

## Overview of Incorporating Liability as a Shield

Incorporating is an absolute must when you want ‘inside-out’ protection. Your only other option is the LLC (or LLP). While incorporating won’t completely protect you from every business creditor, incorporating or setting up an LLC is nevertheless important to protect yourself against most business-related lawsuits.

·**Incorporating protects against tort claims and business debts.** Shield your personal wealth from the most common lawsuits against your business when you incorporate. For example, negligence claims (slip-and-falls, car accidents, etc.) or claims by employees (responsibility for the acts or omissions of your employees, employment discrimination, etc.). You also protect yourself from corporate contract claims and debts that you did not personally guarantee.

·**Incorporating protects you from customer claims.** Incorporating usually limits claims from the sale of goods or services to the corporation. Product liability claims, negligence, breach of warranty and employee’s malpractice lawsuits which often bring huge jury awards are thus confined to the corporation.

·**Incorporating won’t protect you on personally guaranteed debts.** With small corporations an officer (i.e. president, vice president, etc.) or principal stockholder might personally guarantee corporate debts. For example, a landlord may insist upon the owner’s personal guarantee on a corporate lease. If your corporation defaults on the lease, the landlord can then sue the owner personally on the guarantee.

·**Incorporating won’t protect you when you personally cause the harm.** If you personally cause harm for which someone sues, you will not be protected by the corporate shield. For example, if you negligently cause an accident with the corporate car, both you and the corporation can be sued. Similarly, a physician would be personally liable for his own malpractice, notwithstanding that he was employed by an incorporated group practice or some other entity.