

## 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
<b>Sufficient Profit:</b> 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.		
<b>Ability to Save:</b> 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?		
<b>Personality Traits:</b> Am I a proactive person who plans? Procrastinators benefit less from incorporations because timing is crucial for effective tax planning.		
<b>Organization:</b> Will I be able to manage the extra tax deadlines and administrative requirements that come with incorporation? Am I confident in my organizational skills?		
<b>Costs:</b> Am I prepared for the additional costs? Annual expenses can range from \$2,500 - \$5,000 for a corporation. Can my business handle this?		
<b>Future Opportunities:</b> 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?		
<b>Retirement Plans:</b> 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?		
<b>Business Growth:</b> Do I anticipate exponential growth because I am going to focus on marketing, advertising, and branding?		
<b>Start-Up Costs:</b> Will I need to make significant investments in equipment, machinery, or leasehold improvements?		
<b>Future Financing:</b> Will I need access to financing now or down the road? Will I need formal financial statements to facilitate this?		
<b>High Risk Areas</b>		
<b>Investment Income:</b> 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?		
<b>Subcontractor Risk:</b> Am I a subcontractor who has familiarized myself with personal services business risks (PST)? 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.