

# Consider all angles before you incorporate

Part I

Frequently our clients ask us if they should incorporate their business. This is not an easy question. While there are many advantages to incorporating a business, there are also many headaches associated with it.

In a two-part article, we will explore the pros and cons of incorporation. The accompanying chart outlines the key advantages and drawbacks of incorporating a business. If you are serious about incorporation, consult your financial planner, CPA or attorney before making the final decision. Next week: Benefits Your Incorporated Business Can Enjoy.

**ADVANTAGES**

1. Limited Liability
  - a). Your liability is limited to the net worth of the corporation.

- b). Personal assets can't be attached.

**2). Tax Deductions**

- a). Corporation can pay for
  - i) health insurance
  - ii) disability insurance
  - iii) term insurance (\$50,000)
  - iv) medical reimbursement plan
  - v) 401K plan — cafeteria benefits available
- b). Deduct as business expenses items that would almost certainly flag for audit an individual income tax return (e.g., travel and entertainment).

**3). Retirement Planning**

- a). Pension Plans (maximum 10 percent)
- b). Profit Sharing Plan (maximum 15 percent).



finances and you

**Sid Mittra**

Total contribution limited to \$30,000/yr.  
c). 401K contributions.

**4). Income Planning**

- a). If personal income is high during a given year, corporate income could be left in the corporation and taxed at lower corporate rates.
- b). By hiring spouse to perform miscellaneous services for, say \$2,000 a year, the corporation can provide the path to Social

Security benefits.  
c). Under (b) above, the spouse can contribute \$2,000 to IRA.

**DRAWBACKS**

- 1). Additional Paperwork
  - a). Many forms to be filled.
  - b). Corporate meetings and minutes must be kept.
- 2). Deductions
  - a). Even in an unincorporated business, health insurance premiums paid can be added to other medical

expenses when figuring the personal deduction. The \$50,000 term insurance adds little value if that insurance is not needed.

**3). Retirement Benefits**

- a). Keogh now lets you put away \$30,000 per year.
- b). It costs money to structure and run a qualified plan.

**4). Taxes**

- a). You pay double Social Security (14.3 percent) as opposed to 12.3 percent self-employment tax.
- b). You would have to make federal and state unemployment contributions.

**EDUCATIONAL SEMINAR:** Tax, investment and financial planning seminar sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc. 7-9:30 p.m., Thursday, April 10. The seminar will be at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. For registration, call 643-8888.

**SUCCESSFUL MONEY MANAGEMENT WORKSHOP** will be conducted 6:30-10 p.m. April 22, 29 and May 6, at the MSU Management Center. Topics include: Taxes, Investment, Retirement, Insurance and Retirement Planning. Workshop leaders will include six professionals. For reservations, call 643-8888 or 628-7255.

Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc. in Troy.

**datebook**

**RETIREMENT INVESTING**  
Thursdays, April 10-24 — "Investing During Retirement" course offered 4-6 p.m. in Rochester. Fee: \$15. Information: 370-3120. Sponsor: Oakland University.

**LOTUS SYMPHONY**  
Thursdays, April 10-May 1 — Lotus Symphony I (beginner) begins at 4:30 p.m. and 7:30 p.m. in Bloomfield Hills. Fee: \$75. Information: 645-3655. Sponsor: Cranbrook Schools.

**BASIC INVESTING**  
Thursdays, April 10-24 — "Getting Your Money's Worth" course offered 7-9 p.m. in Rochester. Fee: \$15. Information: 370-3120. Sponsor: Oakland University.

**INVESTING FOR WOMEN**  
Thursdays, April 10-May 1 — "Financial Survival for Today's Woman" course offered 7-9:30 p.m. in Rochester. Fee: \$20. Information: 370-3120. Sponsor: Oakland University.

**WANG WORD PROCESSING**  
Thursdays, April 10-May 1 — Course on Word Processing on the Wang begins at 7 p.m. in Rochester. Fee: \$30. Information: 370-3120. Sponsor: Oakland University.

**WSU BUSINESS**  
Friday, April 11 — Wayne State University School of Business Administration Association meets. Information: Gary Reggin, 577-4472.

**IRA SEMINAR**  
Saturday, April 12 — Free IRA seminar begins at 1:15 p.m. in Southfield. Reservations: Gratien DeSaeger, 827-1250. Sponsor: IDS/American Express.

**BARBER SEMINAR**  
Saturday, April 12 — A barber seminar will be offered from 9 a.m. to 4 p.m. in Southfield. Fee: \$50. Information: 577-4850. Sponsors: Wayne State University small business development center, Michigan Trade Exchange.

**SMALL BUSINESS FORUM**  
Saturday, April 12 — Free forum from 9 a.m. to 12:30 p.m. at Meadow Brook Hall on business issues in the Legislature and ways the state can help retain and expand business in Michigan. Sponsor: Oakland University, Oakland Community College and Walsh College. Seating limited. Call 373-2417 for reservations.

**EMPLOYEE RELATIONS**  
Monday, April 14 — "Employee Relations for Supervisors" seminar offered

from 8:30 a.m. to 4:30 p.m. in Southfield. Fee: \$185. Information: Claudia, 577-4469. Sponsor: Wayne State University management center.

**CONSTRUCTION MANAGEMENT**  
Tuesday, April 15 — "Construction Management Responsibilities and Liabilities" course for lawyers offered 3:30-6:30 p.m. in Troy. Fee: \$45. Information: 763-3233. Sponsor: Institute of Continuing Legal Education.

**WORKING WITH PEOPLE**  
Tuesday, April 15 — "Working with People" seminar offered from 9 a.m. to 4:30 p.m. in Troy. Fee: \$195. Information: 1-800-425-4294. Sponsor: Michigan State University.

**WOMEN IN REAL ESTATE**  
Tuesday, April 15 — Women's Commercial Real Estate Association meets at 11:30 a.m. in Birmingham. Information: Sue Harrison, 369-8307.

**NEW BUSINESSES**  
Tuesday, April 15 — Prebusiness workshop offered in Detroit. Fee: \$10. Information: 226-7947. Sponsors: Service Corps of Retired Executives, U.S. Small Business Administration.

**HOME BUSINESSES**  
Tuesday, April 15 — "How to Start Your own Home Based Business and Succeed" class offered 7:30-9:30 p.m. in Birmingham. Fee: \$10. Information: 644-5932. Sponsor: The Community House.

**CUSTOMER RELATIONS**  
Tuesday, April 15 — "Client/Customer Relations" seminar offered from 8:30 a.m. to 4:30 p.m. in Southfield. Fee: \$175. Information: Claudia, 577-4469. Sponsor: Wayne State University management center.

**LAW EQUIPMENT**  
Tuesday, April 15 — "Selecting the Right Equipment" seminar offered from 9 a.m. to noon in Southfield. Fee: \$10. Information: 764-0533. Sponsors: Legal Economics Section of State Bar of Michigan, Institute of Continuing Legal Education.

**SALES PRODUCTIVITY**  
Wednesday, April 16 — "Strategic Sales and Sales Management" conference offered from 8:30 a.m. to 4:30 p.m. in Dearborn. Information: Kay Bonnici, 599-7095. Sponsor: American Marketing Association - Detroit.

**SMALL BUSINESS**  
Wednesday, April 16 — Free introductory workshop in small business management begins at 7 p.m. in Troy. Information: 542-4220. Sponsors: Michigan State University, Small Business Management School Inc.

**AD ASSOCIATION**  
Thursday, April 17 — Business Professional Advertising Association of Detroit meets. Information: R.P. Murphy, 583-9320.

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