

KH LAW NEWS

The Edge on Today's Top Legal News

October 2006

PEEK INSIDE... IF YOU DARE!!!

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-  Do it the Right Way
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Setting Up Your Business: What Ownership Structure is Going to Work for You?

There are many angles to consider when starting a business. Laying the foundation is the most important part of the process. To readily prepare for your business start up, you must decide on an ownership structure that best suits your needs.

Business ownership structures are sole proprietorships, partnerships, corporations, or limited liability companies (LLC). Selecting the choice that most effectively fits your needs involves consideration of the following factors:

Risks and Liabilities

Is it important to you to protect your personal assets from the liabilities of the business? If so, you must next consider what types of liabilities your business could have. If your business will engage in activities that could physically harm another person, or his/her property, your business may be exposed to future lawsuits. The first defense to such potential suits is to obtain a thorough liability insurance policy with adequate coverage. The second defense is to choose a business ownership structure such as a corporation or LLC. Corporations and LLCs offer their owners a corporate shield that protects the personal assets of the owners from the lawsuits of the business.

Formalities and Expenses

If you are looking for an easy setup process and are not concerned about liability issues, the choice of business structure would be either sole proprietorships or partnerships. Such ownership structures do not require any special forms to be filed or payment of any fees to get started with your business. It is always a good idea, however, to have a thorough Partnership Agreement drafted which describes the owners' responsibilities when entering into a Partnership.

In most cases LLCs and corporations are more expensive to start up and slightly more difficult to maintain. This is because there are specific legal requirements that must be followed in order to obtain the corporate shield.

Income Taxes





Sole proprietorships, partnerships, and LLCs are comparatively even when it comes to income taxes. All profits and losses pass through the business to the owners. The owners will report their share of the profits, or deduct their share of the losses, on their personal income tax returns. A corporation can be exposed to double taxation and typically is faced with a higher income tax rate. However, some corporations can qualify for an election to pass their income through to their shareholders.

Investment Needs





Corporations provide a built-in stock structure. This benefits the business owner because it creates more opportunity to attract investment capital. Corporations may also raise public capital by making a public offering of shares. LLCs can also be structured to issue ownership interests for investment purposes.

Krueger & Hernandez SC has assisted numerous individuals with their business and corporate needs. Whenever you go into business with another individual, it is critical that a written agreement be entered into. The time to sign such agreements is at the beginning of a business venture. The investment of thoroughly exploring your business ownership options and entering into well drafted documents gives the return of financial security. Remember an ounce of prevention is worth a pound of cure. Call us toll free at 1 (800) 431-9776 to schedule a consultation today!



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 DEVIANT DERA JOHNSEN
 EERIE ELLEEN SHANKS
 BONE-RATTLING RENEE NEHRING

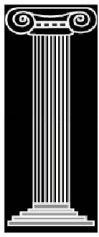
HAVE A SAFE AND HAPPY HALLOWEEN FROM ALL
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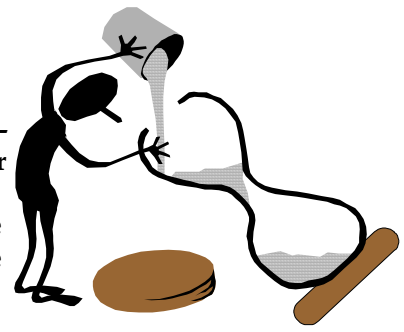
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**KRUEGER &
HERNANDEZ SC**
Attorneys at Law

IT'S TIME FOR A CHANGE!

You may have noticed that our name has changed! Krueger & Hernandez SC will continue to offer you quality services within our four branch locations while maintaining all of our current areas of practice. This change exemplifies our continuing effort to provide you with the best legal representation.



Do it the Right Way

Doris Duke was born into wealth. Her grandfather, George Washington Duke, and then her father, James Buchanon Duke, built what became a dominant player in the tobacco industry. By the dawn of the 20th century, the American Tobacco Company was so successful, it was one of the twelve original companies comprising the Dow Jones Industrial average when it originated in 1896. It's dominance in the tobacco industry was so great that it was broken up in an antitrust suit around the time Doris was born. You will probably recognize some of the brands sold by the American Tobacco Company or its successor companies: Marlboro, Camel, Kool, Winston, Salem, American Spirit, Lucky Strike, and most major recognizable brands of cigarettes sold today.

In 1924, Doris' father set up an endowment of \$40 million for Trinity University in Durham, N.C., in honor of his own father who had given generously to the institution. The President of the university renamed it in honor of the philanthropic family who had supported it so generously: Duke University. He also set up a couple of trusts, of which Doris and any children of hers would be beneficiaries. Doris was twice divorced and had no children. She later adopted Chandi Heffner, a 35 year old Hare Krishna. Even though Doris later wanted to disinherit Chandi, this later ended in a dispute.

Doris died in 1993 with approximately \$1.3 billion in assets. You can see her Will at this link: <http://www.courtTV.com/archive/legaldocs/newsmakers/wills/duke.html>. But, after her death, there were several disputes. One of the disputes involved Chandi, who settled with the trusts for \$65 million. Another dispute concerned Doris' executors. She had named her butler, Bernard Lafferty, who was barely literate, and United States Trust Company, as her executors. The court supervising the estate removed both of them because Bernard had squandered and mis-used the funds and U.S. Trust had failed to reign him in.

What can you learn from Doris' mistakes? First, name appropriate people to serve in important positions. A barely literate butler, while perhaps a faithful employee, is not appropriate to manage a billion dollar enterprise. Next, Doris' affairs did not have to be public. Doris could have chosen to use a revocable living trust. With such a trust, her affairs would have remained private.

Whether you have a large estate, like Doris, or a more modest estate, like most of us, a qualified estate planning attorney can help you achieve your goals and help you avoid making the many mistakes that Doris made.

Attorney Michelle T.L. Hernandez has extensive legal experience in the area of estate planning and is an active member of the American Academy of Estate Planning Attorneys. To schedule your free consultation today, simply call (800)431-9776.



This month's Terrifying
Testimonial screams the
praises of
Michelle T.L. Hernandez!

**Mr. Henry Hinnendael, "was very well satisfied with
all aspects of (their) relationship!"**

Thank you Henry for the kind words, and
congratulations Michelle on another job well done!

Our Bone-chilling October
birthdays are none other than...

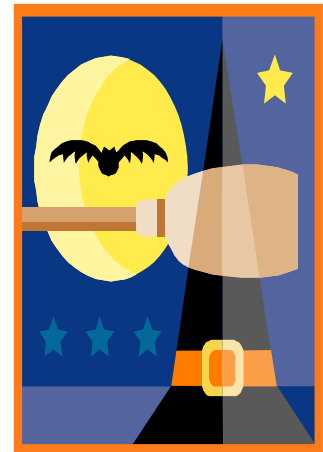
Freaky Fawn Lawton

10/25

~and~

Hair-Raising Renee Nehring

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