

Starting Your Own Business
A Series for Budding Entrepreneurs
Corporate Structure – Part 2



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The first steps I took when I decided to start my own business was to find a good corporate attorney, banker and a CPA. Since I didn't know what was involved in getting started in business, I needed to consult the experts.

Finding Your Corporate Attorney

A good friend of mine is a lawyer, and so is his wife. When I called him asking for a recommendation, he told me that his wife is their company's corporate attorney. That was good enough for me.

We met and discussed how to incorporate as an S corporation (since I had earlier determined that the S corporation met my needs). The most difficult thing that I had to do was name the company. Once my family and I agreed upon the name, she filed all of the necessary paperwork with the IRS, state and city, and provided me with all that I needed to take the next steps. With my corporate book, corporate seal, articles of incorporation, bylaws, special shareholder minutes, and IRS tax ID number in hand, I moved down the street to meet with another friend of mine who is a CPA that specializes in small businesses.

One thing to consider when you incorporate: I strongly recommend using an attorney to do this for you. While you can go to a lot of internet sites for information on how to incorporate for free (excluding the usual start up filing costs), I believe that paying a professional to ensure that you have done this important first step correctly is a small down payment for your ease of mind. Besides, this is a great first step in starting a long term relationship with someone who will be part of your Corporate Team. I know people that have incorporated using the internet. It worked fine, but it also takes time. I didn't have the luxury of time. I needed to get my company set up as quickly as possible since I wanted to bill my new clients as a corporation.

The CPA

"I really don't like hiring friends to work for me because I find it upsetting when I fire them." "Well, Jeff, I hope that we will provide you with excellent support for your new business, and please let me know if we ever miss the mark – I want this to be a win-win, long term relationship." This is how it started over 5 years ago, and continues as a great relationship today with accounting and tax services provided for my company and all of the family.

Armed with my corporate paperwork and the IRS tax ID number, I met with my CPA friend. My business model of providing business development and marketing support to companies did not include plans to hire many employees. This is an important consideration when you set your accounting system.

Since ironSclad Solutions, Inc. would employ only one person – me – and have two Corporate Officers – me and my wife (the CSO – Chief Spending Officer) – my CPA recommended a simple excel spreadsheet to track all expenses. The spreadsheet, along with the various categories of expense types, was emailed to me so that I could start

tracking all corporate expenses. If your plans include additional employees, large numbers of monthly invoices (I only send out about 15 invoices per month), or numerous monthly corporate checks, you may want to employ a more sophisticated system of records keeping – there are a lot of choices out there available commercially, and your CPA can certainly recommend a system that is compatible with your needs.

When anything arrives at my business address from the IRS, I immediately take this to my CPA. I also send my excel spreadsheet of costs (which includes payroll and payroll taxes – more on this later) quarterly.

Your Banker

Huntsville has a lot of local banks that all want your business. Isn't it great when we are the customer? Call several, meet with the small business officers, and let them compete for you. What you need immediately from the bank: a corporate checking account and credit/debit card in the name of the business. Decide on who has signing authority for the account. For ironScIad Solutions, Inc. both my wife and I can sign checks and use the corporate credit card.

What you want from your bank: all of these services for the best value. You have to decide what is important to you, but I like free, or reduced, checking, free check refills, low interest credit card costs, and someone that I can reach on the phone.

What you will need from your bank in the near future: a line of credit. Talk with your banker about setting up a line of credit in the name of the business. It is critical that this be set up in the name of the business to establish the viability and credibility of your corporation. Just like big companies do all the time. Borrow money in the name of the company, use the loan for business needs, and pay it back. You may not be able to borrow much at first, but borrow what you can. This will establish your borrowing power as a corporation. Someday you may need this money for critical cash flow items, and since you established the loan, and increased the loan amount over the years, it is at your discretion to use when needed. If you try to borrow from a bank when you are in financial distress, it will be extremely difficult to get a loan at that time.

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