

Title:

To incorporate or not to incorporate?

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Summary:

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Article Body:

To incorporate or not to incorporate?

It seems that more companies feel the need to incorporate than ever before. In today's society, just everybody can sue and everybody can be sued and that makes a corporation all the more attractive. However, there are unfortunately more obstacles surrounding incorporation than ever before. So what are the advantages and disadvantages of incorporation? Is it right for your company?

First off, incorporation might be the best decision for one company and the worst decision for another! There is not just one right answer out there. The key is to determine what liability concerns you have in particular and what tax benefits you desire and then find out if incorporation will help your company fulfill its goals better.

Probably the biggest benefit of incorporation goes to the company's owner. Once a company becomes a corporation, it essentially becomes a separate entity and its owner will only have limited liability as a result. Don't think that this gets individual shareholders out of the clear, though! Shareholders can be held liable in many circumstances; they can't always hide behind the corporation.

There are many other benefits, though. Investors are drawn to corporations, and for some companies, investors are invaluable. Not only will investors buy stock in your company, but your employees can have stock options as well. Your employees also might be happier working for a corporation because corporations

are forced to be well-organized and consequently, are very efficient.

Still, there are a handful of glaring disadvantages of incorporation that you should also consider. While hopefully a corporation will run like a well-oiled machine, it takes a long time to build that machine. And time is money. Incorporation is a process that all must be entirely committed to. A company doesn't turn into a corporation over night!

Even after the process of incorporation is over, it can be a real headache to those in charge, as they must welcome a lot of bureaucracy into their company. Many decisions and practices are standardized for corporations across the country and this means your employees might have to go to a regular meeting every week that they didn't have to go to before. It's no secret, but small companies are a lot more personal and easygoing than corporations.

There's also the whole tax issue. While incorporation can sometimes lead to some great tax benefits (which you'll want to research on your own), it can also lead your company into some financial difficulties. Whether or not taxes get better or worse for your company depends on your specific situation, but don't assume tax benefits will be waiting for you just around the corner if you incorporate.

Will incorporation make your company bigger, better, and more secure? Probably. But what is the price you will pay for a sturdier company? If you don't have many concerns about liability and your autonomous company is performing quite well, then there might be more cons than pros to incorporation. So, when deciding whether or not to incorporate, just remember to take into consideration every aspect of your company.