

SmallBusinessDigest

INFORMATION, HINTS AND TIPS TO IMPROVE EFFECTIVENESS, PROFITS AND STRATEGIES

[HOME](#)

[ARTICLE CATEGORIES](#)

[FREE E-MAIL NEWS](#)

[SAMPLE NEWSLETTER](#)

[BUSINESS RADIO](#)

[ABOUT US](#)

[CONTACT US](#)

Five Legal Mistakes That Could Kill A Small Business

One legal mistake by a local café owner, book store owner or new tech start-up can cause a business to shut down.

Harold Branch, an executive with LegalShield offers these top five unexpected legal issues that can stop a small business in its tracks:



- 1. Unfair Contracts:** Every business owner has relationships governed by contracts, from lenders to suppliers to customers to employees. Business owners should always try to dictate the relationship's terms by using their own contract. Additionally the language in contracts may mean one thing in everyday English and another thing in legal terms. This is why lawyers can review contracts to make sure the business owner fully understands the contract.
- 2. Inadequate Protection for Financial Information:** Business owners should guard their financial information very carefully, both inside their business (from employees who can use the information on behalf of a competitor or to share sensitive data with customers) and outside. Even a disgruntled employee can cause major damage when they take and use financial information. Businesses have to prepare and have an action plan in place for protecting their financial information.
- 3. Mistakes in Wage Payments:** These are very common, and include problems such as making illegal deductions from employees' pay for cash drawer shortages, uniforms and customer walkouts. Other issues include not compensating appropriately for overtime and mishandling tips and the tip credit. Business owners are focused on their business and may not have the time to keep up with changing wage laws.
- 4. Handshake Deals:** The nostalgia of the "handshake deal" is wonderful but the times have really changed. In today's electronic B2B world, many business people never meet one another. In a world where first impressions are becoming harder to come by, my advice is 'get it in writing.' Entrepreneurs may scribble their ideas on a napkin, shake hands with a new partner, but when plans go south who owns the business idea?
- 5. Inadequate Insurance:** Events that lead to insurance claims are, by their very nature, unexpected. Some business owners want to risk 'doubling down' on the risk by not having adequate – or sometimes any – insurance. Murphy's Law can happen at any time, so business owners need to make sure their policies don't have loopholes that prevent them from collecting money to cover damages