

## **Business Formation**

### **1. The Name of the Formation you are selecting.**

Limited Liability Company - LLC

### **2. Your Business Name**

AK Design LLC

### **3. Pros of your selected formation.**

- It is more flexible. Allowing business owners to create a structure tailored to the business owner's requirements.
- There are fewer compliance issues. An LLC doesn't need to have an annual meeting and isn't required to have a board of directors. Moreover, there is less paperwork and recordkeeping required compared to a corporation.
- Ability to place membership interests in a living trust. Members of an LLC are free to place their membership interests in a living trust.

### **4. Cons of your selected formation.**

- There are additional taxes. Some states require LLCs to pay a franchise tax or capital values tax.
- There is less structure. The lack of strict requirements for governing the business could mean problems down the road unless a detailed operating agreement is in place, which requires additional upfront costs such as attorney fees.

### **5. Reflection summary of why you think this is the best formation for you.**

I selected LLC for my company formation because the purpose of an LLC is to shield the business owner from personal liability for the company's debts. In addition, I can avoid double taxation. Double taxation usually occurs when an entrepreneur chooses a Corporation business structure. An LLC is taxed more like a sole proprietorship. Another benefit of the LLC structure that is the best fit for a startup is that once you have set it

up, there is not a need for a lot of sequent maintenance. Moreover, it is easy to add new partners or sell the interest to someone else. This is more relaxed than the Corporation business structure. Generally, it is best to have fewer restrictions on administrative items.

Works Cited:

LLC: Pros and Cons of a Limited Liability Company, Andrew L. Wang, Jul 28, 2017

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