

August 2009 REIN Workshop Supplemental

Presented by George Dube

To Be, Or Not To Be Incorporated?



Agenda

- Conclusion
- Biases
- Incorporating my business makes sense when?
- Factors to consider
- If yes, how many corporations?



Conclusion

...It Depends

- And that pretty much wraps it up



The Question

To be, or not to be: that is the question:
Whether 'tis nobler in the mind to suffer
The slings and arrows of outrageous fortune,
Or to take arms against a sea of troubles,
And by opposing end them?

Will corporations end troubles or create more?



The Answer (or longer version)

Tip #17: Incorporating my business makes sense when ...

- *Just because you can incorporate, doesn't mean you should – and vice-versa. Weigh the advice of several professionals.*



Small Tasteful Reference



For my first published book it was **small**.



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Priorities

No boiler plate solution

Answer depends on YOUR priorities and situation



What's Behind the Curtain? Biases

- Professionals generally paid more working for corporations as compared to proprietorships
- In our opinion, few advisors will make a recommendation based on fee generation
- 10% margin risk?



Factors to Consider

In speaking with several advisors, consider the following topics:

1. Flexibility
2. Legal implications
3. Tax implications
4. Financing implications
5. Organizational/Marketing



Flexibility

- When
- Nature of income now, and later
- Who income is paid to now, and later (watch attribution) plus how much is paid (varies?)
- Who I'm working with now, and later
- How I work with a co-investor(s)
- Exit strategies (sale of assets, shares, succession)



Legal Implications

- Protection of personal assets (with exceptions – taxes, environmental, personal guarantees)
- Yes insurance exists, but...(coverage of peril, replacement value for house vs. ...)
- Barrier vs. perfect protection



Tax Implications

- You won't believe this; IT DEPENDS !!!
- Corporate vs. personal taxes
- Potential tax rates
- RDTOH
- Double taxation?



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Tax Implications

- Nature of investments
- Time horizon for investments
- Objectives of investments
- Other business activities
- Other sources of personal income
- Taxes today vs. taxes tomorrow



Financing Implications

- See the following presentation for more details
- But, and this will get me in plenty of trouble...Don't tell me its not possible to get financing when you use a corporation ...and don't tell me it costs more.



Organizational/Marketing

- Compartmentalization vs. big melting pot
- Professional edge of corporation vs. fear factor (too slick for some?)
- Remember that you can influence image perception



How Many Properties Per Corporation

- Advisors recommend from a continuum of 1 property per company to dump everything into 1 company
- Dramatic overkill in my mind for 1 per company unless significant property
- What is right for you? (eggs/basket)



Cost of Switching

- Just small at first, let me grow into this
- Nothing wrong usually from a tax perspective for having a few personal, and some corporate
- But...



Costs of Switching

- Deemed disposition
- Accounting/tax to defer cost of deemed disposition
- Legal cost to defer cost of deemed disposition
- Normal legal costs for transfer
- Land transfer tax (if applicable)
- Legal fees for lending institution (if applicable)
- Appraisal (if applicable)
- Other



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How Many Corporations?

- **IF** you will have a company, how many should you have?
- **It depends!**
- Overall, don't over do it at first. It can create needless cost and complexity.
- **But**, don't skimp out. An inactive parent company is often a good idea at first.



Fees Involved

- Tax set up
- Legal set up
- Ongoing accounting
- Ongoing legal
- Cost for do-it-yourselfers



Extra Work

- Additional bookkeeping
(coming soon... 81Tips book and Accountant-In-A-Box™)
- Bank accounts
- Corporate tax return
- Corporate minutes



accountant
in-a-box™



Conclusion

This presentation contains general comments and should NOT be acted upon without the advice of qualified professionals. While there may be similarities, every situation is different.
Thank-you...

