

## Garret Sutton Podcast Show Notes

Michele (Host): [\(00:00\)](#)

Greetings entrepreneurs. I want to welcome you to another episode of savvy-preneur podcast. So why don't you go ahead and grab your favorite beverage and meet me back here.

Michele (Host): [\(00:47\)](#)

Well, greetings entrepreneurs. I'd like to welcome you to another episode of savvy preneur podcast and today I have a special guest with me. His name is Garrett Sutton and let me give you just a very brief interview, a brief overview of his accomplishments, and then we're going to get into this podcast because I believe he has some really great information for us entrepreneurs regarding our business. So Garrett Sutton is a corporate attorney, a separate section expert and bestselling author of 10 books. He has sold more than 850,000 books to guide entrepreneurs and investors for more than 30 years, Garrison and has run his practice assisting others in protecting assets and maximizing financial goals. The companies he's founded, corporate direct, and Sutton law center have helped more than 10,000 clients protect assets and incorporate businesses. Garrett is a member of the elite group of rich dad advisers for bestselling, for the best selling author Robert Koski. I'm hoping I said that right. So I want to welcome Garrett Sutton to savvy-preneur pockets. Welcome.

Michele (Host): [\(01:55\)](#)

Okay,

Garret Sutton : [\(01:56\)](#)

thanks Michelle. Pleasure to be with

Michele (Host): [\(01:58\)](#)

I am so glad that you're here because I have a lot of questions to ask you based on us entrepreneurs who maybe are starting out in our business and some who are maybe a little bit into it but have not set it up right. So what do you, what do you, what advice do you give to an entrepreneur who is determining to start business but don't know what entity to start when they're starting out?

Michele (Host): [\(02:23\)](#)

Garret Sutton : [\(02:24\)](#)

right. And unfortunately you don't teach this in school, Michelle, so you're not, you're not aware of this when you get started. And the government gives us a few choice, uh, we can operate as a sole proprietor. There's really not much you have to do in that regard. , but you have no protection. So if your start out as a plumber and something goes bad as a job and you're a sole proprietor, everything you owe, not only your plumbing equipment, truck and tools and all is exposed, but you could lose all of the equity in your, your bank account, everything. So that's

the bad way to get started. Same with it. A partnership, you shake hands with someone and your partners on a deal and you're responsible not only for your own mistakes but his mistakes. So we don't want to be partners in a deal. The government gives us these good choices, corporation and LLC, limited liability companies. And in some cases we use limited partnerships or LPs. But Michelle, right now, most people when you give them the choice, they form LLC's because they have great asset protection and they can be taxed however you want. Some people want flow through taxation, some people want S-corp taxation. And we can go into what that means.

Michele (Host): [\(03:46\)](#)

Yes

Garret Sutton : [\(03:47\)](#)

or C Corp taxation. But you just have a lot of flexibility with the LLC. So that is kind of the entity of choice these days.

Michele (Host): [\(03:56\)](#)

Okay. So my question based on, to piggyback off of what you just said, so when an entrepreneur, we're saying, okay, should I choose sole proprietor or LLC and they are looking to protect their assets. So they're looking to protect their personal assets at that point when they're choosing an LLC Is that correct?

Garret Sutton : [\(04:16\)](#)

Right. So we have two types of attack. if you're running a business and someone sues the business for a mistake you made, they can get what's inside the yellow lead, their claim as against the business. They can get what's inside the LLC. We're not going to have a lot of money inside the yellow sea. You're going to flow that money through to you. in terms of salary and distributions. the second type of attack is from the outside where you get in a car wreck and it has nothing to do with the business, but they'd like to get it at the business asset. If we're formed in the right state, it's hard for them to get through and force a sale of the assets. Now for business, like we said, you're not going to hold a lot as assets in there. But for real estate, you know, when you buy a piece of real estate, a duplex, you know, attack number one applies, the tenant could get what's inside the yellow Z. So we don't want 10 properties in that one LLC because they could get all this on the outside attack.

Garret Sutton : [\(05:22\)](#)

You get in a car wreck. It has nothing to do with the real estate. Uh, so they want to get inside of that LLC. And depending on what state you're in, some States are weak and some States are strong, you'll have better protection if you use a strong state, uh, for these, uh, asset holding LLC. So, in most cases, Michelle people are using LI C's and they set them up right at the start,

Michele (Host): [\(05:49\)](#)

right? So now I've been doing a little research and and you're just the person that gave me the answer on this because is there a difference in a single member LLC and a multi member LLC? Because if someone starts out their business and they're just, you know, a sole proprietor, it's just one person and they, you know, put LLC as their entity. So when they want to bring on other people, will that change your tax status? Like how does that work?

Garret Sutton : ([06:18](#))

Well, first of all, the single member LLC in some States does not have the best asset protection or that for example, does not protect the single member of the one owner of a Florida LLC. Nevada and Wyoming on the other hand have said, we're going to protect every type of LLC, whether it's multiple members or there's one member or even a single members. So the choice of state as important. Now let's say Michelle, you have a single member LLC and, and we have a special operating agreement, the operating agreement, kind of like the bylaws roadmap for how you operate. The LLC will have a special operating agreement for a single member LLC. Then you want to bring a board, a partner and at that point it becomes a multiple member LLC two or more. And we changed the operating agreement. It's very easy to do it. And, for a multiple member LLC. So there's a lot of flexibility here and it's not that hard to change things if we need to.

Michele (Host): ([07:27](#))

Now with a single member LLC, are they required to have officers are like how does that work with them just being the sole person of the business?

Garret Sutton : ([07:38](#))

Well the, the LLC says you can have a single member LLC and the in an LLC we have what are called managers, not, well, not like a corporation where you have president, secretary, treasurer and board of directors. And LLC is all we have. We have one level of management and it's called the manager. And so you can be the single member manager of your single member LLC.

Michele (Host): ([08:07](#))

Okay. So now when entrepreneurs, cause I know with myself certain, you know, things that when I'm looking to do certain things online, we have all of these like legal services popping up online. So you just figured, okay, well I can go on and online and do certain things. Is there a risk to doing business with legal services online?

Garret Sutton : ([08:28](#))

Yes. Okay. Then you, you know, you wouldn't believe Michelle, the horror stories I've seen, you know, um, we've tested some of these services, you know, for \$99, you'll get a complete LLC and you get back two pages. One is the, , articles of incorporation that they filed with the state. the second page is the invoice. so not enough. You need to have an operating agreement, which I mentioned for example, legal zooms, operating agreement is six pages and it doesn't cover all the gamut of things that can happen. Ours is 30 pages. So you have to be careful on

some of these online services as well. You know, not every operating agreement is going to be tailored to your situation. Right. You know, the, the one size fits all doesn't work, if you have somewhat of a unique situation, which is why, you know, we get on the line with people, we actually talk to people. you know, we, we will, you can call twice and we'll talk to you twice.

Garret Sutton : [\(09:38\)](#)

So, you just have to be very cautious of these online services. For instance, some of them will, you know, offer these great deals and taken a lot of people and then go out of business. You have hired them to be your registered agent, which every entity needs and all of a sudden they're gone. And if you get served in a lawsuit with the job of the registered agent is do accept a lawsuit. If you get served and they're out of business, you wont get notice of that lawsuit in which case someone can hold the, you know, get gets the claim asserted against you on a default judgment default, meaning it didn't show up. So you want a business that's going to help you, set up the entity and importantly maintain the entity and provide the right registered agent service. You know, you want a company that's been in business for a while to do that for you. Cause there's way too many fly by night operators in this business.

Michele (Host): [\(10:41\)](#)

Wow. That, that is really great information. So what would an entrepreneur or someone who's in business who maybe went that route, what can they do to kind of, you know, get their paperwork in order? Like what, what would be, you know, the thing that they can do the correct that?

Garret Sutton : [\(11:00\)](#)

Well we have a a free service, we'll get on the line with you for a free 15 minute console. You can call (800) 600-1760 and if you have set up an entity and you're kind of worried that you don't have an operating agreement, you don't have the minutes of the first meeting, you know the record of what happened at the first meeting. You don't have the membership certificates, the stock certificates issued. If the IRS comes calling, they want to see those membership issues or issues. So if you don't have everything in order, Michelle, we'll clean it up for you. Right. Don't tell anyone, but just call us and we'll clean it up for you.

Michele (Host): [\(11:40\)](#)

Yeah, so that is so you know, great information because what I believe is what does an entrepreneur need to know as far as going into when they are looking to incorporate their business under an LLC? Like what is the guidelines to say this? This is the paperwork that you need to have in order to know that your business, you know, you have some legal standing. So what does that type of like checklists or do you have that where they would actually know, okay, this is what I need to protect myself.

Garret Sutton : [\(12:12\)](#)

Right. Okay. So on our website we have the checklist, it's corporate direct.com, but just real quick here on the line. So you need the operating agreement. that's the road map. You need the

articles of incorporation for a corporation or the articles of organization for an LLC. And that the document that's filed with the state and that's all they want. They don't want a bunch of extra documents. They just want that two page document that says we are applying to get a charter with the state. and then they'll send it back with a stamp on it saying you're, you're in business. And then once that comes back, we do the operating agreement. We do the minutes of the first meeting. we issue the certificates, we help you get an EIN number, which is an employer ID number. It's kind of a social security number for the business.

Garret Sutton : ([13:10](#))

And you can't open a bank account without having without having that number. So we can help you get that number from the IRS because you really have to operate through a corporate or LLC bank account. You can't operate through your own bank and you know, and then we'll be the registered agent for the first year. That's included in our package price. And then every year thereafter, it's \$125 a year. And that's the service where someone's going to Sue you. They come to our office, not your place of business, but our office and serve the lawsuit. And then we call you up a meeting and leave as soon as we get a service, we're on the phone with you because you've only got 30 days to answer that complaint. So we want you to be notified very promptly of this. But you know, most of our clients don't get sued, but you, they still need to have the registered agents to be, in good standing with the state.

Michele (Host): ([14:09](#))

That's, that's great information. So what is it that you see, like what mistakes do you see, you know, entrepreneurs getting into when they start in their business besides maybe not putting the right entity as far as like starting out with sole proprietor. Like what are some other things that you see mistakes they make?

Garret Sutton : ([14:29](#))

Well that's the big one is starting out Michelle would, you know, thinking I'm going to get to the LLC later and you get into business and with the crush of commerce, you never get around to doing it for that whole time. When you operate as a sole proprietor, you're personally responsible for everything. So if you've done that, it's not too late to set up an LLC, a you call (800) 600-1760 we'll set it up for you. But other mistakes include, as we mentioned, not having all the corporate paperwork. And then you need to know that you have to, you have to maintain this corporation on an annual basis. You have to pay the state every year. In most States you've got to pay. In Wyoming, it's \$50 California is \$800 you've got to pay the state every year. You've got to have minutes of a meeting once a year. And, people say, well, geez, I mean I'm on my own LLC, I have to have a meeting with myself, but you have to do it and we can do a checklist and we'll prepare the minutes for you. If you want to maintain that LLC, you have to pay the state fees have a registered agent and you have to do minutes at least once a year showing that you're following the corporate formality.

Michele (Host): ([15:53](#))

Well, I only have a couple more questions to ask you, but this one is kind of veering off of the entity part, but it's in this time a lot of entrepreneurs are basically doing business online and they are either have digital products or physical products. So what do you speak to or say that can be something that we can be aware of, especially when we are selling internationally. Are there any laws or anything regarding that that we can kind of not know and get in trouble for?

Garret Sutton : ([16:26](#))

Yeah, if you're selling online or really doing anything online, Michelle, the first thing you need is cyber liability insurance, and your, your, you're a real estate. I mean, your insurance broker will know what that is. and here's the thing, the government doesn't go after these bad actors, the hackers and all. Instead they say, Oh, you are hacked. It's your fault. Right? So it's just not fair. I mean, the government should be going after these bad actors. I think they should have, you know, cyber bounty hunters to go after these guys. But the government doesn't go after him. So your at fault and you're responsible to all your clients if there's a breach. So you get insurance that will help cover you, in that case. So your listeners should ask their insurance brokers if they're doing anything online about cyber liability, insurance.

Garret Sutton : ([17:25](#))

then the question is, you know, where are you doing business? You're doing business online. Uh, but let's say you live in Georgia and you're going to pay yourself a salary in Georgia, right? That's where you live. Well, your LLC, let's say you have a Wyoming LLC, but you pay yourself as a Georgia resident, your Wyoming LLC, really doing business in the state of Georgia because you have an employee there, you. So we pretty much should qualify to do business to qualify the Wyoming LLC, which we'd like for the asset protection, qualify it to do business in the state of Georgia. So you're following Georgia's laws.

Michele (Host): ([18:08](#))

Okay? Now I need to understand that. So you're saying that you can form an LLC in another state and live somewhere else. Wow. I never knew that

Garret Sutton : ([18:19](#))

constitutional right to travel issue. You have the right to set up in a state that you choose. Wyoming and Nevada are the best. but if you're doing business in another state, say you're, , you have a piece of real estate and you're collecting rent South Carolina, you have to qualify to do South Carolina. You rent an office building in, , Illinois. Well, you're doing business in the state of Illinois. We gotta qualify there. We help people with this all the time. It's not that much of a burden. We just want to make sure that you're following the rules and paying your taxes where you need to pay them.

Michele (Host): ([19:01](#))

Right. Well, that's the, that's the most important. And with that statement, I'm going into the next one. What steps should an entrepreneur take to reduce their risks or to eliminate their risk of being audited?

Garret Sutton : ([19:17](#))

Well, you know, an interesting Michelle, by setting up an LLC or corporation, you're reducing your audit risk by five for five times sole sole proprietors are on it is five times more than LLCs are. So you know, and look at it from the IRS position. The IRS says, okay, if someone's a sole proprietor, they really don't care about their business that much because if they were an LLC they cared about their business and litigation, they'd be an LLC. So the IRS says, look, if you're a sole proprietor, maybe you're fudging on the edges, maybe it's not a real business. And that's the low hanging fruit for them. They are, they collect a lot of money from people who operate as sole proprietors. Don't do it right with an LLC, you know, it really helps to have a bookkeeper to have a CPA that helps you with your taxes, you know, just to do it right. So that is a great way to reduce your audit risk is the operate through an LLC and have accounting professional help you with your tax return.

Michele (Host): ([20:28](#))

Wow. Well I thank you so much because you gave such great information. Is there anything else that you want to add or any other tips that you want to give us and also your website and where we can find you on online?

Garret Sutton : ([20:44](#))

Sure. So, again we have a free 15 console with one of our incorporating specialists. You can call 800, 600 1760 at this. See if it's a fit, we'll get you some information. We'll give you a quote. I want people to know exactly what everything costs at the start. And then on an annual basis, we have a lot of information at our website, corporate direct.com and we have a newsletter that goes out every month where we keep you up to date on what's happening in our world of asset protection. and then a final tip, Michelle, is, you know, it's great that people are starting businesses, you know, American needs people to start businesses and invest in real estate. So you know, you're doing a good thing and let's just make sure you're protected right from right from the get go. Uh, so that, you know, not only are you and your business protected, but your family's protected and you know, you get a good night's sleep at the same time.

Michele (Host): ([21:44](#))

Yes, I definitely agree with that. And I thank you so much, Garrett. We've had a little trouble in the beginning, but I thank you so much that we were able to get through this podcast because I think this information is so valuable to entrepreneurs out there is also valuable to me. So again, I thank you for being on savvy preneur podcast.

Garret Sutton : ([22:06](#))

Great. I'm really glad that we got this technical difficulties fixed. Michelle and I was able to be here today with you

Michele (Host): ([22:14](#))

so you have a great day and um, I'm going to follow up with you on your website because I definitely want to know some more about the information that you provided today.

Garret Sutton : ([22:24](#))

Great. I appreciate it. Take care.

Michele (Host): ([22:27](#))

You too.

Michele (Host): ([22:28](#))

Well that is going to wrap up another episode of savvy-preneur podcast and I hope that you've learned some great tips for your business because the information that Mr. Sutton has given us is very vital to our business, especially if we're serious about our business. So you can go ahead and visit his website and again that web address is corporate direct.com and he has great information on there to help you as an entrepreneur to make sure your assets are being protected and he also has a 15 minute free consultation call. So go ahead and take him up on his offer so you can make sure to put your business in the proper protection that it needs. So have a great day and I will be with you on the next savvy-preneur podcast.