to weigh into my decision versus the tax portion of it? Is it just simply what I care more about or is there another rule of thumb I should follow?

Tony Pearson:

If you can find your ideal flexibility point and tax treatment point, we can combine the flexibility of the various entities to accomplish your purpose. So identifying where you want to be on those spectrum or spectra I guess with your professionals. Then let the professionals help you figure out how to put those puzzle pieces together. But most often, again, your LLC is going to give you a lot of flexibility in the relationship between the owners. Corporation is going to be a little bit more rigid, but oftentimes on the tax side you can pick and choose where you want to end up in terms of your tax treatment if you want that flexible entity.

Jeff Large:

That makes sense. So we're talking about a lot of variables in terms of choices, but I also imagine that there's different types of variables say based on my geographical location like what state I live in or different things along those lines. What else should I just be attuned to? What should I be paying attention to as I make these decisions?

Tony Pearson:

There are a lot of ways in which the states have consistency no matter what state you're within. Some of that's because you might be regulated by federal law and that might apply across all 50 states or in many instances the legislatures try to have some consistency within their various state statutes so that there inherently is some consistency as people are doing business across state lines. An example of that would be the Uniform Commercial Code, which covers a lot of things, sales of goods, secured transactions, many other items that, because all of the states try to follow a more or less uniform code, they can make some tweaks to it, but they generally have some uniformity. It makes it much more consistent.

The body of law that we call the common law, that is the doctrine within individual state courts has developed a lot of consistency, not uniformity, but consistency because of a common parent back in English common law they always inherited here in the United States, so there's a lot of consistencies there. But a few areas where you will see differences quite commonly would be employment. There might be some very specific things there. Safety regulations can vary a lot from state to state that has been prioritized by their legislature over the years. Industry regulations, certain kinds of things that need to be licensed or what it requires to be licensed there might be very difficult and cumbersome to get a liquor license in one state and very easy to get one in another state.

That can just vary a lot and don't assume that because you've had one experience in one jurisdiction that when you go over to the next one it'll be exactly the same. That oftentimes will be good information to help you be able to vet out and just don't take too many of those things as assumed to be true. Acknowledge them as assumptions and it'll probably give you a good list of questions to ask about, hey, this is how I've handled this when I operated in Indiana, now I'm expanding into Michigan. Is this still going to be a good way for me to operate? Are there things I need to be aware of?

Jeff Large:



Yeah, that's helpful. So another one that I really feel like I have to ask is, we've talked about all these variables, but is a lawyer actually necessary to get this up and running? Can I just go get my own, say LLC set up and submit for an EIN or obviously I feel like there's a certain amount of bias that you have given your nature, but I do want to... Explore that a little bit. What is a fair answer to that?

Tony Pearson:

You absolutely can. I mean, there are people in this room that have formed their own business entity and you absolutely can do that, and I think the question goes back to one of those very first elements of our conversation. It's about that key variable is, what are you comfortable with as a business owner? What areas do you feel comfortable and confident in information you've gotten from other team members or other experiences that have informed it? And yes, there's a lot that you can do yourself. My caution to you in any of those things is the caution that anyone would have when they're entering into something that they don't do on a daily basis. That is, what is your comfort level in your self-assessment of your capabilities to do that and what your business and your venture and various relationships really require of you.

In other words, are you able to really well enough assess your risk profile and your opportunity profile to be able to manage that on your own? And then do you have the skills and the knowledge to be able to manage what you've properly assessed? If you're feeling really comfortable in that for the scale that you're at and where you are, then by all means go ahead and do that. But understand one other element and that is that you are setting certain things in motion that then if you later are in a different position or you want to change or you made an error in your assessment and you need to modify that, you now need to figure out how you're going to manage that and that might make it more difficult to manage going on in the future. I'll give you a concrete example.

Just had a conversation last week now overlapping into this week with a client that started off had us help him to structure his business, did not consult with us on how to structure employment relationships, ended up hiring a couple of people and figured I'm just going to make them independent contractors and we'll be good to go. That is a very common strategy that people use. There's a lot of legalities around the distinction between employment and independent contractors that I'm not going to get into here, but we will be covering in another conversation. That'll be a good conversation to listen to.

But that person thought he could assess the legal risks well enough and had the tools to manage it best. Came to us because he was going to be taking the next step and said, "Hey, now I'm ready to take these folks on. I think I'm ready to hire employees to compliment these independent contractors." And now we're in the position of needing to figure out how with the assessment that he made and the tools that he had at that time with the folks he had, how to make that mesh with his new workforce and how he wants to get that set up and it's going to be doable. We'll be able to get him there. But however, his workforce was structured, he recognized that this was starting to grow beyond his levels, that he felt comfortable in his assessment and in his tools to manage those relationships.

But it also now has shone a light on perhaps the tools he had to manage the relationships in the first place. Maybe it weren't quite as good as we might ideally hope, we'll be able to get there. It might be a tiny bit more expensive. We might have to do a couple of things different than we ideally would. We will be able to manage that. But some of those questions asked on the front end might've made this transition a little bit smoother later. Its choices. You have to make those choices as you go along as a business owner. You don't have to look back with any negative



feelings. You just need to understand that as you make choices, then that starts to cast things in a certain direction for the future.

Jeff Large:

Great point. Regarding what you mentioned about people helping you on the onset, just a practical question I had is when you are hiring consultants and attorneys and different individuals to help you before the company is even established, how do you organize that from an expense standpoint? Is it just coming out of your personal funds? What's the appropriate way to handle that?

Tony Pearson:

So first and foremost, I would definitely involve my accounting team member in that decision making process because there are some different ways that might have particular tax advantages to you and how you want to get that structured. Might even somewhat be driven by your own personal tax situation as well as how the company is going to operate. But sometimes it can be treated as a capital contribution into the company. You made these expenditures, now the company's going to acknowledge that you made those expenditures that's going to be some of your paid in capital.

It could be a loan to the company, and then we'll have the company pay you back those funds out of operating funds going forward, and we're just going to repay that as a loan. And there may be some other strategies as well. One thing I know I've had with clients that had started off being a sole proprietorship and just were self-employed and then wanted to form a business entity because they were going to grow to that next level. I know there was one specifically that was a landscaper. So he had a truck. He had several items of equipment and tools and he wanted to start off. So we made a contribution of the fair market of value of those assets into the business, had those become business assets. That was his equity contribution into the business. And then he went on forward.

So we didn't really try and bank all of the expenses he had had from multiple years of operating as a landscaper. We just made a clean break. He formed this new business person, this entity, transferred assets over into it and got a clean start on January one of whatever year that was, and off and running.

Jeff Large:

Yeah. Very good. What are the things that you wish prospects and clients knew or thought about a little bit more before they came to talk to you about these types of topics?

Tony Pearson:

I think it's a great question and I think that the first answer that comes to my mind is come and talk to us sooner. Just let us know when you're really putting this into play and starting to be at a point of implementing things. Again, no disrespect to someone who makes their own assessment and says, "Hey, maybe I just made a mistake. I thought this person could be an independent contractor. I thought I had done enough internet homework to make that assessment and I did it and I'm going forward." That's absolutely fine.

But a quick conversation sometimes can help to identify some things that you might not be able to pull out of somebody's blog. A little bit of interaction sometimes can help to vet that out. You should be open to understanding and asking questions about how are you going to operate with me as a professional? Am I getting charged every time I call you or send you an email? How are



you going to work in that regard? But asking the question about how we're going to get there, then understanding when you can ask questions and how to ask those questions and think through some of that. I would just recommend that because it's just like any other relationship, understanding how each other works as well as what each other knows and how we can help each other, that will make everything work better.

So I would say talk to your professionals maybe just a little bit sooner than what you think you need to. You don't have to have all the answers before you call your professional.

Jeff Large:

Tony makes some great points here. Open communication is key. It's okay if you don't have all of the answers. If your team of professionals are a good fit, they're going to help you figure out those things along the way. The last thing that we need to consider, it's better to have a team in place before anything goes wrong and you really need them.

Tony Pearson:

Knowing one's own skills and what you're great at, that will get you far and knowing what a team member can help compliment to what you bring to the table, that's where you can really leverage those opportunities that you have created for business and manage those risks.

Jeff Large:

Big thanks to Tony Pearson for sharing his time and wisdom on today's show. If you are considering starting a business, or maybe you already have and you still need to find your professional attorney partner, consider contacting Tony or one of his peers. You can learn more at rhoadesmckee.com. That link will be in the show notes. Conversations with a Business Attorney is a project from Rhoades McKee and it's produced by Come Alive Creative. Special thanks to Rachael Workman, Isadore Nieves, Elaine Moore, and everyone who helped make this episode possible. I'm your host, Jeff Large, and if you have found this episode helpful, please make sure you share it with all of your inspiring entrepreneur and business owner friends. Thanks.