

SOLE PROPRIETOR VS INCORPORATED

I'll keep this short, but we all need to hear it.

There are only three ways to register a business in Canada, Sole-Proprietor, Partnership and Incorporated. My take on partnership is don't do it. **The end.**

As for the other two...If you are making a product that can hurt a client if it goes wrong, consider getting Incorporated. If you work on a personal level as an advisor or on a creative level as a painter or author...you may want to stay as a Sole-Proprietor. Find out what business/skill you have and see what option suites you best. If you grow fast and build up something much bigger than what you thought...it's time to flip the switch.

I've done it a few times and realized I did it wrong. My first attempt was when \$30,000 was a lot of money...I thought to myself "Will I even make more than that?" and then moved forward as a personal brand. The second I made a dollar over that worldwide income threshold I freaked out, I didn't know what it meant and then kind of shut down. What you have to know is once you make a dollar more, you have 30 days to sign up for a GST/HST number and away you go. No stress. Keep in mind, you're required to submit everything to the government that you charge from that point forward. You don't really go back.

This is not true from Sole-Proprietor to Incorporated, you can kind of sit in the balance without any issues if you're a low risk business. You don't have to incorporate if you don't want to, but here's when you should.

When you become a Corporation, the government creates a separate identity for the business, you no longer are tied to it in a personal way. It's really like you're working for the business vs you being the business. This is the main benefit, read up on it and you'll see the draw backs and benefits explained. A simple example is if you're a baker, and you make a cake for a wedding. Looks great, seems great, you poison a few people in the mix. Then you get sued and they come after you, being incorporated at least protects you personally, they don't get the house and the car in the lawsuit.

But, what incorporating doesn't do is protect you from lawsuits, in fact people are more inclined to sue you if you're a corp. Lawsuits may come, or a lot of threats. If that's the case in your business, flip that switch. It also doesn't make your tax life easier, but there are ways to help you as you grow even more that you may want to consider.

A few good questions task yourself below:

Do I want to keep growing my business?

Do I need employees vs contractors?

Will I ever cut dividends, sell shares in the business, give up some ownership?

Is my business worth selling to someone else?

Do I need protection against lawsuits and issue my business may face?

Am I good to get a little more complicated in my business life?

If you're a yes on all of these, giver.

For more info, call some accountants and call the government. It's amazing what you can ask and they don't immediately send you to jail! My biggest mistake wasn't just passing this important step by, it was not calling and googling the topic at all. It's literally everywhere and tons of people can help you through it. You just have to care...which you should.

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