

NEWS & INSIGHTS

Why using a law firm for business formations can save time and cost less than an online legal service

BY: [DENEAN M. RUSSO](#) | [INSIGHTS](#) | [ARTICLE](#)

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Starting a new business or formalizing an existing one is a critical process that can be difficult for owners to navigate on their own. With today's technology, people are turning more and more to web-based legal resources such as LegalZoom.com for do-it-yourself legal documents and services instead of seeking the advice of an experienced attorney. Users are inclined to believe that forming a business online will be easier, faster and less expensive; however, that is not always the case.

Critical business start-up decisions

First, choosing the type of entity to be formed requires consideration of a number of factors that an experienced attorney can provide guidance on, such as ownership, liability, taxation and governance. Then, the start-up company must file appropriate organizational documents (e.g., articles of incorporation, certificate of organization, etc.) with the applicable state authority, and adopt governance documents (e.g., bylaws, shareholder agreements, operating agreements) suited to the owner's circumstances. Often overlooked is the importance of choosing a name that not only is legally permitted and available for use in the jurisdiction, but also is mindful of trademark considerations.

[Legal Considerations When Starting a Business](#)

Form documents and other resources available online are generally a good starting point but require careful review and further customization to meet the specific needs and goals of the business owner. An experienced attorney can provide legal counsel to ensure that the organizational documents satisfy state law requirements and are prepared properly from the beginning and help you avoid potential issues and additional costs in the future.

Case study in “shortcuts” and “savings”

Let's assume that Andre P. Neur, a Pennsylvania resident, wants to form Example LLC expeditiously in Pennsylvania. A visit to a web-based resource will require Andre to enter the following information, which seems easy enough:

- name of the new business
- state of organization
- type of business (i.e., consulting, florist, etc.)
- whether there will be employees hired

The website boasts packages starting at \$79 plus the applicable state filing fee. However, the next step in the process supplies information that would be confusing to a first-time user such as appointing a registered agent for an additional cost. In multiple places on the site Andre visited, appointing a registered agent was noted as being extremely important and strongly encouraged, promising peace of mind if you pay \$159 with an annual renewal. What Andre doesn't know, and the website doesn't explain, is that using a registered agent is not required in Pennsylvania. Under Pennsylvania law, only a registered address (which must be a physical street address) is required, and Andre's home address or business address would be sufficient. As a result, Andre will unnecessarily pay \$159 for the service, which will automatically renew each year if not cancelled.

Next, for an additional cost of \$159, the site offers to prepare an operating agreement and obtain a federal tax identification/employer identification number (Tax ID/EIN). Note that the operating agreement included in the package is a standard form document and is not customized to account for Example LLC's or Andre's specific management requirements or constraints.

Finally, the fastest filing service offered is an elite package that guarantees Example LLC's Certificate of Organization will be filed and processed within 7-10 days for the fee of \$349, plus a \$160 Pennsylvania administrative filing fee. Again, what Andre doesn't know is that without expediting the filing, a Certificate of Organization can be submitted online with the payment of a \$125 administrative filing fee without the necessity of incurring any additional delivery/postage expenses and, typically, it will be processed and returned to the filer within 7-10 days. If filed in person, it would only cost an additional \$100 and be processed within 24 hours.

Cost comparison

In this example, Andre will pay approximately \$1,450 to the website for a simple single-member LLC formation with a guaranteed turnaround time of 7-10 days and five years of unnecessary registered agent services. This does not include the cost of hiring an attorney to correct errors that Andre may make in using the on-line services.

On the other hand, most law firms, including Saxton & Stump, offer flat rates for simple business formations and the preparation of organizational documents that are less than what Andre will pay using the online service. These law firms can also complete the formation in less time than that promised by the online service. So, not only can Andre have the peace of mind knowing that his business formation was done correctly by an experienced law firm, but he is likely to save time and money doing so! For businesses with special needs or multiple owners, it is always recommended to seek trusted legal counsel to prepare documents on the front end that will help protect the company and owners and set them up for long-term success.

Saxton & Stump attorneys [Denean Russo](#) and [Kathy Granbois](#) are available to discuss your business formation needs and provide you with an estimated cost if you're weighing the option of using a website service. Our [Business and Corporate Law](#) attorneys are knowledgeable in nearly every industry which enables us to provide reliable and practical advice to entrepreneurs seeking to launch a new business.

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