

It Can Happen To You: Why Any Sole Proprietorship Is A Risky

Business

By Wayne M. Davies

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Are you still operating your business as a Sole Proprietorship?

Have you considered incorporating your small business or self-employment activity?

The tax advantages can put thousands of dollars in your pocket every year.

But the Number One reason to consider incorporating has nothing to do with tax reduction and everything to do with asset protection.

Here's a story to help you decide whether forming a corporation is worth it.

A few years ago, one of my clients, let's call him Jim, decided it was time to stop working for someone else and start working for himself.

Jim was a plumber, and a darn good one. He's fixed my toilet on several occasions.

It took a couple years of hard work, but Jim's reputation spread fast and he soon had all the work he could handle.

Jim finally had to hire an assistant, a young fellow named Tom.

One rainy Saturday afternoon, Jim got a service call and asked Tom to handle it. This job turned into several hours of lucrative labor, so by the time Tom was done it was dark.

The roads were slick and Tom was tired.

As luck would happen, another service call came in as Tom was heading home. Jim offered Tom yet another chance to make some good overtime pay. Tom reluctantly accepted.

Tom thought about stopping for a cup of coffee, but he was eager to get done. As he drove through the torrential downpour, Tom noticed the brakes in the company truck weren't working like they used to. He remembered the mechanic saying something about it the last time he took the truck in for a tune-up, but he and Jim were so busy lately they just forgot to get them fixed.

As he came to the next stoplight, Tom knew he was in trouble. The brakes failed and the truck collided with another vehicle.

Tom's injuries were not nearly as serious as those of the other driver, who eventually died.

Jim's insurance policy covered all the medical costs, but the liability coverage wasn't enough to take care of the amount that the other driver's family sought via the negligence lawsuit.

End result: Jim suffered serious financial loss. Because Jim's business was a Sole Proprietorship, he had to use all of his personal savings to satisfy the claims of the lawsuit.

So it can happen. And it can happen to you.

Need I remind you just how prevalent lawsuits have become in our society?

So if you are a Sole Proprietor, like Jim, why run the risk of losing your personal assets from a business-related lawsuit.

If you have employees, you can be held responsible for their actions.

"But I don't have any employees", you say.

It could just as easily have been Jim rather than Tom who was driving in the rain that night. Likewise, it could be you who is the cause of unintentional damage or some other business-related accident.

Bottom Line:

If your business is a Sole Proprietorship you need to

incorporate because all your personal assets are at risk.

Make the move from the world of Unlimited Liability to
Limited Liability. =====

Wayne M. Davies is author of the new eBook,
"Incorporation Tax Secrets Revealed:
The Ultimate Small Business Tax Reduction Strategy"
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