

The Difference Between a Limited Partnership and a General Partnership

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All Partnerships Have Advantages and Disadvantages

Business partnerships can take several different forms and there are advantages and disadvantages to each one that must be understood before entering into any [partnership agreement](#). Most partnerships are formed either as a limited partnership or a general partnership, and both offer specific advantages depending on what a potential partner is expecting from the business relationship.

General Partnership Agreement

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General Partnerships

General partnerships are businesses where each partner has total liability for the debts and actions of the partnership as a whole. Each partner can take part in the daily management of the partnership and they share equally in the profits of the business. [Each partner has](#)

[unlimited liability](#) for the actions of the partnership, which includes the actions of the other partners.

ASSETS

A partnership's assets as well as the personal assets of the individual partners are subject to liability should legal action be taken against the business. This is the main drawback of a partnership and must be seriously considered prior to forming the partnership agreement.

Limited Partnerships

A limited partnership has advantages that do not exist in a general partnership. Each limited partner has liability for the debts of the business limited to the extent of their investment in the company. Should the business become liable for some debt or legal proceeding, the limited partners' personal assets are not at risk like those in a general partnership. Unlike general partnerships, the limited partners have no management authority or input toward the operation of the company; this is usually left to a single partner who is classified as a general partner, and is responsible for the debts and liabilities of the company.

The general partner is usually paid a management fee. It is becoming common for limited partnerships to have a corporation or LLC become the general partner in a limited partnership, thus lessening the liability of the partnership with the protections offered by the corporation.

The Different Reasons Why Partnerships Are Formed

General partnerships are formed when there are several partners investing personal expertise in the business and each of them will take an active role in the management and operation of the company. Limited partnerships are formed usually to raise capital for business start-ups or acquisitions where a hands-on management role is not required of the individual investing partners.

Both limited and general partnerships have [advantages and disadvantages](#) depending on what each investor is trying to achieve. Whether you are trying to take an active role in the success of a company or simply wanting to invest in a potential business without subjecting your personal assets to risk, one of these partnerships might help you achieve your goal.

Create a Partnership Agreement

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