

← Back to Original Article

IN BOX

An LLC may not be appropriate for your project

December 15, 2009 | By Karen E. Klein

Dear Karen: I am writing a screenplay and plan to shoot the film next fall. When should I open the LLC?

Answer: Unless you are seeking private investment, there's no need to form a business entity immediately, said Jeffrey Unger, founder of EMinutes, a law firm that focuses on small-business and entity formation.

"We have so many situations where the LLC is formed, the plans fall apart, and then the entrepreneur is stuck with the LLC. This is particularly true in entertainment," Unger said.

If you are raising outside money, consult an attorney about forming a legal entity and complying with securities laws. Also ask whether an LLC, or limited-liability company, is appropriate for your project: "In California, LLCs are the most expensive choice, and we use them as the entity of last resort," Unger said.

More information on LLCs is available on Unger's website at www.eminutesonline.com/should-i-form-an-llc.

If you file your paperwork during the last 15 days of the year, 2009 won't count as the first taxable year for your business and you won't owe the \$800 annual franchise tax that California requires from corporations and LLCs until 2010, Unger said.

Choose franchise that fills a need

Dear Karen: I'm interested in opening a franchise. Which ones are most successful right now?

Answer: Businesses that fill a need rather than a want continue to grow even in an economic downturn. "Look for something that people will need, no matter what. If your plumbing goes out, you're going to fix it," said Catherine Fox-Simpson, a partner at tax accounting firm BDO Seidman.

Franchises with start-up costs of less than \$100,000 are popular now, said Garth Snider, president of FranchiseOpportunities.com. He also identified home-based and second-income business opportunities among the best-performing franchises of 2009, along with franchises that provide in-home care for the elderly.

Fox-Simpson recommended that you attend the annual convention of the International Franchise Assn., a who's who of franchising. The gathering will be held in Texas in February.

Take a holiday break if possible

Dear Karen: How do I keep my company going over the holidays when all of us want to take time off?

Answer: For many companies, the holiday weeks are a good time to give employees a break. With so many other firms closed or operating on reduced schedules, service firms aren't likely to be hurt if they open with a skeleton crew or close entirely for a few days.

Studies show that entrepreneurs do not take much vacation time and have difficulty juggling family and work schedules. If you can, take a mental health break yourself. Or use your quiet office to meet with key managers and plan for 2010.

Record answers to frequently asked questions on your company's voice-mail system and have customer-service calls forwarded to you or a designated employee, said Kevin Baker, product marketing manager of My1voice, a phone service designed for small-business owners. You can also have voice mails and website inquiries routed to your smart phone, Baker said, freeing you up to hit the mall or attend holiday parties.

Got a question about running or starting a small enterprise? E-mail it to inbox.business@latimes.com or mail it to In Box, Los Angeles Times, 202 W. 1st St., Los Angeles, CA 90012.