

On Your Terms Episode 134:  
At What Stage Should I Legally Form My Business?

**Sam Vander Wielen:** Hey there. It's Sam Vander Wielen. And welcome back to another episode of On Your Terms. I hope you had a really nice 4th of July. Mine was pretty low key. We've been wrapping up all of the construction at my house, all the gardening, and stuff we've been working on for over a year. So, frankly, just some quiet time at home with me and Ryan and Huddy just sounds perfect. So, that's pretty much what I did. But I hope that you had a good one.

I'm really excited to dive in because today we are talking all about at what stage it's really right for you to get legal protection for your business. So, this question was from one of our listeners. They submitted a question asking, "At what stage of the business building and planning process should a solopreneur mindset life coach in the just getting started phase of business who has no audience, no list offers, or market reach yet, but is still really active on social media apply for, like, an EIN number, get a business address, a business bank account, form an LLC, et cetera?"

So, that's a really good question, and technically speaking, my answer is yesterday. Kidding kind of, but not really. So, first, we have to clear up one big myth out there that when it comes to legally protecting your online business that you're supposed to wait until your business makes money, or has a lot of followers, or has a lot of clients, or even a client in order to do something to officially start the process of forming or legally protecting your business.

The truth is that legally protecting your business has nothing to do with how successful it is today. Instead, I want you to think about it differently. I want you to think about two things. One, are you ready to take on a client if somebody contacted you? So, if somebody responded to an email of yours, if somebody reached out to you from a friend of a friend, or they visited your website, or wrote back to your social media post, would you be ready to take them on? Are you marketing your business already? Don't focus on how successful you feel the marketing has been, but are you marketing it.

The second thing I want you to ask yourself is where do you want your business to be six months or a year from now. And would that kind of business that you envisioned six

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months or a year from now, would that kind of business need legal protection?

If the answer to number one is yes, or to the second question about where you want your business to be six months or a year from now is somewhere better than here, then you need to do the following four things.

You need to, number one, form your business. So, that means register your business in your state, like get an LLC sole proprietorship, whatever it is that's best for you. I can link to a prior episode down below in the show notes about episodes I've done on how to form your business, about LLCs, when to register, all that kind of stuff.

The second thing that you're going to do is set up a business bank account. You do that after you form your business because you need the documents that you get when you form your business in order to set it up.

The third thing that you'll do is get a client contract or terms of use or whatever it is, depending on what you're selling, if you're selling a service or a product or a program, you basically need a contract of sorts, whether people are actually signing something or they're checking off something at checkout.

The fourth thing you'll do, this one, you're going to wait really until right before you work with any clients or right before you start selling things, and that's get business insurance. So, the business insurance is kind of the only one where I always say, like, it's good for you to wait until you're just about to launch. But if you're marketing and stuff already, you still want business insurance in place. I'll link also to some business insurance episodes that I've done before because business insurance deserves time on its own. We can dive in and talk about that in a deeper way.

Now, ideally, these steps would be the most important part of your startup budget and at least one of the most important parts of your startup budget. Because without them, without taking these steps, you can't really get started on building the rest of your business. Like, you want to start a website, well, it should be in the name of your

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business. You want to take on clients, you should be taking them on the name of your business.

And I know that some people tell you like, "Don't worry about this stuff, just get started. You don't need anything." It's not true in the sense of, you know, whether or not you're legally protected. So, yes, you can just start and not worry about any of this stuff. But you do need to know the reality of the situation is that you are legally exposed. Whether you choose to take that on or not, that's totally up to you. But there's no get out of jail free card for not having legal protection in your business because you're new or because you're not super profitable yet, or because you didn't have a big budget.

Unfortunately, the legal steps are part of starting a business and they are what's going to be required in order to protect yourself. So, I know that budget can be really tight when starting up. I completely respect that and I was there. I remember I sold a lot of my stuff on, like, Poshmark and thredUP and eBay, and I took on another part time job just to fund the start up of my business. I scaled back majorly on my expenses. I started stashing away money. I was selling things. Like I said, I was doing little side projects for people, all kinds of stuff.

So, I do have loads of free resources for you to just get started, and I want to make sure you know where to find them. So, the first thing that I would do after listening to this episode, if you're overwhelmed about the legal steps that you need to take to protect your business, is to go to Episode 7 of On Your Terms and that's where I break down the starting steps, kind of the four steps that I broke down earlier in this episode.

The second thing I'd recommend you to do is to download my free legally legit business checklist, and that way you can use that as a guide to knock out these steps with me by your side. And last but not least, if you want to dive in and hear me further explain all the steps that you need to take to legally protect your business in a really simple, straightforward way, watch my free legal workshop, Five Steps to Legally Protect and Grow Your Online Business. I'll drop the link in the show notes for you to sign up. It's completely free.

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And I've got you if you're ready to dive in. If you need any contracts or policies, any of the things that I've laid out for you in this episode, I've gotten all the legal templates that you need and the Ultimate Bundle Program that gives you all the legal templates that you need, plus all the video support you need for learning how to form your business, how to protect yourself with clients, run courses, all kinds of things. So, you can check all of the things out in the show notes.

I hope that this episode was helpful. And with that, I will see you on Monday.

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