

Protect family by incorporating small business

By David M. Buddingh

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These uncertain economic times force many Naperville families to “jump off the corporate ladder” and consider other career opportunities. For many, the allure of owning your own business is compelling beyond anything imaginable. The notion of being one’s own boss is often considered the personification of the American dream. But while the call to entrepreneurial endeavor is insatiable, it is imperative to consider what sort of liability the would be entrepreneur exposes his family to and how to best protect their family from peril.



For instance, what would happen if an employee of the entrepreneur causes a severe car wreck or the terms of a contract are not fulfilled despite the entrepreneur’s best intentions? The answer, unfortunately, is the entrepreneur would be personally liable for whatever damages the entrepreneur or their employee causes. This means an entrepreneur’s personal bank accounts, retirement funds, automobiles, and even their home would be in play to satisfy whatever claims a damaged party would have against the business. Such a situation could lead to personal financial ruin. The entrepreneur can shield themselves and their family from such menace through proper business entity formation.

The law allows for the formation of an entity to assume the rigors of liability while allowing the pursuit of the entrepreneur’s dreams. This entity can take the form of a limited liability company or corporation. A limited liability company or corporation is essentially a person, created by the entrepreneur, which can enter into contracts, borrow capital, employ individuals, and assume liability. The corporation or limited liability company, in essence, becomes the alter ego of the entrepreneur in their endeavor and acts as personal shield by assuming the risk or liability of the business. But, the creation of a business entity carries certain tax implications that cannot be ignored. The proper formation of an appropriate business entity is vital to the protection of the entrepreneur’s personal assets and wealth from the exposure to liability associated with the day to day risks of conducting business.

The entrepreneur has several options for proper incorporation and protection including a limited liability company and various Corporation types. Each entity has its own benefits and obligations; including corporate formalities an entrepreneur must adhere to and taxation requirements. Thus, careful consideration and planning with your tax professional and attorney is necessary before creating the entity as entrepreneur's business may be better served by one type of entity over another.

As always consult your attorney to discover which entity best suits your needs and best protects your family.

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