



**The Step-by-Step
Guide to Legally
Forming Your Health &
Wellness Business**



AFPA

HEALTH, NUTRITION & FITNESS

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The Complete Guide to Legally Forming Your Wellness Business

So, You're Starting a Wellness Company

Congratulations! You're embarking on an exciting new challenge.

There's nothing more exciting than the prospect of **working for yourself** and running your own business.

What's more, by being part of the wellness industry, you can work independently while improving your clients' quality of life. Breaking into the wellness industry can pose many challenges and raise plenty of questions about how to build a business from the ground up.

We're here to help! In this e-book, you'll find everything you need to start legally forming your wellness business.

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Section 1: Getting Started

Every day, you will have three big motivations to keep you moving forward: doing what you love, being financially successful, and helping others.

The services you provide contribute to a healthier world. You're giving clients a chance to be the best versions of themselves and even add years onto their lives.

It's a bonus that the wellness industry offers plenty of opportunities to start a lucrative business. In 2018, it netted a market worth [\\$4.5 trillion](#). This goes to show that there are plenty of opportunities to make some serious profit.

You can list off the overwhelming positives of this venture for hours on end. But don't let yourself think it's about doing good while making easy money.

Starting a business in the wellness industry poses many challenges.

Keeping up with industry trends, honing into target markets, and staying ahead of your competitors will undoubtedly test your mettle. But these are battles you'll face as you gain experience and learn the ropes of the industry.

The first hurdle you will need to overcome is how to form your business legally. If unprepared, it is an initial hurdle that can leave many aspiring wellness business owners overwhelmed and panicked.

An Honest Look at the Challenges of Starting Your Wellness Business

If only starting your business was as straightforward as having a good idea and people coming to you by the hundreds to invest in you.

Unfortunately, getting off the ground can be as confusing as it is frustrating. There are several steps you must follow throughout the process, and, for better or for worse, there is a lot of red tape you need to respect. Governing bodies have varying expectations that can leave your head spinning.

As a wellness professional or entrepreneur, you must perform due diligence and do what's necessary to set yourself up for success. Complying with government standards is a must. Failing to do so will leave you vulnerable to serious legal troubles that could result in the failure of your business.

Luckily, we're providing you with a breakdown of everything you need to know about starting your wellness business with as few headaches as possible.

Why Do You Need to Form Your Business Legally?

Remember, you aren't just forming a business; you are creating a business in the wellness industry. This means you have to be aware of the legal regulations and guidelines around forming a business, but you also need to be mindful of what you can and can't do when your business has the potential to affect people's health.

The first step moving forward is to register your business legally. This helps you avoid and effectively manage legal actions in the future and also provides better credibility for your wellness center.

In this next section, you will learn what you need to know about how to form your business.





Section 2: To Incorporate or Not to Incorporate?

You must choose the most appropriate business structure to protect your assets best. More pressing is the fact that the structure you decide on dictates **how and when you'll file taxes**. There's also the matter of the **necessary business licenses** you must acquire to operate legally. Plus, you'll need to know **what you can deduct as an expense**.

What Are the Two Business Structures You Can Choose?

You can choose between incorporated and unincorporated business entities. The main distinction between these two choices is how you complete your taxes.

Depending on your wellness business's needs, you'll need to make a choice. While the information below will help you choose, we recommend talking to an accountant, consultant, or lawyer on how to figure out your ideal course of action.

Breaking Down Unincorporated Business Entities

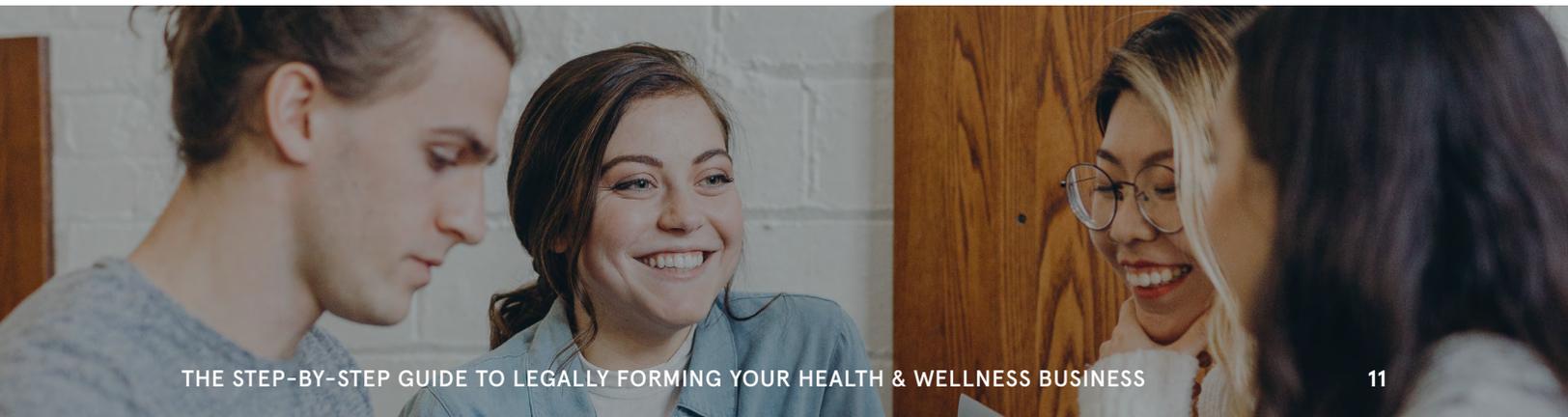
Sole Proprietorship:

- It's the least expensive and most straightforward path toward starting and running your wellness business.
- A sole proprietor's business isn't a taxable entity, meaning your expenses, profits, and losses are encompassed in your annual individual tax return.
- On top of other personal taxes, sole proprietors pay a self-employment tax.

Partnership:

- This manner of filing is for businesses that involve two-plus owners that operate a business.
- There is a limited partner and general partner.
- Limited partners are investors, and general partners are responsible for day-to-day operations.
- Those involved in partnerships are taxed as individuals.

Deciding not to incorporate can keep things relatively uncomplicated. Yet, the structure will limit your earnings and the ability to turn a profit.



Breaking Down Incorporated Business Entities

C Corporation:

- This is the kind of corporate structure utilized by most publicly traded companies with shareholders.
- C corps protect business owners from personal liability.
- These corporations are the most expensive entity when it comes to filing and upkeep.
- Because of the far-reaching tax implications, C corp owners must focus on detailed record-keeping, internal processes, and pinpoint accurate reporting.

Choosing to file as a C corporation is probably too much of an undertaking if you're just starting your business.

S Corporation:

- S corporations, or subchapter corporations, offset many of the extensive taxes incurred by C corps.
- Owners of this kind of organization can pay themselves a salary on top of the dividends associated with profits.
- Individual personal assets are protected by filing as an S corp.
- S corp owners file taxes on their income tax return on top of a separate business tax return.
- Owners can deduct pre-tax expenses.
- Bylaws, issuing stock, initial/annual director/shareholder meetings, and meeting minutes with corporate records are all necessities for S corps.
- On top of being filed with the state, S corps must also be filed with the IRS.

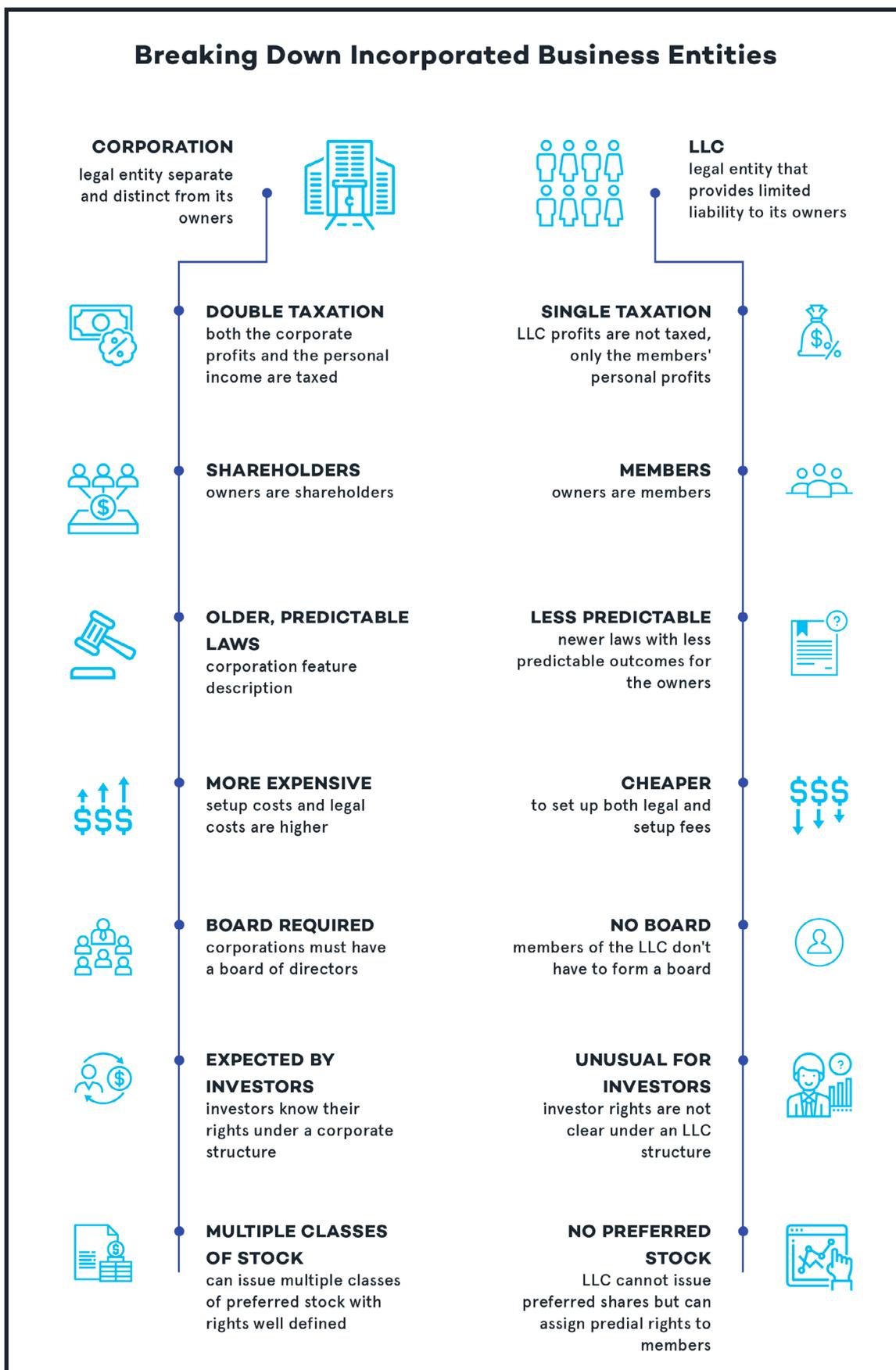
This kind of corporation is suitable for your wellness business if you feel it suits your business model.

Limited Liability Corporation (LLC):

- LLCs are often looked at as hybrid corporate entities. They essentially fuse elements of corporations with those that are found in sole proprietorships or partnerships (depending on the specific structure you choose).
- This structure is best-suited for medium-risk to high-risk businesses.
- An LLC is also ideal for owners wishing to protect significant personal assets. It may also be suitable for individuals who want to pay fewer taxes compared to other corporate structures.
- Tax options are relatively flexible. The LLC members will pay a 15.3% tax fee. The members can deduct half the value of self-employment tax from their gross income (after adjustments have been made). You can also choose to use a corporate tax structure for your LLC.
- It's possible to deduct pre-tax expenses.
- There are the added conveniences and money-saving factors of many states allowing LLC owners to file online.

There's reason to champion the virtues of filing as an S corp for your wellness business. But an LLC combines a more straightforward process than S corps with liability protection that doesn't exist for sole proprietors.

An LLC structure is the preferred choice for most wellness businesses.



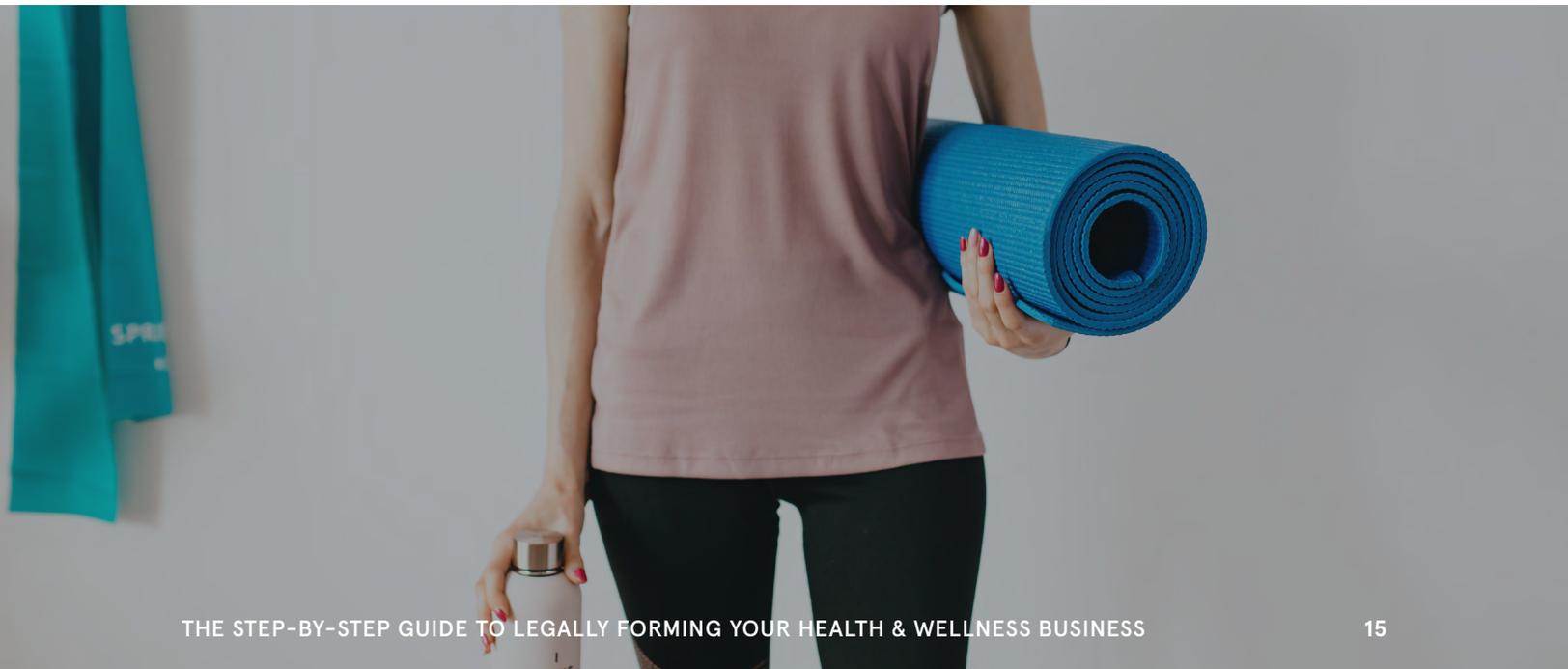
Why Are Most Wellness Businesses Formed as LLCs?

Reason #1: Asset and Liability Protection

In the grand scheme of things, filing as an LLC for your wellness business offsets many liabilities while protecting you and your assets. With this structure, you will not be held personally responsible for losses. Your business, as an entity, will suffer such consequences and be held accountable for paying debt, legal fees, and other costs.

Reason #2: Opens You Up for More Success

When you choose an LLC structure for your business, you open up more opportunities for the company to grow, hire employees, and take on other “members,” which are business owners. Members can be other individuals or other businesses—this opens up unique growth opportunities, even if you start small.



Reason #3: More Profits

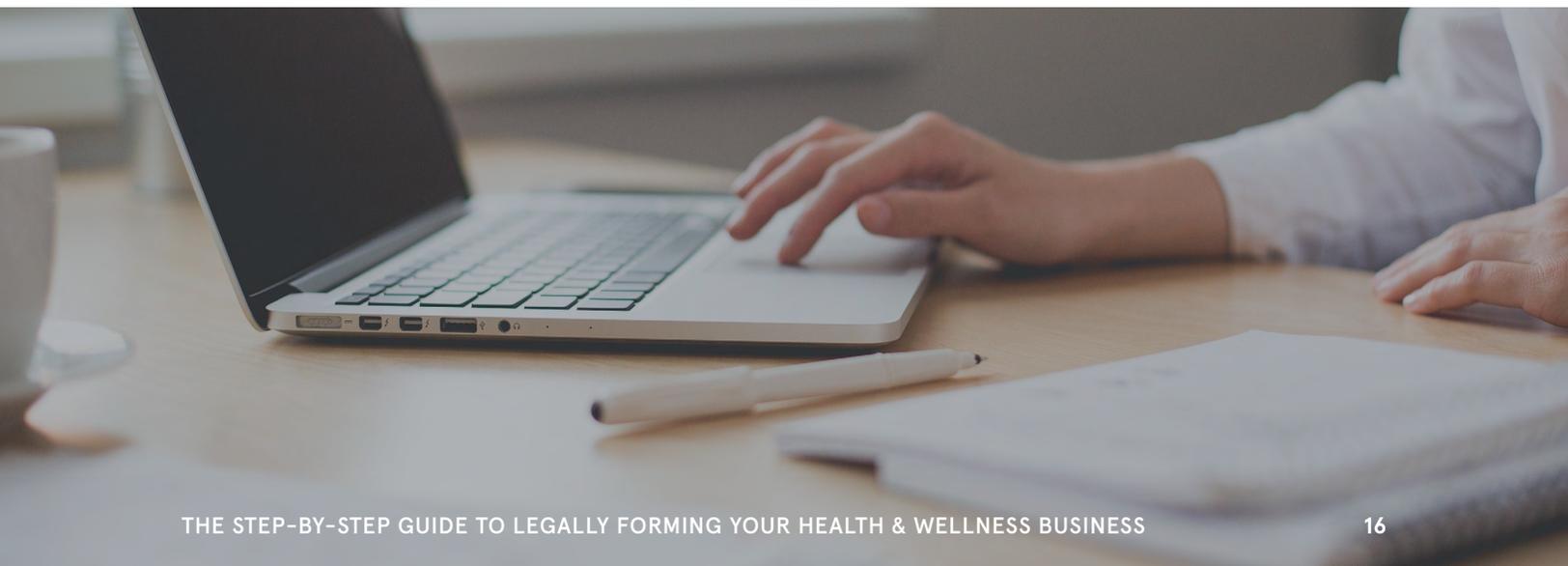
When you compare building your business as an LLC with carrying out business activities as an unincorporated entity (like offering individual services), business income is taxed less. This means more profit and more opportunities for business growth.

Reason #4: Flexibility Around Management

Many other incorporated business structures generally keep owners and managers separate. With an LLC, you can be a member (owner) while still managing your wellness business. This means you (and other members if you decide to bring them on) can offer your services directly as an LLC while also being the primary decision-maker.

Reason #5: Light, Cheap Paperwork

Filing for an LLC is relatively cheap—between \$50–\$500 depending on the state. The paperwork is not extensive, and you can usually get it all together within a couple of days. Best of all, you can do it yourself and save on hiring a specialist, so you can put your investment toward equipment, inventory, or software you'll need for your business to function.



In Summary...

While there are different legal structures you can form your wellness business under, an LLC is often considered the preferred option. This structure helps to reduce personal liabilities from your side and may also make your business seem more attractive for potential partners. This is a structure that the majority of entrepreneurs entering the wellness industry follow—and it has been working for them.

Several advantages come with the formation of an LLC business structure if you are a professional trainer. You get certain benefits in regards to tax payments. It also sets you up for future expansions, as you would not have to change your business entity type if your company starts growing. Consider that you may want to seek legal advice to assist you in making your decision.



Section 3: Registering Your Wellness Business as an LLC

Step 1: Name Selection

In most states, you have to have a unique business name. A few states may allow duplication, but, generally, it's something that doesn't happen.

What does this rule mean?

If there's a company called "Rocketfuel Wellness, Inc." that already exists, you can't name your business "Rocketfuel Wellness, LLC." Even if both organizations aren't located in the same city and are registered with different legal structures, you will likely have to choose a different name.

The suggested practice is to go online and peruse the **names of existing businesses** before you file your LLC paperwork. It's the quickest way to find out if you can use your desired name.

Ensure that you double-check your state's restrictions on this matter. Keep in mind that, in many cases, your wellness LLC might not be able to have a name that merely resembles another business. You should think of something unique and unlike anything else in your state. This way, you will avoid trademark infringement claims.

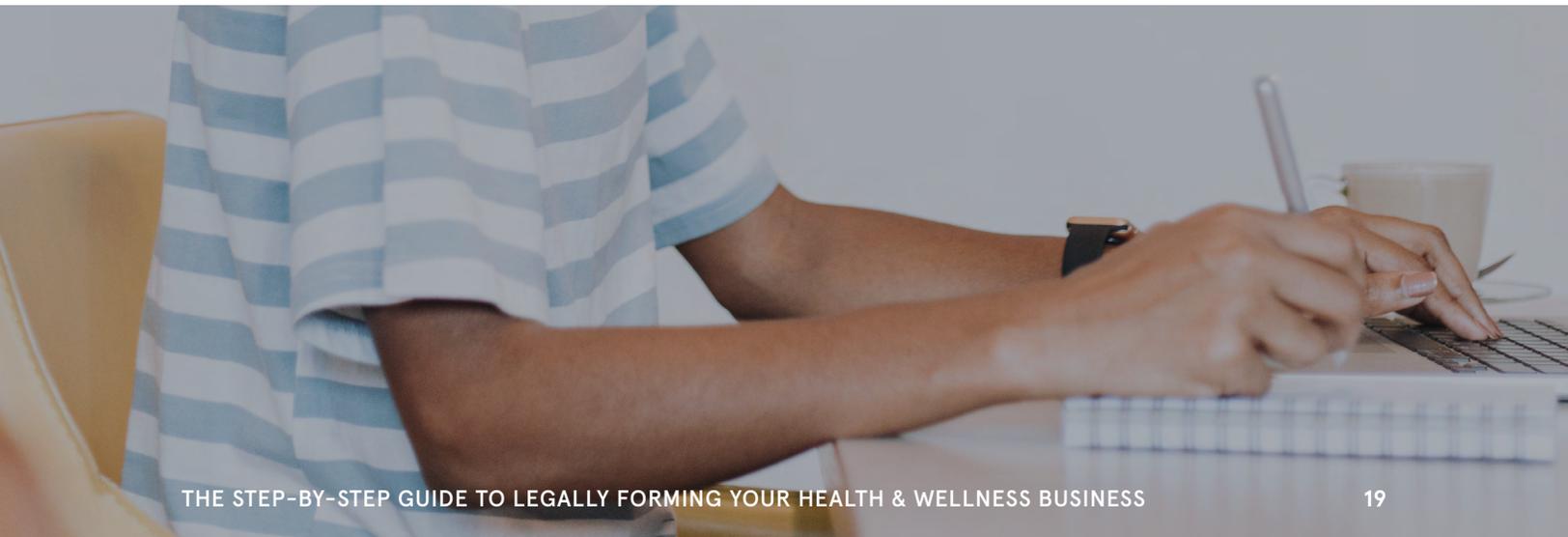
Also, considering the digital economy's prevalence, you'll want to investigate if there is an online domain that matches your wellness LLC's name.

Step 2: Name Reservations

This step is entirely optional—but it might prove valuable.

You might not be prepared to file your LLC documents at the exact moment you find your ideal name. So if you're in love with a name you've thought of, reserving it is a wise move and is allowed by almost every state—provided you pay a name reservation fee.

It should come as no surprise that the length of the reservation, renewal policies, and filing fees differ from state to state.



Some things to keep in mind:

The name of your business must be unique and different from others that have been previously registered. There are also a few rules you have to follow when deciding on a name—it cannot promote a service that will not be offered, and often you are not allowed to have the name of an individual that has no direct relation to the business. For example, you will likely be unable to name your business NutritionPlus if you don't offer nutrition services, and you won't be able to name your gym the Arnold Schwarzenegger Muscle House.

The name for your business cannot be perceived as offensive.

The name should also include a corporate structure tag. If you decide on an LLC, your business name will have a corporate indicator in the form of "LLC" at the end of it.

If you are not sure if your name is valid, there are a few resources that can be used. [USA Corporate Services, Inc.](#) is a good example of such a service provider. The company can help to see if your ideal company name is still available.

[The U.S. Small Business Administration](#) offers a lot of helpful resources that you can use at this point. They will also point you to an appropriate counselor and business registration services provider in your local area. This will allow you to determine the methods to use if you want to reserve your business name with the appropriate authorities in your state.

Step 3: Choose a Registered Agent

Registered agents, or statutory agents, are a requirement in nearly every state across the US.

These people are legally qualified to receive official documents on behalf of your LLC in case it is involved in a lawsuit or a subpoena. Your agent would then pass such a document onto the appropriate person (likely you) at your wellness organization.

The majority of states allow anyone 18-plus years old to be a registered agent, which includes a member or officer of your LLC. In addition, companies exist that—for a fee—provide registered agent services.

Can you be your own registered agent? Yes, but if you're short on time and have the funds, hiring a separate registered agent can help lighten the load.

Outsourcing the workload of registering your business and related tasks will save you time so you can focus on the creative aspects of building your business. If a legal problem does come up, you know you have a specialist who can help you take care of it.



There are a few registered agents that you can choose from. [The US Registered Agents Network](#) provides a wide range of representatives that can help you form an LLC and other corporate entities throughout the United States. This company also ensures all of their services are affordable and can refer you to the right people if you need further assistance or have more tasks to outsource to professionals.

[USA Corporate Services, Inc.](#) also offers you access to registered agents that can help if you need to outsource the formation and registering processes of your wellness business.

Other registered agents that you can consider:

- [Legal Zoom](#)
- [INCORP](#)

Step 4: Put Together Your LLC Operating Agreement

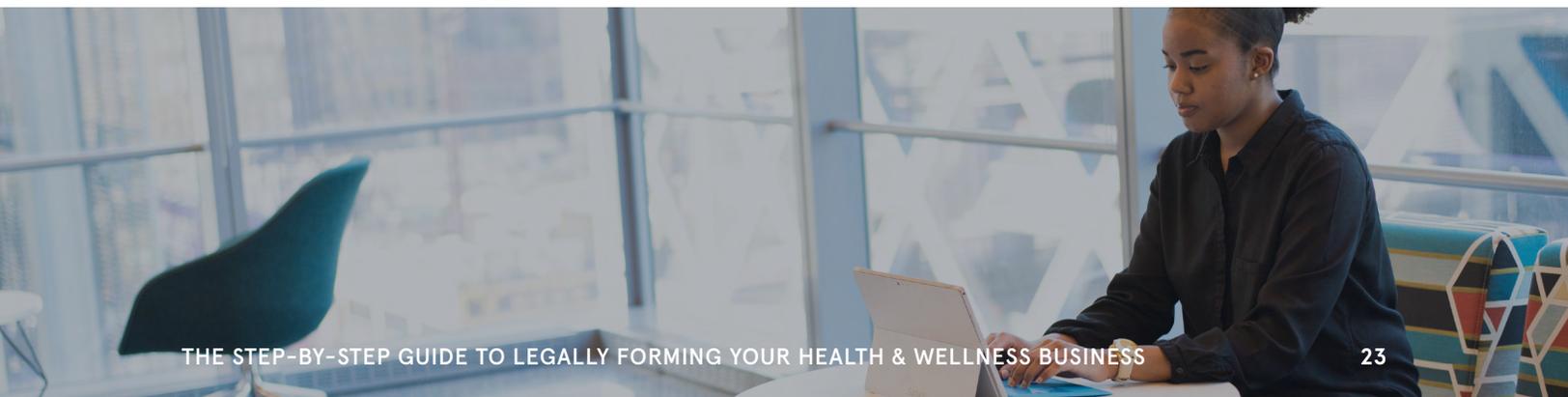
The official written framework or roadmap of how your wellness business will operate is known as an LLC operating agreement.

You should know that this process might not be necessary for your state. Even if it isn't a required practice, crafting out this document can help you define your rights and responsibilities as an owner. The process can also help with preventing disagreements in the future.

Your LLC operating agreement should specify the following details:

- Ownership interests
- Voting rights of potential board members
- The intended allocation of profits and losses
- How you'll hold meetings
- Specifications of business governance
- The rights of board members who die or leave the business
- The way your wellness business will dissolve if faced with bankruptcy

[Here's a more intricate explanation](#) with detailed instructions on how to put together your LLC operating agreement.



Step 5: File Official State Paperwork

Once you start the process of filing for an LLC, you'll hear about the "articles of your LLC" or other company structure. The articles of your LLC, when you put them together, are a document that outlines the statements required to file.

The articles describe how your LLC will be governed, outline an operating agreement, and include the corporate statutes for the state where you are filing.

Articles of Organization must be filed with the state to form a limited liability company. LLC Articles of Organization can be long and drawn out, or they can be drastically simplified. The main purpose of the articles is to have something in writing to file with the state that covers the essential information the state requires, such as the LLC's registered agent and organizer.

Included in this organizational paperwork should be:

- The name and address of your wellness LLC
- The organizer (usually you)
- The length of its existence (if not perpetual, meaning you'll have to take actions to dissolve it if you no longer want it to exist. Note that some states don't allow perpetual LLCs.)
- The purpose of your business's formation, plus the name and address of your registered agent, should be present.
- The management structure

Here are [some examples](#) of Articles of Organization for you to get a better idea of what it should look like.

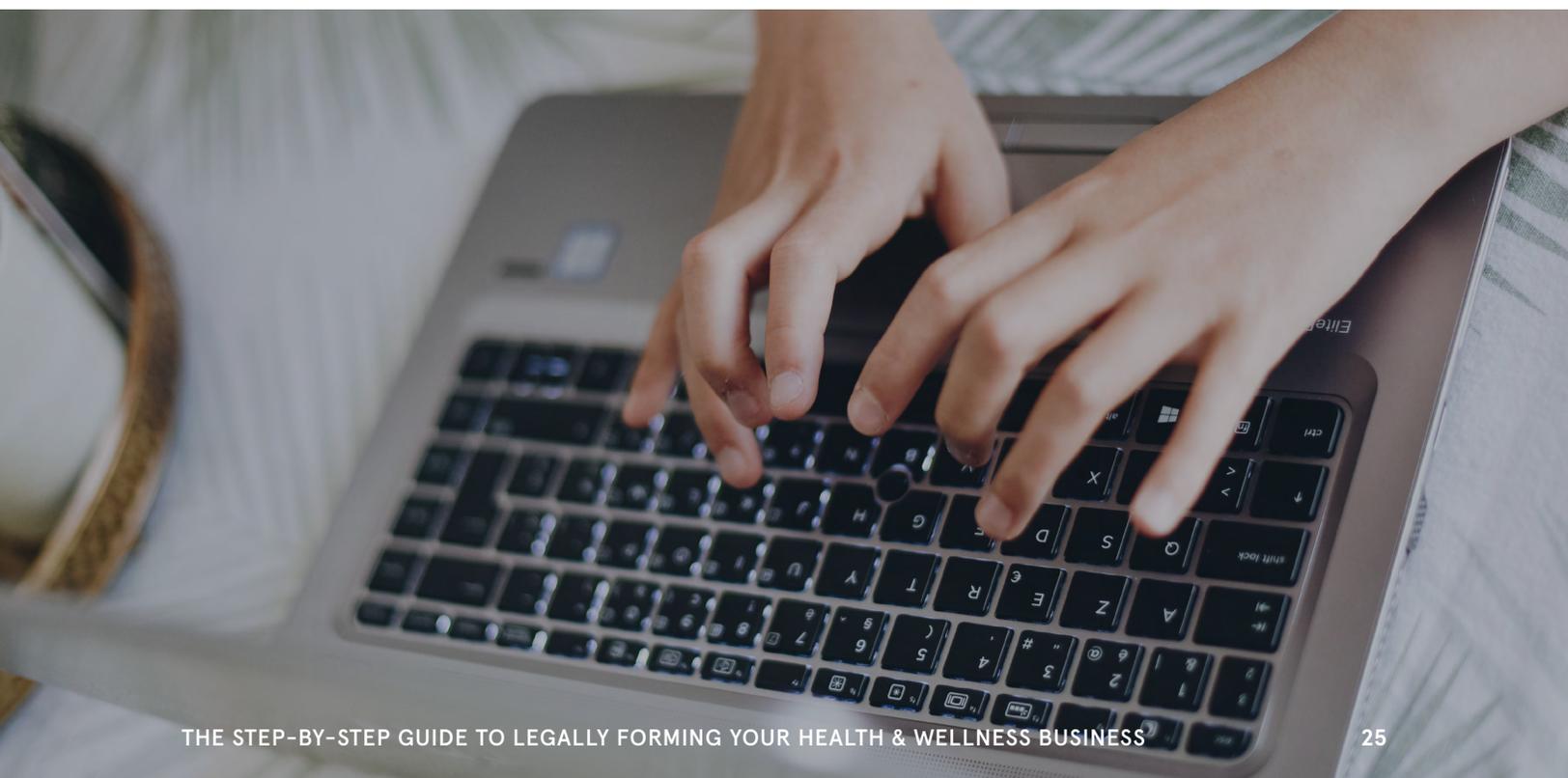
You'll probably have to sign the paperwork as the person forming the LLC. In some parts of the US, your registered agent will also need to sign. Generally, your LLC formation documents must be filed with the secretary of state. However, different departments handle business filings in some states.

There's an average \$135 filing fee, but this price varies. New York, for instance, charges \$200 to file.

You can find quality guidelines about Articles of Organization on [reputable legal websites](#).

Step 6: Receive Your State Certification

Upon the approval of your LLC's formation documents, you'll be issued a certificate (or similar document) by your state. This will confirm the official existence of your limited liability corporation.



Step 7: Get Your Federal Tax ID Number

After your wellness LLC has been approved, you will need to [obtain a Federal Tax ID Number](#). This is sometimes also called an Employer Identification Number (EIN). Your EIN will have nine digits. It needs to be issued by the Internal Revenue Service (IRS).

Your company's Federal Tax ID Number will not be automatically assigned once the entity has been approved. You will need to apply for this number yourself—or get an outsourcing agent to do it on your behalf. The process is relatively easy. There is a one-page form that you need to complete at the IRS. This will allow you to register your LLC for an Employer Identification Number.

As has been established, you've filed your wellness business as an LLC so that it's a separate entity from your own assets and finances. Therefore, receiving your Federal Tax ID Number, or Employer Identification Number (EIN), is integral to your cause.

Step 8: Start a Bank Account Strictly for Your Wellness Business

You should now have a registered business entity, your name is reserved, and you have obtained an EIN from the IRS. The next step is to open a [business-specific bank account](#).

You'll need to do this if you're dedicated to protecting your personal assets

and making your business an entirely separate financial entity. Running your business from a personal bank account can be confusing and is generally seen as unprofessional. You will also find that your state laws require a separate business banking account if you have registered your wellness venture as a corporate entity.

When you apply for a business banking account, be sure to take your registration documents and articles with you. Most banks will ask for your LLC articles before you will be allowed to open this type of account.

Step 9: File Reports

In most states, you will be required to file an annual report. These necessitate that your LLC's contact information remains current with your secretary of state (or another relevant party).

There are some instances where the state mandates a biennial (2 years) report. There is usually a fee involved; in New York, for example, it costs \$9 to file by the end of your LLC's anniversary month.

Depending on where your business is located, reports can be a bit more arduous and complicated. In further illustrating these additional complications, let's look at Nebraska, Arizona, and New York:

Across these three states, there are unaltered laws that existed before the internet's rise to prominence. These mandates make it so that LLCs must publish notices in local newspapers. In New York, if you put ads in the newspaper for six weeks in accordance with the law, it can potentially cost up to \$1,000.

Step 10: Think About Scaling Up Across State Lines

The last step is 100% optional and really depends on your goals and vision.

If you want your business to stay local, then you can move onto the next section. However, you might envision yourself as a ground-breaking entity in the wellness world whose brand has a broader reach than your home state. So, you might need to register your business in different locations.

The necessary paperwork to perform cross-state business resembles the documents you've already completed for your LLC.

Furthermore, you'll need a registered agent to do this lawfully for every state in which you operate.

Two of the primary benefits of filing your wellness business as an LLC are its low maintenance and high flexibility. So, expanding your vision throughout the US doesn't come with the same level of hassle as other kinds of corporations.



It should be noted that this step is not always necessary for legally providing your services to multiple states. Consider how you will be offering your services. While in-person training sessions at other studios that you own may require multiple licenses, you can serve clients in other states through an online business setup.

Thus, if you decide to offer national services through online consultations, then you would not need to be licensed in multiple states.

(If you're unsure of how to incorporate your business, there are [online sources](#) that make filing relatively simple.)





Are You Ready To Establish Your Wellness Business?

This guide provides you with the basic information you'll need to establish your health and wellness business. We've gone into detail about the benefits of establishing your business as an LLC, the most common choice for health and wellness practitioners; summarized the steps you need to follow for doing so; and pointed out several things you'll need to keep in mind before establishing your business.

While the legal guidelines and processes may seem tedious and even discouraging, remember that it is the first step to opening the doors to your business and helping it grow. With this, you'll not only make your skills, expertise, and products available to improve peoples' lives, you'll also be on your way to being your boss.



**Enroll in an AFPA
certification program
today for more health
and wellness business
resources!**

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