Beyond the Hype: The Legal and Practical Realities of Series LLCs
By John Absher

Series LLCs are making waves in real estate circles as the latest tool investors can use to organize and insulate portfolios. But while they offer flexibility, they're not necessarily the best fit for every situation. Here's what investors should understand before choosing a series LLC over a traditional LLC.

At their core, series LLCs allow a single "parent" entity to spin off multiple "child" series—each of which can hold separate assets, have different ownership, and operate independently. These child-series don't require entirely new formations, making the structure attractive to real estate developers managing multiple properties with different investor groups.

Since 2009, Texas has allowed the formation of series LLCs, with a significant update in 2021 distinguishing between two types: **protected** and **registered** series. A protected series can be formed with a simple internal resolution, while a registered series requires a $300 filing with the Secretary of State (the same price as forming a new traditional LLC).

Yet despite their availability, series LLCs remain relatively rare. In 2024, only 356 registered series LLCs were formed in Texas—compared to over 348,000 traditional LLCs. Protected series, which don't require public filing, are harder to track but still represent a niche strategy.

Hurdles at the Closing Table

One of the biggest challenges with series LLCs is a lack of familiarity among lenders and title companies. Protected series, in particular, may trigger requests for extra documentation—like proof of ownership and asset listings—before a deal can close. A registered series, while costlier to establish, offers greater transparency and may simplify those conversations.

Another sticking point is the Certificate of Good Standing. Title companies typically require this document from each LLC involved in a transaction. Registered series, with their own Secretary of State filing numbers, can request it directly. Protected series, however, share a filing number with the parent and sibling entities—complicating compliance.

That's why investors using series LLCs should notify lenders and title companies early, building in time to meet any additional requirements.

Don't Skip the Legal Work

Though forming a series LLC is relatively easy, investors shouldn't assume they can sidestep legal and accounting help. Each new child-series – especially those with unique ownership – should have a clear, written operating agreement that outlines responsibilities and separates risks. Skimping on this can leave the parent-series and other child-series vulnerable to disputes or liabilities.

Title Insurance and Asset Protection: Proceed with Caution

Before transferring properties into a new series LLC, investors should review their title insurance policies. Transferring ownership to a new entity can affect coverage—and in some cases, void it altogether.

When it comes to liability protection, both traditional and series LLCs shield owners from personal liability—unless fraud is involved. But series LLCs introduce a wrinkle: asset protection between the parent and child entities is only upheld if the series LLC owner keeps clean, separate records for the parent LLC and all child-series. The law is silent on who bears the burden to prove that the series LLC kept good-enough records to receive asset protection. The vague language in the law could expose series LLC owners to litigation headaches and increased legal costs.

Perhaps more concerning is the lack of case law. There are no Texas appellate decisions interpreting the key statute that governs asset separation within series LLCs. That legal uncertainty adds another layer of risk for cautious investors.

Bottom Line
Series LLCs can be a powerful organizational tool for real estate investors – but they come with caveats. They remain unfamiliar to many industry players, can complicate closings, and lack the case law that brings peace of mind. For now, traditional LLCs continue to dominate the landscape. Investors interested in series LLCs should consider these details and seek professional advice before using the new entity form.