

DISCUSSION GUIDE

Structuring Your Company



GUIDE TO STRUCTURING YOUR COMPANY

Structure	Key Elements
<p>Sole Proprietorship An individual or married couple.</p>	<ul style="list-style-type: none"> • Set-up costs are minimal; there's no complex documentation to go through and no state fees. • Business income is taxed as personal income and is subject to self-employment tax. • Insurance can mitigate liability to some extent.
<p>General Partnership Has two or more owners (who aren't a married couple).</p>	<ul style="list-style-type: none"> • Set-up costs are minimal with no state fees or documentation. • Experts recommend a written agreement spelling out the partners' responsibilities, how decisions will be made, how money will be spent, how profits will be split and how these terms will be adjusted if one partner is unable to meet his or her responsibilities, how new partners will be added, and how the partnership will end.
<p>Limited Partnership Similar to a general partnership, but has two classes of partners: limited and general.</p>	<ul style="list-style-type: none"> • Business proceeds are taxed as the partners' personal income. • The limited partners' liability is based on the percentage of their investment. • The general partner(s) bear(s) the remainder of the liability and is/are responsible for day-to-day operations. • In addition to the partnership agreement, many states require the partners to file a Certificate of Limited Partnership.
<p>Limited Liability Partnership Similar to a general partnership but, depending on the state, some or all of the partners have limited liability.</p>	<ul style="list-style-type: none"> • One partner is not liable for another partner's misconduct or negligence. • Depending on the state, partner's personal liability for debts, obligations and liabilities of the partnership, whether arising in tort, contract or otherwise, is limited, except that a partner can't eliminate or limit liability for his own negligent, wrongful acts, errors or omissions. • Depending on the state, may only be used for certain professional uses (e.g., lawyers, accountants, architects) • As with a general partnership, profits are allocated among the partners for tax purposes. • As previously noted, states vary significantly as to the limitation of a partner's liability.
<p>Corporation A corporation is a legal entity, with a charter granted by the state in which it is headquartered. It can sell shares of stock to raise money; shareholders become part-owners based on the size of their investments.</p> <p>S Corporation is intended for businesses that don't call for massive amounts of capital; they are legally allowed to have up to 100 shareholders and to issue just one class of stock. Income earned by the corporation is taxed as shareholders' personal income. S Corporation shareholders are exempt from personal liability for business debt.</p> <p>C Corporation status allows for an unlimited pool of shareholders. Stock can be issued in different classes, with different rights for shareholders. The corporation itself must pay taxes; business proceeds are taxed again when paid to shareholders as dividends.</p>	<ul style="list-style-type: none"> • The corporation, not shareholders, is liable for its obligations. • Incorporation requires start-up fees and complex documentation. • Corporate entities are monitored by various governmental agencies and must comply with a variety of rules. • Tax-free benefits, such as insurance, travel and retirement plan deductions. • Transfer of ownership facilitated by the sale of stock. • Change of ownership need not affect management. • Unlimited life. • Easier to raise capital through the sale of stock and bonds.
<p>Limited Liability Company A hybrid entity that shields owners' personal assets from business liability, but allows the returns they earn to be taxed once, as personal income.</p>	<ul style="list-style-type: none"> • The law allows for an unlimited number of owners, called members, to invest in an LLC. • The relationships among an LLC's members are in its Operating Agreement. • Limited life in certain states. • If LLC satisfies certain IRS requirements, can be treated by IRS as a partnership.



ADDITIONAL INFORMATION

Business Resources on the Web

Places to Go for Additional Information

The Business Owner's Playbook Website

www.thehartford.com/businessowner

The Hartford Website

www.thehartford.com

Banking

Entrepreneur.com
www.entrepreneur.com/bestbanks

Business

U.S. Small Business Administration
www.sba.gov
www.business.gov

Minority Business Development Agency
www.mbda.gov

National Federation of Independent Businesses
www.nfib.com

U.S. Economic Development Administration
www.eda.gov

Business Appraiser

American Society of Appraisers
www.appraisers.org

Institute of Business Appraisers
www.go-iba.org

Business Broker

International Business Brokers Association, Inc.
www.ibba.org

Certified Public Accountants

American Institute of Certified Public Accountants
www.aicpa.org

GoodAccountants.com
www.goodaccountants.com

Financial Advisors

Certified Financial Planners®
www.cfp.net

Investor Protection
www.finra.org

Insurance

The Hartford
www.thehartford.com/business

Independent Insurance Agents & Brokers of America
www.iiia.org

Insurance Information Institute
www.iii.org/smallbusiness

Investing

The Hartford
www.hartfordinvestor.com

Morningstar, Inc.
www.morningstar.com

The Investor's Clearinghouse
www.investoreducation.org

U.S. Savings Bonds
www.publicdebt.treas.gov

U.S. Securities and Exchange Commission
www.sec.gov

Investment Advisors

Investment Advisor Magazine
www.investmentadvisor.com

Investors

Venture Capitalist Association
www.nvca.org

vFinance, Inc.
www.vfinance.com

Labor/Employment

U.S. Department of Labor
www.dol.gov

Legal

American Bar Association
www.abarnet.org

Professional Coach/Mentor

International Coach Federation
www.coachfederation.org

SCORE - Counselors to American Small Business
www.score.org

Retirement Planning

AARP
www.aarp.org

Social Security Administration
www.ssa.gov

Taxes

Internal Revenue Service
www.irs.gov

The Internet addresses of other companies' websites are provided in this guide for users' convenience only. The Hartford Financial Services Group, Inc. and its affiliated companies (collectively, "The Hartford") do not control or review the listed sites or any content appearing on the sites, nor does the provision of any address imply an endorsement or association of non-Hartford websites. The Hartford is not responsible for, makes no representation or warranty regarding, and does not endorse, certify, approve, or warrant the quality, reliability, or performance of any goods or services associated with, used in, marketed through, made available through, or provided through the listed sites, or the contents, completeness, accuracy, or security of any materials on such sites. If you decide to access such non-Hartford sites, you do so at your own risk and Hartford shall not be liable for any damages, losses or liabilities of any kind or nature related to or arising out of any content on the listed site.