



Recover, Renew & Relaunch

August 4, 2020

Dear Friends & Clients,

Over the last several months we have had an opportunity to work with so many of you, our business owner friends and clients, by providing education and one-on-one guidance as you navigate your businesses through a difficult period. Much of our dialogue has centered on the CARES Act and the HEROES Act, and those conversations continue.

In that vein, we would like to continue to be your strategic thought partner in all areas related to the efficient and successful operation of your business. We want to help you identify solutions, cut through the clutter and act on best ideas and best practices.

Unfortunately, millions of American entrepreneurs will be closing their business, scuttling their operations due to an extended period of reduced revenue and a host of other challenges. However, we are happy to see that many of those same entrepreneurs have used this pandemic to launch new enterprises with a renewed focus and determination. Business success in the face of uncertainty, when the odds seem the least favorable, has good precedence. After all, companies like Uber and Slack were launched during the last economic recession.

From our vantage point we are witnessing success in a number of areas that have been inspired by the pandemic; and while the pandemic will be resolved at some future date, many believe that the way we work, play, shop, communicate and socialize will change for evermore. With that in mind, there could be meaningful opportunities in these and other areas and that may hold interest and promise for you, as a few examples:

- Delivery Services
- Cleaning & Sanitation Services
- Fitness Equipment
- Cashless Commerce

The U.S. Chamber of Commerce offers [10 Pandemic-Inspired Business Trends](#).

Corporate Structure

For those who are considering launching or re-launching a business, the question often arises as to which corporate structure is the most prudent. It's a big decision as it has a direct impact on the type of taxes you pay and how you pay them. In today's environment it is very important to make sure you have a clear understanding on how this works. Included below are the most common business structures each of which accomplishes different goals related to tax reporting.

One Lincoln Centre 18W140 Butterfield Road, Ste. 1160 Oakbrook Terrace, IL 60181

T 630.933.0000 F 630.933.0001

SAGEprivatewealth.com



Sole Proprietors are established when an individual is the only owner of the business. The income and expenses get reported on Schedule C of the individual tax return. Income tax is paid at the individual tax rate. In addition, sole proprietors pay self-employment tax on the net profits. The owner is responsible for the debt of the company. This is the easiest entity to establish.

Limited Liability Company (LLC) can have a single member or multiple members. The income from the LLC flows through to the members and income tax is paid at the member's individual tax rate. In addition, LLC members pay self-employment tax on their share of income. Members of an LLC are generally not personally responsible for the debt of the LLC so personal assets are protected. There is a lot of flexibility in how profits and losses are allocated to members. Members can decide how to allocate.

C Corporations – pay taxes at the corporate rate. The Tax Cuts and Jobs Act of 2018 (TCJA) reduced the taxes on C Corporations from 35% to 21%. If the corporation pay dividends, the shareholders pay tax on those at the individual tax rates. These dividends are paid from the corporation's after-tax income so there is double taxation on this income. Corporation shareholders also have limited liability for the debt of the corporation. The shareholders' liability is limited to the amount invested in the corporation.

S Corporation – are similar to LLCs in that the owners are not personally liable for business debts. They can have up to 100 shareholders and all shareholders must be U.S. citizens. The income from this type of entity flows through to its shareholders and is taxed at the individual tax rates. In addition, S Corps have less flexibility in how profits and losses are allocated to shareholders. They must be allocated based on ownership percentage.

There is a lot to consider as a company's business structure also dictates what expenses are deductible at the entity level vs. what deductions pass through to the member/shareholder. For example, charitable contributions are deducted on a C Corporation tax return (subject to limitations). However, charitable contributions pass through to the owners of S Corporations and Limited Liability Companies. The type of retirement plans you can set up are also contingent on the way you structure your business. Not all retirement plan types are allowed under all entity structures. It is important to continually discuss these types of things with your tax professional to make sure you are maximizing your business tax deductions.

The source for the corporate structure information listed above is the IRS. Similarly, when considering starting or reorganizing a business please consult with your CPA or other qualified tax professional.

SAGE Private Wealth Group is ready to assist our small business clients, friends and community members and act as a strategic thought partner. We are inspired to help you identify solutions, cut through the clutter and act on best ideas as you grow your business and which often represents a substantial portion of an entrepreneur's personal wealth.

One Lincoln Centre 18W140 Butterfield Road, Ste. 1160 Oakbrook Terrace, IL 60181

T 630.933.0000 F 630.933.0001

SAGEprivatewealth.com



Please pass this communication along with our contact information to others that are important to you and that you believe would benefit from this information. If you found this to be informative and useful, please let us know.

As always, we value your trust and relationship.

Kind Regards,

SAGE Private Wealth Group



One Lincoln Centre

18W140 Butterfield Road, Suite 1160

Oakbrook Terrace, IL 60181

T: 630.933.0000

F: 630.933.0001

www.SAGEprivatewealth.com

Securities offered through Raymond James Financial Services, Inc. member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc. and SAGE Private Wealth Group. SAGE Private Wealth Group is not a registered broker/dealer and is independent of Raymond James Financial Services.

Please visit <https://www.raymondjames.com/legal-disclosures/social-media-disclaimer-icd> for Additional Risk and Disclosure Information. Raymond James does not accept private client orders or account instructions by email. This email: (a) is not an official transaction confirmation or account statement; (b) is not an offer, solicitation, or recommendation to transact in any security; (c) is intended only for the addressee; and (d) may not be retransmitted to, or used by, any other party. This email may contain confidential or privileged information; please delete immediately if you are not the intended recipient. Raymond James monitors emails and may be required by law or regulation to disclose emails to third parties.

One Lincoln Centre 18W140 Butterfield Road, Ste. 1160 Oakbrook Terrace, IL 60181

T 630.933.0000 F 630.933.0001

SAGEprivatewealth.com

SAGE Private Wealth Group is not a registered broker/dealer and is independent of Raymond James Financial Services. Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment advisory services offered through Raymond James Financial Services Advisors, Inc. and SAGE Private Wealth Group.