

7 Advantages to Incorporating

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There's no question that hard work and a little luck is what it takes to BE successful. But a little knowledge, especially when it comes to setting up your business, will help you STAY successful.

While many business owners give a lot of thought to location, store décor, customer service, hiring employees and management issues (and rightly so); choosing the proper business structure (such as sole proprietor, partnership, corporation, limited liability company) doesn't get the attention it deserves.

Many entrepreneurs don't realize this, but the business form they choose can often times be the difference between success and failure, especially in today's competitive and litigious marketplace. If you want to succeed, you need all the advantages you can get. High on the list of safe bets is the corporate form of business.

Incorporating, while definitely not for everybody, offers several distinct and money-saving advantages over the other types of entities. Here are seven of those advantages:

Asset Protection - If you operate as a sole proprietor or partnership, there is virtually unlimited personal liability for business debts or lawsuits. In other words should you go out of business or be a defendant in a lawsuit, your personal assets such as homes, jewelry, vehicles, savings, etc. are up for grabs. This is generally NOT the case when you incorporate. When you incorporate you are only responsible for your investment in the corporation. The limited liability feature of a corporation, while not a guarantee, is DEFINITELY one of the

most attractive reasons for incorporating.

Easier To Sell - Corporations are generally much easier to sell and are usually more attractive to buyers than either a sole proprietorship or partnership. The reason for this is because a new buyer will not be personally liable for any wrongdoings on the part of the previous owners. If someone buys a sole proprietorship, for example, the new owner can be held personally liable for any mistakes or illegalities on the part of the prior owner...even if the new owner had NOTHING to do with the situation! This is usually NOT the case with a corporation.

Tax Savings - When you incorporate there are numerous tax advantages at your disposal that are virtually impossible to accomplish with other business entities. When you incorporate you create a separate and distinct legal entity. Because of this, there are many transactions that you can structure between you and your corporation to save big money on taxes. For instance, if you own a building you can rent office facilities to your corporation and claim depreciation and other deductions for it. Your corporation can then claim the rental expense. You are prohibited from doing this if you are a sole proprietor or a partner in a partnership.

Privacy and Confidentiality - The corporate form of business is a great way to keep your identity and business affairs private and confidential. If you want to start a business, but would like to remain anonymous, a corporation is the best way to accomplish this. States such as Nevada offer even more privacy protection for corporations and their shareholders.

Easier to Raise Capital - When you're looking to raise money through investment or borrowing, a corporation can actually make finding and getting the money you need easier. If you want to take on investors you simply sell shares of stock. If you want to borrow, a corporation can add clout when dealing with banks or other lending institutions.

Perpetuity - As I mentioned in #3, when you incorporate you create a separate and distinct legal entity. This separate and distinct entity (the corporation) can endure almost forever irrespective of what happens to the shareholders, directors, or officers. This is NOT the case with sole proprietorships, partnerships or even limited liability companies. For example, if an owner, partner, or member dies the business AUTOMATICALLY ends or gets wrapped up in legal red tape. Corporations, on the other hand, have unlimited life.

Increases Credibility - Let's face it. Most people feel more secure and confident dealing with a corporation as opposed to a sole proprietorship. Having INC. or CORP. after your company's name adds a touch of professionalism and credibility to your business dealings.

As always, be sure to consult with your attorney or business advisor before undertaking any important legal or financial decision. While there are many advantages and money-saving reasons to incorporate, as I've said before, it's not for everybody. However, you do owe it to yourself to find out more.

Alex Goumakos is a CPA, business advisor and guest consultant of Active Filings LLC, a professional incorporating company that provides services in all US. (<http://www.activefilings.com/>).

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