

Should You Incorporate?

Incorporating is a lengthy and expensive legal process which shouldn't be entered into lightly.

Before you dive in - let's go through some of the questions to consider, so you can make a great decision.

Considerations	Yes	No
Sufficient Profit: Will I make more than \$80,000 of net income in my business <u>every year</u> ? To calculate net income, subtract your estimated revenue from estimated expenses.		
Ability to Save: Will I be able to add \$30,000 of business profits to my business bank account every year, or do I need all money earned for personal use?		
Personality Traits: Am I a proactive person who plans? Procrastinators benefit less from incorporations because timing is crucial for effective tax planning.		
Organization: Will I be able to manage the extra tax deadlines and administrative requirements that come with incorporation? Am I confident in my organizational skills?		
Costs: Am I prepared for the additional costs? Annual expenses can range from \$2,500 - \$5,000 for a corporation. Can my business handle this?		
Future Opportunities: Do I anticipate selling the shares of this business in the future for more than \$50,000? Will I want to use the lifetime capital gains exemption?		
Retirement Plans: Do I have assets like retirement savings or real estate that I want to protect from lawsuits? Is liability a concern with this business? Will insurance not be enough?		
Business Growth: Do I anticipate exponential growth because I am going to focus on marketing, advertising, and branding?		
Start-Up Costs: Will I need to make significant investments in equipment, machinery, or leasehold improvements?		
Future Financing: Will I need access to financing now or down the road? Will I need formal financial statements to facilitate this?		
High Risk Areas		
Investment Income: Am I incorporating a rental property and prepared to pay significantly more income taxes because of the high tax rates on investments held in corporations?		
Subcontractor Risk: Am I a subcontractor who has familiarized myself with personal services business risks (PSB)? Am I prepared to mitigate these risks or face paying 32% more tax?		

If you have answered 'yes' to many of these questions, then incorporation may be a good choice for your business.

You can change the structure of your business as you grow; however, the costs and tax risk increase. For more tips on incorporation be sure to check out our incorporation video series available on our website.