

Should you incorporate your firm?

One of the frequently asked questions by my clients is: "Should I incorporate?" My answer is always the same: "It depends."

The accompanying chart, prepared especially for my readers, is self-explanatory. However, it is up to you to make the following observations:

• Proprietorship now offers many of the key advantages offered by a corporation. Therefore, incorporation is not generally advisable for small entrepreneurs.

• Incorporation does not protect an individual from a malpractice suit or a professional liability. Consequently, setting up a corporation does not necessarily limit one's personal liability.

• Comparable corporate-type qualified plan benefits are now available through Keogh Plans to unincorporated businesses.

• Some of the special features of incorporation, such as deferred compensation plan, are really for larger businesses.

• So, if you have the entrepreneurial spark and can hardly wait to paint Inc. on your mailbox, first consult your financial planner to make sure that it is indeed a shrewd move for you.

SEMINAR: "Is There Anything Nice About the New Tax Law?" "Congress and Tax on Insurance Policies" and "New Investments for 1988." The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning, will be 7-9:30 p.m. Tuesday, June 14, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. Admission: \$10 (tax deductible), check payable to Oakland University.

For reservations, call 643-8888.

Sid Mitra is a professor of management at Oakland University and proprietor of Coordinated Financial Planning.

factors to be considered	corporation	proprietorship (unincorporated business)
treatment of income	Corporate income is taxed. In addition, salaried income to shareholder is taxed as personal income. Operating losses cannot be passed through to shareholders.	net income of business becomes proprietor's gross income.
business travel, entertainment	Deductible	Deductible. If auto is used more than 50% of the time for work, business-related expenses are deductible.
life insurance	Deduction allowed for premiums for up to \$50,000 per employee.	Not allowed.
disability insurance	Deduction allowed for premiums paid	Not allowed.
qualified plans	Pension/profit-sharing plan. Defined contributions: Up to 25% of compensation, not to exceed \$30,000. Defined benefit: Up to \$90,000 per year	Keogh Plan: Deduct up to \$30,000 or 15% of earnings, whichever is less. However, defined benefit Keogh can allow deductions of up to \$90,000 per year.
peril of existence	Continue until dissolved — not affected by the disaffiliations of shareholders.	Ceases when the sole proprietor becomes inactive.
liability exposure	Generally stockholder liability is limited to capital contributions. However, liability may be unlimited if a shareholder is sued.	Unlimited personal liability.
relative costs	Many costs, including legal fees, filing fees, fees to maintain books, tax preparation, must be paid.	Very few costs are involved.
Social Security comparisons	Corporation's employees pay Social Security tax. The corporation matches the tax. Combined tax is greater than self-employment tax. Corporate contribution deductible. Personal contribution not deductible.	Self-employment tax, payable by proprietor, not deductible. Rate less than combined Social Security tax rate of corporation and employee.
federal tax brackets	The first \$50,000 of earnings are taxed at 15%. The rate increases to 34% and beyond as income rises. Professional corporations pay taxes at 34%.	Top rate on unincorporated business owner: 28%; surcharge is 5%.
deferred compensation	Allowed, postponing receipt of income to future years.	Not allowed

datebook

• **ENGINEERING SOCIETY**
Thursday, May 19 — Engineering Society of Detroit meets. Information: Nancy Mauter, 832-8400.

• **MOTIVATION WORKSHOP**
Thursday, May 19 — "Tough Mental Attitude for Winning" personal motivation workshop begins at 7:30 p.m. in Southfield. Information: 355-4769. Sponsor: Success Motivation Institute.

• **PROFITS WITH BUDGET**
Thursday, May 19 to June 23 — "How to Use a Budget to Increase Profits" offered 6:30-9:30 p.m. in Detroit. Fee: \$162. Information: 862-8000 Ext. 230. Sponsor: Marygrove College.

• **BUSINESS GROWTH**
Saturday, May 21 — Free "Growing a Small Business" seminar offered 8:45 a.m. to noon in Detroit. Information: 862-8000 Ext. 230. Sponsor: Marygrove College.

• **START A BUSINESS**
Saturday, May 21 — "How to Start a Business" offered 10 a.m. to noon in Troy. Fee: \$50. Information: 649-8416. Sponsor: Start A Business Store.

• **FINANCIAL PLANNING**
Monday, May 23 — Personal financial planning certificate program begins in Rochester. Information: 370-3120. Sponsor: Oakland University.

• **CONSTRUCTION BIDDING**
Monday, May 23 — "Construction Bidding and Estimating" workshop offered 6:30-9:30 p.m. in Detroit. Fee: \$25. Information: 862-8000 Ext. 230. Sponsors: U.S. Small Business Administration, Small Business Development Center.

• **CAREER WOMEN**
Monday, May 23 — National Association of Career Women meets in Southfield. Information: 591-3390.

• **FINANCIAL EXECS**
Monday, May 23 — Financial Ex-

ecutives Institute meets. Information: Donald L. Foehr, 628-3155.

• **EXPORT CONFERENCE**
Monday-Tuesday, May 23-25 — Small business export conference offered in Southfield. Fee: \$95 before May 14. Information: 1 (800) 552-2566. Sponsor: U.S. Small Business Administration.

• **MANAGING CONFLICT**
Tuesday, May 24 to June 28 — "Managing and Resolving Conflict" offered 6:30-9:30 p.m. in Detroit. Fee: \$162. Information: 862-8000, Ext. 230. Sponsor: Marygrove College.

• **TAX REFORM AND REVIEW**
Wednesday, May 25 — "Tax Reform, Review and Planning for 1988" offered in Bloomfield Hills. Fee: \$25. Information: 644-1229. Sponsor: Oakland County Chamber of Commerce.

• **REALTORS MEET**
Wednesday, May 25 — Residential Division of Detroit Board of Realtors meets. Information: 259-0400.

• **WRITE YOUR OWN WILL**
Wednesday, May 25 and June 1 — "Writing Your Own Will" will be offered 7:30-9:30 p.m. in Birmingham. Fee: \$22. Information: 644-5832. Sponsor: The Community House.

• **DELEGATION**
Wednesday, May 25 to June 29 — "How to Delegate Effectively" offered 6:30-9:30 p.m. in Detroit. Fee: \$152. Information: 862-8000, Ext. 230. Sponsor: Marygrove College.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150. Information must be received by Monday to be published in the Thursday issue. Publication cannot be guaranteed. Information should contain a daytime telephone number where information can be verified.

marketplace

Tri County Building Inspectors Inc. of West Bloomfield will be acting as a professional inspector for Radon Testing Corp. of America's radon gas analysis survey.

Cable Media Corp. of Farmington Hills received the Carl Weinstein

Sales Achievement Award at the National Cable Advertising Conference.

O/E Automation of Troy received approval from IBM to be an authorized Industry Remarketer for the IBM's System/36 data processing system.

The Berkshire Hotel of Southfield received the American Automobile Association's Four Diamond Award for the second consecutive year.

Kilby-Roberts of Farmington is celebrating its 70th year of operation this year.

Florists' Transworld Delivery Association began an addition to their international headquarters in Southfield.

Guardian Home Warranty of Troy expanded home warranty coverage for new homes to 2 years.

Harvard economist to speak

Jeffrey Sachs, professor of economics at Harvard University, will discuss "Economic Issues in the 1988 Election" at 4:30 p.m. Sunday at the Grosjean Yacht Club, 788 Lakeshore Drive.

The speech is sponsored by the Harvard Club of Eastern Michigan and is open to members and guests.

Sachs also is a research associate of the National Bureau of Economic Research where he is directing a

project on the international debt crisis. Sachs has served as an economic adviser to Bolivia, the Philippines and Venezuela. A 1978 graduate of Harvard, where he also received master's and doctoral degrees, Sachs is the son of Mr. and Mrs. Theodore Sachs of West Bloomfield.

Tickets, at \$15, include a wine and cheese reception following the speech and are available by calling John Gierak, 433-3333.

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