

THINGS TO CONSIDER BEFORE REGISTERING YOUR BUSINESS

TYPES OF BUSINESS FORMATION

There are three registration options for businesses that operate to earn a profit.

They are:

1. Sole Trader
2. Partnership
3. Private Limited Liability Company (Incorporated)

Here are a few things to consider when trying to determine which option is best suited for you.

SOLE TRADER

Sole Trader registration is most commonly used by 1st time business owners because it is quick, easy and affordable to set up. The Sole Trader has full control and autonomy over the business. However, there are several other things to consider before selecting this option.

IS NON-TRANSFERABLE/LACKS CONTINUITY

If you are thinking of building a legacy with your business that you can leave for future generations, this is not the appropriate option for you. Sole Trading businesses are not transferable. That is to say, it cannot be left in your will, sold or passed on to another individual without them having to register a new business. As a Sole Trader the owner and the business is the same legal entity and as such, if you are no longer a part of the business for any reason, the business ceases to exist.

LIMITED ACCESS TO FUNDING

Start up financing is generally very challenging and even more so for Sole Trader businesses. Commercial funding providers do not provide loans to businesses that are less than 3 years in existence. As a Sole Trader this is a significant challenge as the only available funding option for a Sole Trader is that of a loan. Sole Traders cannot legally sell shares in their business to anyone else as the business can only have a "Sole" owner.

UNLIMITED LIABILITY

Business owners are all faced with a high risk of failure during business operation. A Sole Trader has no legal separation between the business and its owners or vice versa. As such, in the event of any indebtedness arising out of the operations of the business, the personal assets of its owner can be levied upon to satisfy the outstanding debts. As a business owner, a failure to protect your personal assets is like going skydiving without a parachute.

PARTNERSHIP

Partnerships suffer the same challenges as that of Sole Traders. Additionally, they are even more difficult to manage.

DIFFICULT TO MANAGE

Like most personal relationships, partnerships are prone to disagreements that negatively impact the operations of the business. This is especially evident in time of financial limitations where partners may not agree on the way forward leading to a break down of the partnership. Once the partnership is broken, a new partnership must be formed. Partnerships have a very low success rate.

PRIVATE LIMITED LIABILITY COMPANY (INCORPORATED)

A Private Limited Liability Company offers the best option for:

- Business continuity
- Funding access
- Asset protection

Private Limited Liability companies are more costly to form and required additional documentation as compared to the Sole Trader and Partnership, however it offers significant advantages as well. When a business is Incorporated, it gains a separate legal identity from that of its owner(s).

ACCESS TO EXPERTISE

The business is also structured to give the owner(s) easy access to expertise through its Board of Directors to support the growth and success of the entity. It also has additional options for sourcing Capital to fund the business in addition to a commercial loan. The business can sell various types of shares to raise Capital for its operations.

BUSINESS CONTINUITY

The business enjoys continuity because it is legally separated from its owners. As such, if the owner of the business become incapacitated or passes away, the business can legally continue to operate whilst any changes in its ownership takes place.

LIMITED LIABILITY

The greatest advantage offered by the separation of the business identity is that of limitation to personal liability for its owners. As a separate legal entity, the business can only surrender its own assets so the personal assets of its owners cannot be affected by the indebtedness of the business.

GREATER DOCUMENTATION REQUIREMENTS

The law requires a higher level of documentation from Incorporated businesses. Whilst this can be intimidating for some 1st time business owners, it must be seen in the context of all the benefits to be gained by incorporating.

PRICING

Sole Trader/Partnership registration \$650.00 \$731.25 VI

Incorporation \$1500.00 \$1687.50 VI

For further assistance or to speak with a Consultant,
contact us now at (868) 329 4237 or email at info@businesslifelinett.com

