

# 7 Advantages of Incorporating

**1.- 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, investments, bank accounts, vehicles, 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 or another way of saying it, they can only get what the corporation owns. The limited liability feature of a corporation, while not a guarantee, is DEFINITELY one of the most attractive reasons for incorporating.

**2.- 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.

**3.- 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 and your corporation can then claim the rental expense. Not with a sole proprietor or a partner in a partnership. Also, after paying yourself a reasonable salary, your corporation can then pay dividends to you, which is taxed at a capital gains rate (approximately 15%). Compared to the self employment tax and regular income tax that a sole proprietor or a partner in a partnership pays which is usually 30% to 40%. Therefore, in the above example, the corporation saved the shareholder at least 15% in taxes.

**4.- 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.

**5.- 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.

**6.- Perpetuity.** As I mentioned above, 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 of a sole proprietorship dies generally the business AUTOMATICALLY ends or gets wrapped up in legal red tape. Corporations, on the other hand, generally have an unlimited life (as long as the rules are followed).

**7.- 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. or LTD. 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 accountant before undertaking any important legal or financial decision. While there are many advantages and money-saving reasons to incorporate, it's not for everybody. However, you do owe it to yourself to find out more.