



Module 3 Business Structures

INSTRUCTOR GUIDE

MONEY SMART for Small Business

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Module Opening

Note to Instructors: As you prepare for and begin your training, keep these tips in mind:

- **Review the Guide to Presenting Money Smart for Small Business (MSSB).** This resource provides an overview of the MSSB structure, along with tools and guidance to help you plan, prepare, and deliver effective training.
- **Confirm accommodation needs early.** Ask participants in advance if they require any reasonable accommodations to fully engage in the training. Allow enough time to address these requests before the session begins.
- **Cover housekeeping details.** Share the agenda with timing and breaks, and explain how participants can ask questions or provide input. If you create slides for these items, place them in a separate file to keep slide numbers in this instructor guide aligned with the module slides.
- **Create a welcoming and collaborative atmosphere.** Start by acknowledging any nervousness participants may feel and encourage openness. Invite participants to briefly share their small business experiences so far.
- **Encourage participants to connect to each other.** Participants can support each other after the training. Encourage them to exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.

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Welcome

SHOW SLIDE 1

DO

- As participants arrive for the training, use this time to:
 - Welcome them and introduce yourself
 - Ask them to sign in for the training if you are using a sign-in sheet
 - Ensure that any requested reasonable accommodations are in place and make any necessary adjustments
- If the training is virtual, invite people to introduce themselves in the chat box, or set aside time for virtual introductions.

SAY

- Welcome to this training on Business Structures.



Participant Guide

SAY

- Everyone has a copy of the participant guide. It contains information and discussion points to help you learn and become familiar with the topics we will present.
- We will use the participant guide throughout the training. You can write in it, as it is yours to keep.
- The participant guide can be a helpful reference after the training. It includes a For More Information section with relevant resources and a glossary defining key terms.

Learning Objectives

SHOW SLIDE 2

SAY

- This training will help you choose a business structure for your business.
- As a result of completing this module, you will be able to:
 - Describe why business structure matters for a small business
 - Compare and contrast key features of different business structures
 - Choose the best business structure for your business



Pre-Survey

SHOW SLIDE 3

SAY

- Please take 10 minutes to complete the pre-survey.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.
- After the training, you will revisit this survey to see what you have learned.

DO

- Collect all completed surveys.
- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

Pre-Survey
See page 1 in your participant guide.

Pre-Survey
This form will allow you and your instructor to see what you know about today's topics before the training.
Instructor: _____ Date: _____

Part 1. What Do You Know Before the Training?
Read the statements below and circle the number that shows how much you agree with each one.

totally disagree disagree neutral agree totally agree

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Section 1: Why Business Structure Matters

Time estimate for this section: 20 minutes

Participants will be able to describe why business structure matters for a small business.

SHOW SLIDE 4

SAY

- See page 2 in your participant guide.
- We will discuss why business structure matters for a small business.



About Business Structures

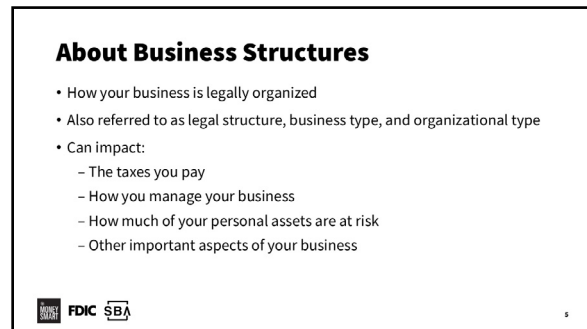


Present information (5 Minutes)

SHOW SLIDE 5

SAY

- Business structure is how your business is legally organized. People also refer to business structure as legal structure, business type, and organizational type.
- Examples of business structures you may have heard of are: sole proprietorships, limited liability companies or LLCs, and C-corporations.
- Selecting a business structure for your business is an important decision. It can impact the taxes you pay, how you manage your business, how much of your personal assets are at risk, and other important aspects of your business.
- You should choose a business structure that gives you the right balance of legal protections and benefits.
- We will talk about the choices in detail.



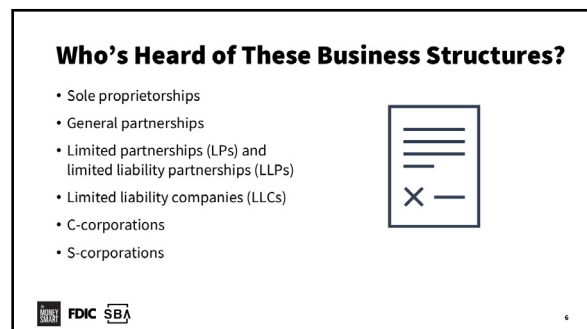
SHOW SLIDE 6

SAY

- Let's see who's heard of these business structures before today. You don't have to be an expert. You just need to be familiar with the term.

DO

- Hold four quick votes to ask how many participants have heard of these business structures:
- Sole proprietorships



- General partnerships
- Limited partnerships (LPs) and limited liability partnerships (LLPs)
- Limited liability companies (LLCs)
- C-corporations
- S-corporations

Note to Instructors: You can use a voice vote, a show of hands, or an electronic polling tool. Use a method for voting that works for all participants, including participants with mobility impairments or other disabilities. There are cost-free options that allow participants with both speech and mobility impairments to vote, including using eye gaze direction, blinking, and breathing patterns as signals.



Many web-based training platforms have built-in polling or hand-raising features you can use to hold votes. You often have to prepare polls in advance of the training.

Why Does Business Structure Matter?



Lead discussion (15 minutes)

SHOW SLIDE 7

SAY

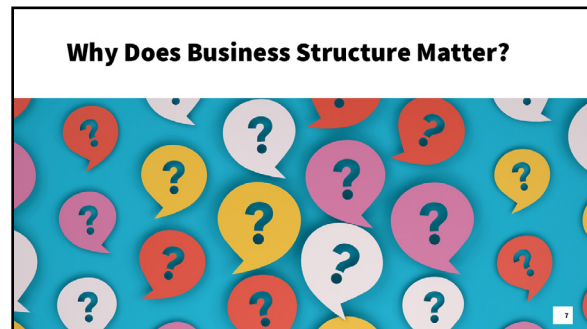
- See page 2 in your participant guide.

ASK

- What are some reasons why choosing the right business structure matters for your business?

DO

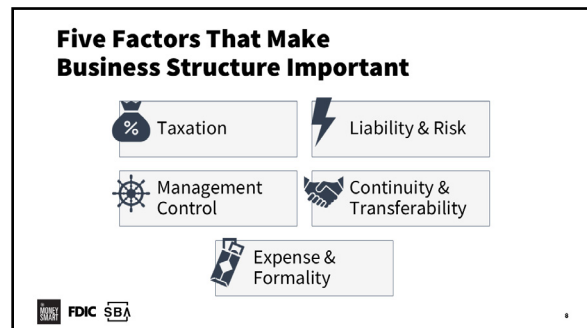
- Write participant responses on a flip chart or whiteboard.



SHOW SLIDE 8

SAY

- We're going to explore five key factors that make business structures so important:
- Taxation
- Liability and risk
- Management control
- Continuity and transferability
- Expense and formality



SHOW SLIDE 9

SAY

- Taxation depends on your business structure.
- For most business structures, profits are taxed once, through pass-through taxation.
- In pass-through taxation, profits are taxed once at the level of the business owners.
- The business itself does not pay income taxes on profits. Instead, the profits flow to the personal tax returns of the owners, who then pay personal income tax on them.
- If the business loses money, the losses pass through to the owners' personal tax returns.
- Some business owners pay self-employment taxes in addition to the income taxes on profits. Self-employment tax applies when the income is considered earned through active participation in the business. Passive investors or limited partners may avoid it, while active participants (like sole proprietors or general partners) typically cannot.
- For one business structure—the C-corporation— income is taxed twice.
- First the business entity itself pays taxes on the business's profits.
- Next, there is another layer of taxes for C-corporations when they distribute profits to shareholders as dividends. Those dividends are taxed again on shareholders' personal tax returns.
- A shareholder is someone who owns part of the company in the form of shares of the company's stock.
- A dividend is a payment made by a company to its shareholders, usually as a distribution of profits.
- This means that the same income is taxed twice, which can be a significant disadvantage.
- Losses to a C-corporation affect the business's taxes. Shareholders' personal taxes are only affected by losses if those losses cause the company to change its distribution of dividends.

Most Business Structures	C-corporations
<ul style="list-style-type: none">• Profits taxed once• Pass-through taxation• Profits flow to owners' personal tax returns• Losses flow to owners' personal tax returns	<ul style="list-style-type: none">• Profits taxed twice<ul style="list-style-type: none">– Business taxes on profits– Personal taxes on dividend distributions to shareholders• Losses affect business taxes only, but may cause the company to change its distribution of dividends

Some business owners pay self-employment taxes in addition to the income taxes on business profits.

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SHOW SLIDE 10

SAY

- Liability and risk depend on your business structure.
- Different business structures determine who is responsible if the business is sued.
- In some business structures, owners can be personally liable, which means their personal assets (like their house) could be at risk if there is a successful lawsuit against the business.
- In other business structures, the business structure provides protection, so owners' personal assets are generally safe from lawsuits against the business.

Liability and Risk

- Business Liability (represented by a storefront icon)
- Personal Liability (represented by a house icon)

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ASK

- Keep in mind, business structure is not the only way business owners can protect themselves from liability. What are other ways?

DO

- Write participant responses on a flip chart or whiteboard.

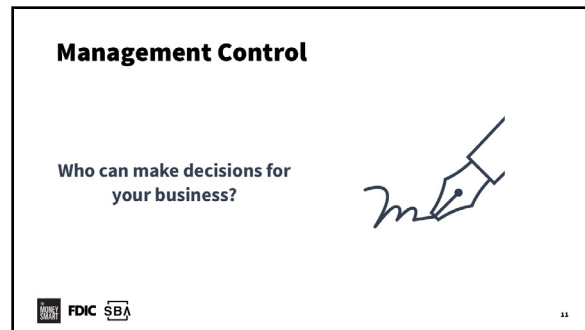
SAY

- New business owners often think they must create a corporation to protect themselves from liability.
- Incorporation isn't the only way to manage risk, but it can provide significant protection.
- Insurance and well-written contracts also help protect against liability.

SHOW SLIDE 11

SAY

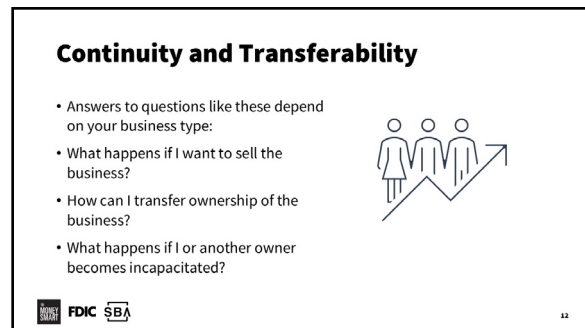
- Who can make decisions for your business?
- Management control depends on your business structure.
- A sole proprietorship is a business structure in which a single individual owns and operates the business. In a sole proprietorship, the owner has complete control over all business decisions.
- In contrast, other business structures have rules and processes for making management decisions. Some require formal boards and officers.



SHOW SLIDE 12

SAY

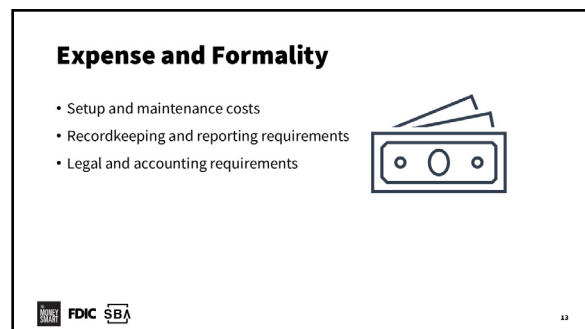
- As business owners, you may need to ask:
 - What happens if I want to sell the business?
 - How can I transfer ownership of the business?
 - What happens if I or another owner becomes incapacitated?
- The answers to these and other questions about the continuity and transferability of your business depend on your business structure.
- The organization type you choose significantly impacts how easily ownership can be transferred and whether the business can continue if an owner leaves or passes away. Different business structures offer varying levels of flexibility and stability, which are crucial for long-term planning and succession.



SHOW SLIDE 13

SAY

- Expense and formality depend on your business structure. Some business structures are simpler than others to operate. Whereas more complex types have special requirements that could increase legal and accounting costs.
- For example, business structures have different setup and maintenance costs. Filing articles of incorporation or articles of organization is a requirement for some, for example.



- Some business structures require more extensive recordkeeping and reporting.
- By-laws, meeting minutes, records related to ownership of shares in the business, and regular filings with the state are examples.
- Legal and accounting requirements vary between business structures.
- Tax filings look very different for different business structures and range from simple to complex.
- Depending on business structure, a business may need to follow corporate governance rules.





Section 2: Business Structures

Time estimate for this section: 95 minutes

Participants will be able to:

- Compare and contrast key features of different business structures
- Choose the best business structure for their business

SHOW SLIDE 14

SAY

- See page 6 in your participant guide.
- We will discuss key features of different business structures and choosing the best business structure for your business.



Introduction to Business Structures

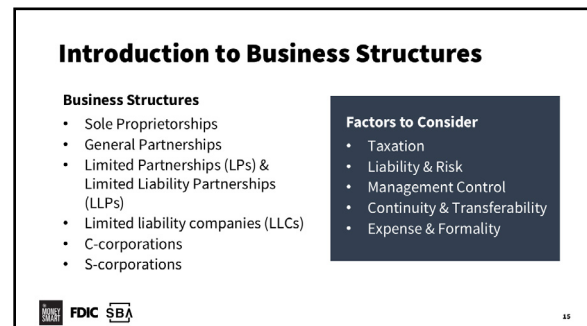


Present information (30 Minutes)

SHOW SLIDE 15

SAY

- Let's explore the different business structures
- The most common business structures are:
 - Sole proprietorships
 - General partnerships
 - Limited partnerships (LPs) and limited liability partnerships (LLPs)
 - Limited liability companies (LLCs)
 - C-corporations
 - S-corporations
- When choosing a business structure, factors to consider include:
 - Taxation – How the business and owners are taxed
 - Liability and risk – Especially the extent of personal liability for judgments against the business
 - Management – How the business is controlled and operated
 - Continuity and transferability – Especially questions related to selling or transferring ownership of the business



- Expense and formality – Including the costs and requirements to create and maintain the business
- Let’s now examine each business structure in detail.
- Keep in mind that business owners don’t have to decide alone. They can seek guidance from a trusted mentor, attorney, tax advisor, Small Business Development Center, or other knowledgeable resource when choosing a business structure.
- Your participant guide includes tables summarizing key features of each business structure. There is space provided for you to add notes.

Sole Proprietorships

SHOW SLIDE 16

SAY

- A sole proprietorship is the simplest business structure where the business and owner are legally the same entity. This is the most common form for small businesses.
- **Taxation:** A sole proprietorship uses pass-through taxation. Business income or losses are reported on the owner’s personal tax return. The owner will likely have to pay self-employment tax and personal tax on the earnings.
 - Self-employment tax includes Social Security and Medicare taxes. It’s similar to the payroll taxes that employers withhold from their employees’ wages.
 - Personal income tax is applied to profits from the business, along with other personal income.
 - Liability and risk: The owner has unlimited personal liability. The owner is personally liable for all business debts and judgments against the business, therefore it represents a riskier option.
- **Management:** The owner has complete control over the business.
- **Continuity and transferability:** A sole proprietorship exists while the owner is alive. It can be sold, transferred, or closed by the owner.
- **Expense and formality:** A sole proprietorship is the simplest and least expensive business structure to create and maintain.

Sole Proprietorships	
The simplest business structure where the business and owner are legally the same entity	
Taxation	Pass-through taxation; all profits/losses allocated to the owner; owner will likely have to pay self-employment tax
Liability and Risk	Unlimited personal liability and higher liability risk
Management and Control	Owner has complete control
Continuity and Transferability	Exists while the owner is alive; can be sold, transferred, or closed by the owner
Expense and Formality	Simplest and least expensive to create and maintain

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General Partnerships

SHOW SLIDE 17

SAY

- A general partnership is a business structure where two or more individuals share ownership and management responsibilities.
- **Taxation:** General partnerships use pass-through taxation. Business income or losses are reported on the partners’ personal tax returns based on the partnership agreement. Each partner pays self-employment tax and personal income tax on their share of the earnings.
- **Liability and risk:** Partners have unlimited personal liability. Each partner is personally liable for all business debts and judgments, including those incurred by other partners.

General Partnerships	
A business structure where two or more individuals share ownership and management responsibilities ^{1,16}	
Taxation	Pass-through taxation; profits/losses divided according to partnership agreement; partners will likely have to pay self-employment tax
Liability and Risk	Unlimited personal liability and higher liability risk
Management and Control	Owners share control as specified in their partnership agreement
Continuity and Transferability	Continuity if a partner leaves or dies depends on state law and the partnership agreement; can be sold, transferred, or closed by mutual agreement
Expense and Formality	Relatively simple and inexpensive to create and maintain

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- **Management:** Partners share management responsibilities and decision-making authority.
- **Continuity and transferability:** State law and the terms of the partnership agreement determine what happens if a partner leaves or dies. It can be sold, transferred, or closed by mutual agreement of the partners.
- **Expense and formality:** General partnerships are relatively simple and inexpensive to create and maintain, though more complex than sole proprietorships.

ASK

- Some partnerships divide ownership evenly among owners. Consider a partnership with two owners who each have 50 percent ownership. What are advantages and disadvantages of that arrangement?

DO

- Write participant responses on a flip chart or whiteboard.

DO

- Add these advantages if not mentioned:
 - 50/50 ownership may reflect the partners' intention to contribute to the business equally.
 - 50/50 ownership may encourage both partners to be actively engaged in decision making.
 - 50/50 ownership ensures that one partner cannot make decisions without the cooperation of the other partner
- Add these disadvantages if not mentioned:
 - 50/50 may not reflect the reality of how much the partners can or will contribute to the business.
 - 50/50 partnerships can lead to deadlocks on decisions when the partners do not agree.
 - 50/50 partnerships can lead to confusion about who is in charge of what, unless it is clearly stated in an agreement.

SAY

- These same points about 50/50 partnerships apply to other types of partnerships we will discuss.

Limited Partnerships (LPs)

SHOW SLIDE 18

SAY

- A limited partnership consists of at least one general partner and one or more limited partners.
 - General partners manage the business and have unlimited personal liability.
 - Limited partners invest in the business but do not participate in day-to-day management.
 - Limited partners have limited liability for the business.
 - An LP is an organization type that can attract investors who want to minimize risk but benefit from the successful operation and growth of the business.
- **Taxation:** LPs use pass-through taxation. Business income or losses are reported on the partners' personal tax returns. General partners pay self-employment tax, while limited partners typically do not.

Limited Partnerships (LPs)	
A partnership with at least one general partner and one or more limited partners, who invest in the business but do not participate in day-to-day management and have limited liability	
Taxation	Pass-through taxation; profits/losses divided according to partnership agreement General partners pay self-employment tax, while limited partners typically do not
Liability and Risk	General partners have unlimited liability; Limited partners' liability is limited to investment
Management and Control	General partner(s) manage the business day-to-day Limited partners have some rights and can vote on certain matters
Continuity and Transferability	Continuity if limited partner leaves or dies, but may dissolve if a general partner dies, unless otherwise agreed upon; interests can be transfer according to the partnership agreement
Expense and Formality	Relatively complex and expensive to create and maintain



- **Liability and risk:** General partners have unlimited personal liability, while limited partners' liability is restricted to the original amount of their investment in the business.
- **Management:** General partners manage the business, while limited partners do not. However, limited partners have rights and can vote on some matters, such as changes to the partnership agreement.
- **Continuity and transferability:** LPs can continue if a limited partner leaves or dies, but may dissolve if a general partner exits, unless otherwise agreed upon. Interests can be transferred according to the partnership agreement.
- **Expense and formality:** LPs are more complex and expensive to create and maintain than general partnerships due to additional legal requirements.

Limited Liability Partnerships (LLPs)

SHOW SLIDE 19

SAY

- An LLP is a partnership where all partners have limited liability. For all partners, liability is restricted to the original amount of their investment.
 - This contrasts with a limited partnership. In an LP, there are general partners and limited partners, and only limited partners have limited liability.

Limited Liability Partnerships (LLPs)	
A partnership in which all partners have limited liability. For all partners, liability is restricted to the original amount of their investment	
Taxation	Pass-through taxation; profits/losses divided according to partnership agreement; partners will likely have to pay self-employment tax
Liability and Risk	Partners' personal liability is limited to investment
Management and Control	Day-to-day management shared by partners
Continuity and Transferability	Continuity if a partner leaves or dies depends on state law and the partnership agreement; interests can be transferred, according to the partnership agreement
Expense and Formality	Relatively complex and expensive to create and maintain

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- **Taxation:** LLPs use pass-through taxation. Business income or losses are reported on the partners' personal tax returns based on the partnership agreement. Each partner pays self-employment tax and personal income tax on their share of the earnings.
- **Liability and risk:** All partners have limited personal liability, restricted to the original amount of their investment in the business.
- **Management:** Partners share management responsibilities and decision-making authority.
- **Continuity and transferability:** LLPs can continue if a partner leaves or dies, depending on the partnership agreement. Interests can be transferred according to the partnership agreement.
- **Expense and formality:** LLPs are more complex and expensive to create and maintain than general partnerships due to additional legal requirements.

Limited Liability Companies (LLCs)

SHOW SLIDE 20

ASK

- Have you ever noticed LLC at the end of company name? Which companies?

DO

- Ask a few participants to share which LLCs they are familiar with.

SAY

- An LLC is a hybrid business structure that combines elements of partnerships and corporations.

Limited Liability Companies (LLCs)	
A hybrid business structure that combines elements of partnerships and corporations, with owners called "members"	
Taxation	Pass-through taxation; profits/losses divided according to partnership agreement; partners will likely have to pay self-employment tax
Liability and Risk	Members' personal liability is limited to investment
Management and Control	Day-to-day management by members or by managers appointed by members
Continuity and Transferability	Continuity if a member leaves or dies depends on state law and the operating agreement; interests can be transferred, according to the operating agreement
Expense and Formality	Relatively complex and expensive to create and maintain

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- Owners of an LLC are called members.
- **Taxation:** LLCs use pass-through taxation. Business income or losses are reported on the members' personal tax returns based on the partnership agreement. Each member pays self-employment tax and personal income tax on their share of the earnings.
- **Liability and risk:** Members have limited personal liability, restricted to the original amount of their investment in the business.
- **Management:** LLCs can be member-managed or manager-managed, offering flexibility in management structure.
 - In a member-managed LLC, all members (owners) actively participate in the day-to-day operations and decision-making of the business. This setup is often preferred by smaller or family-owned businesses where members want direct control over business activities.
 - In a manager-managed LLC, the members appoint one or more managers to handle the daily operations. These managers can be members or external hires. This structure is ideal for larger LLCs or those with passive investors who do not wish to be involved in daily management.
- **Continuity and transferability:** LLCs can continue if a member leaves or dies, depending on the operating agreement. Interests can be transferred according to the operating agreement.
- **Expense and formality:** LLCs are more complex and expensive to create and maintain than sole proprietorships and partnerships due to additional legal requirements.




C-Corporations

SHOW SLIDE 21

SAY

- A C-corporation is a legal entity separate from its owners, providing protection from personal liability.
 - Owners of C-corporations are called **shareholders**. Shareholders own shares of the corporation's stock, which represent their ownership interest in the company. They have the right to vote on major corporate decisions and receive dividends based on the corporation's profits.
- **Taxation:** C-corporations are subject to double taxation. The corporation pays corporate income tax on profits, and shareholders pay personal income tax on dividends received.
- **Liability and risk:** Shareholders have no personal liability, protecting them from business debts and liabilities.
- **Management:** Managed by a board of directors elected by shareholders. Day-to-day operations are handled by officers appointed by the board.
- **Continuity and transferability:** C-corporations have perpetual existence, continuing regardless of changes in ownership. Shares can be freely transferred.
- **Expense and formality:** C-corporations are the most complex and expensive business structure to create and maintain, with extensive legal and regulatory requirements.

C-Corporations	
A legal entity separate from its owners, providing protection from personal liability, with owners called "shareholders"	
Taxation	Double taxation: corporation pays corporate tax, shareholders pay tax on dividends
Liability and Risk	No personal liability
Management and Control	Managed by a board of directors elected by shareholders; day-to-day management by officers appointed by board
Continuity and Transferability	Continuity regardless of changes in ownership; shares are freely transferred
Expense and Formality	The most complex and expensive to create and maintain

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S-Corporations

SHOW SLIDE 22

SAY

- An S-corporation is a special type of corporation that offers pass-through taxation while providing protection from personal liability.
- **Taxation:** S-corporations use pass-through taxation. Business income or losses are reported on shareholders' personal tax returns. Shareholders pay personal income tax on their share of the earnings but are not subject to self-employment tax.
- **Liability and risk:** Shareholders have no personal liability, protecting them from business debts and liabilities.
- **Management:** Managed by a board of directors elected by shareholders. Day-to-day operations are handled by officers appointed by the board.
- **Continuity and transferability:** S-corporations have perpetual existence, continuing regardless of changes in ownership. Shares can be transferred, but there are restrictions on the number and type of shareholders.
- **Expense and formality:** S-corporations are more complex and expensive to create and maintain than sole proprietorships and partnerships, but less so than C-corporations.


SAY

- We know that S-corporations are different from C-corporations because they use pass-through taxation.
- There are other differences, such as the following:
 - S-corporations can have no more than 100 shareholders, and those shareholders can only be held by U.S. citizens or residents, certain trusts, and estates. C-corporations have no restrictions on the number or type of shareholders.
 - S-corporations can only issue one class of stock. C-corporations can have more complex equity arrangements that allow them to attract a broader array of investors.
- Entrepreneurs who choose to create S-corporations may choose this organization type because it allows pass-through taxation while also enabling them to protect themselves from liability and raise capital by issuing stock.

S-Corporations

A special type of corporation that offers pass-through taxation while providing protection from personal liability, with owners called "shareholders"

Taxation	Pass-through taxation; profits/losses divided among shareholders
Liability and Risk	No personal liability
Management and Control	Managed by a board of directors elected by shareholders; day-to-day management by officers appointed by board
Continuity and Transferability	Continuity regardless of changes in ownership; shares can be transferred with restrictions
Expense and Formality	Relatively complex and expensive to create and maintain

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Try It: Spot Factors That Matter for Choosing a Business Structure



Lead activity (20 minutes)

SHOW SLIDE 23

DO

- Ask participants to turn to “Spot Factors That Matter for Choosing a Business Structure” on page 3 of their participant guide.
- Read the opening paragraph of the scenario to participants or ask for a volunteer to do so. Participants will read the contents of the table on their own during the activity.

Try It: Spot Factors That Matter for Choosing a Business Structure

See page 3 in your participant guide.



Reminder...
Organization type matters for:

- Taxation
- Liability and risk
- Management control
- Continuity and transferability
- Expense and formality

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Scenario: The Newtown Entrepreneurs Alliance Gathers to Discuss Business Structures

Several Newtown entrepreneurs have gathered for coffee and discussion. It is the first meeting of the Newtown Entrepreneurs Alliance. The theme of the meeting is “Which business structure is best for my business idea?” At the start of the meeting, each person introduces themselves and describes their business idea. Then, they start to discuss aspects of their businesses that matter for selecting a business structure.

DO



- Divide participants into groups of 4 to 6 people.

Note to Instructors: In a web-based training, breakout rooms can make small group discussions possible among virtual participants. Alternatively, ask people to do this activity individually using the fillable fields in the participant guide.

- Assign each group one of the entrepreneurs from the table.

SAY

- In your small groups, take 10 minutes to read about your entrepreneur’s business idea and then write down details that will be important when they select a business structure.
- Remember how organization type matters for:
 - Taxation
 - Liability and risk
 - Management control
 - Continuity and transferability
 - Expense and formality
- If you finish before the 10 minutes are up, move on to the next entrepreneur’s business idea.

DO

- After 10 minutes, ask each group to share their answers for the entrepreneur they were assigned.
- Write participant responses on a flip chart or whiteboard.
- Add ideas from the answer key if not mentioned.

Try It: Spot Factors That Matter for Choosing a Business Structure – Answer Key

Newtown Entrepreneurs Alliance Members and Their Business Ideas

Entrepreneur	Business Idea
Raj and Andy – Food Truck	<p>Raj and Andy are friends who want to start a food truck business. They plan to serve barbeque downtown at lunch during the week and at festivals and other events on weekends. Both will be actively involved in running the business, and they want to share profits equally. As they plan this venture, they are concerned that they will be personally liable for risks related to food preparation and customer interactions.</p> <ul style="list-style-type: none"> ▪ Two people, both will be actively involved in running the business and sharing profits equally ▪ Concerned about personal liability
Jaime – Tutoring and Test Preparation	<p>Jaime is a retired teacher with a passion for education. She wants to start a business offering tutoring services and online standardized test preparation classes. Jaime likes to keep things simple. She is well-equipped to personally help students improve their academic performance and does not anticipate needing employees or other help. Any income from the business will help her meet her living expenses.</p> <ul style="list-style-type: none"> ▪ Single owner ▪ Will operate the business herself ▪ Likes to keep things simple
Samantha, Taylor, and Coleridge – Custom Woodworking	<p>Samantha, Taylor, and Coleridge became friends over their passion for woodworking. They want to start a business doing custom furniture design, cabinetry, and decorative projects locally. All three will be actively involved in crafting pieces, meeting clients, and managing the business. They want to share responsibilities and profits equally. All three plan to keep their day jobs. This would be a side business. They plan to buy insurance, but consider this to be a low risk business.</p> <ul style="list-style-type: none"> ▪ Three people, all actively involved, sharing profits equally ▪ Side business, may want to keep things simple ▪ Less concerned about liability and risk
Ignacio – Online Boutique	<p>Ignacio wants to launch an online boutique selling handmade jewelry and accessories. He will source products from local artisans and sell them through a website. He expects to start small but hopes to grow the business over time. He wants to keep the business structure simple. Ignacio also wants to contain start-up costs wherever he can so that he can use the funds available for his business to purchase inventory.</p> <ul style="list-style-type: none"> ▪ Single owner who will operate the business himself ▪ Wants to contain startup costs ▪ Wants to keep the business structure simple.



Entrepreneur	Business Idea
Aisha – Mobile App	<p>Aisha is developing a mobile app that helps small businesses manage their inventory. Soon, she plans to seek funding from a variety of investors. She also plans to get business partners involved, offering them ownership stakes in the business in return for help making her vision a reality. Aisha wants to ensure that the business can grow rapidly while protecting her personal assets.</p> <ul style="list-style-type: none"> ▪ Seeking funding from a variety of investors ▪ Plans to offer business partners ownership stakes ▪ Wants to grow the business rapidly ▪ Concerned about personal liability

Try It: Selecting Business Structures

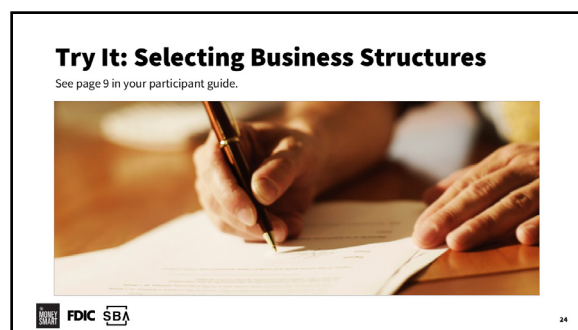


Lead activity (20 minutes) – Scenario

SHOW SLIDE 24

DO

- Ask participants to turn to “Try It: Selecting Business Structures” on page 9 of their participant guide.
- Read the opening paragraph of the scenario to participants or ask for a volunteer to do so. Participants will read the contents of the table on their own during the activity.



Scenario: The Newtown Entrepreneurs Alliance Reconvenes

The members of the Newtown Entrepreneurs Alliance have been considering which business structure would work best for each of their businesses. They have reconvened in Jaime’s living room and are ready to announce their decisions.

DO

- Divide participants into groups of 4 to 6 people.



Note to Instructors: In a web-based training, breakout rooms can make small group discussions possible among virtual participants. Alternatively, ask people to do this activity individually using the fillable fields in the participant guide.

- Assign each group one of the entrepreneurs from the table.



SAY

- In your small groups, take 10 minutes to:
 - Review their business idea in “Try It: Spot Factors That Matter for Choosing a Business Structure” in section 1 of this training
 - Recommend a business structure
 - Provide reasons for your recommendation.
- There is space in your participant guide to write your recommendation and reasons.
- If you finish before the 10 minutes are up, move on to the next entrepreneur’s business idea.

DO

- After 10 minutes, ask each group to share their answers for the entrepreneur they were assigned.
- Write participant responses on a flip chart or whiteboard.
- Add ideas from the answer key if not mentioned.

Try It: Selecting Business Structures – Answer Key

Entrepreneur	Business Structure Recommendation and Reasons
Raj and Andy – Food Truck	Limited Liability Company (LLC) Reasons: <ul style="list-style-type: none">▪ Liability Protection: An LLC will protect Raj and Andy's personal assets from liabilities related to food preparation and customer interactions.▪ Equal Ownership: An LLC allows for equal ownership and profit-sharing, which matches their business goals.▪ Flexibility: LLCs offer flexibility in management and tax options, which can be beneficial as they navigate the food truck business.
Jaime – Tutoring and Test Preparation	Sole Proprietorship Reasons: <ul style="list-style-type: none">▪ Simplicity: A sole proprietorship is easy to set up and manage, which is ideal for Jaime.▪ Low Startup Costs: This business structure has minimal initial costs, which is beneficial for Jaime as she starts her tutoring and test preparation services.▪ Control: Only one person—Jaime—needs to own the business and she wants to operate this business with a high degree of independence. A sole proprietorship will help her do that.



Entrepreneur	Business Structure Recommendation and Reasons
Samantha, Taylor, and Coleridge – Custom Woodworking	<p>General Partnership</p> <p>Reasons:</p> <ul style="list-style-type: none"> ▪ Shared Responsibility: A general partnership allows all three to share responsibilities and profits. ▪ Simplicity: Partnerships are relatively easy and inexpensive to establish, which is ideal for a side business. ▪ Liability and risk: Samantha, Taylor, and Coleridge are not concerned about personal liability for this business. Choosing a general partnership allows them to avoid the trouble and expense of setting up a partnership that limits personal liability.
Ignacio – Online Boutique	<p>Sole Proprietorship</p> <p>Reasons:</p> <ul style="list-style-type: none"> ▪ Simplicity: A sole proprietorship is the simplest and least expensive business structure to establish, which is ideal for Ignacio's small startup. ▪ Ownership and control: Only one person—Ignacio—needs to own the business. Ignacio will have complete control over the business decisions and operations. ▪ Containing start-up costs: A sole proprietorship is the simplest and least expensive business structure to create and maintain.
Aisha – Mobile App	<p>C- Corporation</p> <p>Reasons:</p> <ul style="list-style-type: none"> ▪ Attracting Investors: A C-corp structure is attractive to investors, which is important for Aisha as she seeks funding. ▪ Growth Potential: Corporations can issue stock, which can help raise capital for growth and expansion. ▪ Liability Protection: A C-corp provides strong liability protection, safeguarding Aisha's personal assets.



Apply It: Selecting My Business Structure



Lead activity (20 minutes)

SHOW SLIDE 25

SAY

- Turn to “Apply It: Selecting My Business Structure” on page 11 of your participant guide.
- Take 10 minutes to review and complete the worksheet, which is organized around the factors for choosing a business structure: taxation, liability and risk, management, continuity and transferability, and expense and formality.
- You can continue to work on this worksheet after today’s training as you decide on a business structure.

DO

- After 10 minutes, invite participants to share their questions and conclusions.



Step 1. Consider Your Needs and Priorities for Organization Type

Write notes on your business needs in the table. In the final column, rate each factor relative to the others.

Factor	Needs	Priority
Taxation		<input type="checkbox"/> High priority <input type="checkbox"/> Medium priority <input type="checkbox"/> Low priority
Liability and risk		<input type="checkbox"/> High priority <input type="checkbox"/> Medium priority <input type="checkbox"/> Low priority
Management control		<input type="checkbox"/> High priority <input type="checkbox"/> Medium priority <input type="checkbox"/> Low priority
Continuity and transferability		<input type="checkbox"/> High priority <input type="checkbox"/> Medium priority <input type="checkbox"/> Low priority
Expense and formality		<input type="checkbox"/> High priority <input type="checkbox"/> Medium priority <input type="checkbox"/> Low priority

Step 2. Consider Which Business Structures Best Match Your Needs and Priorities

Write notes on how well each business structure matches your needs and priorities from Step 1. In the final column, rate whether each business structure is a good match, partial match, or not a good match.

Business Structure	Notes on Matches	Match Rating
Sole proprietorship		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
General partnership		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
Limited partnership (LP)		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
Limited liability partnership (LLP)		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
Limited liability company (LLC)		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
C-corporations		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match
S-corporations		<input type="checkbox"/> Good match <input type="checkbox"/> Partial match <input type="checkbox"/> Not a good match



Relevant Federal, State, and Local Requirements



Present information (5 Minutes)

SHOW SLIDE 26

SAY

- See page 13 in your participant guide.
- Each business structure comes with specific requirements at the Federal, state, and local levels that business owners must understand and follow.
- Key requirements include:
 - Federal tax reporting and payment schedules
 - State registration and annual reports
 - Local business licenses and permits
 - Industry-specific regulations
 - Employment laws and regulations
 - Record keeping requirements
- Requirements vary by:
 - Organization type
 - Location (state/city/county)
 - Industry
 - Size of the business
 - Number of employees

ASK

- Who can share an example of a requirement that their business must meet that is specific to its business structure?

DO


- Write participant responses on a flip chart or whiteboard.

SAY

- Know what requirements apply to your business.
- Keep in mind they can change over time.
- Non-compliance can result in penalties or loss of legal status.
- Consider getting professional guidance to ensure compliance.

Relevant Federal, State, and Local Requirements

Key requirements include:	Requirements vary by:
<ul style="list-style-type: none">• Federal tax reporting and payment schedules• State registration and annual reports• Local business licenses and permits• Industry-specific regulations• Employment laws and regulations• Record keeping requirements	<ul style="list-style-type: none">• Organization type• Location (state/city/county)• Industry• Size of the business• Number of employees

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Module Closing

Take Action

SHOW SLIDE 27

SAY

- You are more likely to act if you commit to taking action now.
- Write down what you intend to do based on today's training on page 14 of your participant guide.

Take Action

- What is one goal you will pursue?
- What first step will you take toward your goal?
- How will you get and give support to other participants?

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For More Information

SHOW SLIDE 28

DO

- Encourage participants to explore the resources listed under For More Information on page 14 of their participant guide.
- Time permitting, mention resources from the listing you think will be especially helpful. The For More Information content is shown below as it appears in the participant guide.
- Note resources that are specific to participants' states or localities. Encourage participants to note them in the space provided.

For More Information

See page 14 in your participant guide.

For More Information

SBA works with resource partners nationwide to provide mentorship and advice to pre-launch entrepreneurs. Visit sba.gov/local-assistance and search by ZIP code under 'Get Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers who provide free or low-cost counseling and training in your area.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Their website at score.org features budget and financial statement templates and other relevant resources.

FDIC SBA

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For More Information, as Shown in the Participant Guide

The U.S. Small Business Administration's (SBA's) business guide includes a Launch Your Business module with a section on 'Choose a Business Structure.' In addition, the agency's learning platform discusses financial statements in Journey 4: Your Business Financial Strategy. Visit sba.gov to explore these and other resources.

SBA works with resource partners nationwide to provide mentorship and advice to pre-launch entrepreneurs. Visit sba.gov/local-assistance and search by ZIP code under 'Get Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers who provide free or low-cost counseling and training in your area.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Search their website at score.org for 'business structure' to find information and guidance.

The Internal Revenue Service's website (irs.gov) is the main place to find information on federal taxes that apply to different business types. Visit irs.gov/businesses and search the site for 'business types' to get tax information, tools, and resources for businesses and those self-employed.

You and other training participants can support each other after the training. Exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.



Also explore resources that are specific to your state or locality.

The **Federal Deposit Insurance Corporation (FDIC)** preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; identifying, monitoring, and addressing risks to the Deposit Insurance Fund; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

Visit the Small Business Topics webpage at fdic.gov/consumer-resource-center/small-business-topics to learn about a wide range of resources and tools for consumers and bankers that help plan, launch, manage and grow small business initiatives in their communities.

The FDIC also encourages bank lending to creditworthy small businesses. Small businesses that may have an inquiry or concern about policies, financial institutions, and referrals to other government agencies can contact the FDIC Small Business Hotline at 1-855-FDIC-BIZ (1-855-334-2249).

Visit fdic.gov/doing-business-fdic for information on doing business with the FDIC.

The **U.S. Small Business Administration (SBA)** provides resources, answers to frequently asked questions and more in support of small business owners. Visit sba.gov to explore the agency's learning platform, business guide, and other resources. Contact SBA's Answer Desk at 1-800-827-5722 or answerdesk@sba.gov for general inquiries.

SBA district offices offer help planning, starting, or growing your small business. Find your SBA district office by visiting sba.gov and searching for 'district office.'

The **U.S. Financial Literacy and Education Commission** hosts mymoney.gov, the federal government's one-stop web site for financial education resources from more than 20 federal agencies.



Post-Survey

SHOW SLIDE 29

SAY

- Please take 10 minutes to complete the post-survey on page 18 of your participant guide.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.

DO

- Collect all completed surveys.
- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

Post-Survey
See page 17 in your participant guide.

Post-Survey
This form will allow you and your instructor to see what you know about today's topics after the training.
Instructor: _____ Date: _____

Part 1. What Do You Know After the Training?
Read the statements below and circle the number that shows how much you agree with each one.

totally disagree disagree neutral agree totally agree

FDIC SBA 29

Answer Key for Part 2 of the Pre- and Post-Survey

1. Pass-through taxation means profits are taxed at both the business and personal levels.
 True False It depends
The answer is **false**. In pass-through taxation, profits are taxed once, at the level of the business owners.
2. In a sole proprietorship, the owner is personally liable for the business up to the value of their original investment.
 True False It depends
The answer is **false**. The owner of a sole proprietorship has unlimited personal liability. The owner is personally liable for all business debts and judgments against the business.
3. Which business structure involves double taxation?
 - a. Limited liability company (LLC)
 - b. C-corporation
 - c. S-corporation
 - d. All of the above

The answer is **b. C-corporation**. C-corporations are taxed at both the corporate level and again at the shareholder level when dividends are distributed.



4. Which of the following is NOT a factor to consider when choosing a business structure?

- a. The extent of personal liability for the business
- b. Whether the business year starts January 1
- c. Who will have authority to make business decisions
- d. Legal and accounting expenses involved in setting up the business structure

The answer is **b. Whether the business year starts January 1**. This is not a factor in selecting a business structure.

5. In a general partnership, the partnership agreement can establish an unequal sharing of profits among partners.

- True False It depends

The answer is **true**. Entrepreneurs can create a partnership agreement that shares profits equally or unequally among partners.



Evaluation Form

SHOW SLIDE 30

SAY

- Thank you for coming to this Money Smart for Small Business training.
- Please complete the evaluation form on page 19 of the participant guide. Your feedback helps to improve future trainings.

DO

- Collect the completed surveys.

SHOW SLIDE 31

SAY




- Thank you for coming to this Money Smart for Small Business training.

Evaluation
See page 18 in your participant guide.

Evaluation Form
Please answer the following questions about this training.

1. Please indicate the degree to which you agree with each statement below about the training and supporting materials.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a. The training content was clear.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The training content was relevant to me as an	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Glossary

Term	Definition
Asset	Anything a business owns that has value, such as cash, equipment, or property.
C-Corporation	A legal business structure that is taxed separately from its owners and can have unlimited shareholders.
Continuity	The ability of a business to continue operating despite changes in ownership, such as when an owner leaves, sells the business, or passes away.
Dividend	A payment made by a corporation to its shareholders from its profits.
Double Taxation	When income is taxed twice—once when the corporation pays taxes on its profits, and again when shareholders pay taxes on the dividends received from the corporation.
General Partnership	A business owned by two or more people who share profits, losses, and liability.
Liability	Legal responsibility for debts or actions of a business.
Limited Liability Company (LLC)	A business structure that combines features of partnerships and corporations, protecting owners from personal liability and allowing profits to pass through personal taxes.
Limited Liability Partnership (LLP)	A partnership where all partners have limited liability for business debts.
Limited Partnership (LP)	A partnership with at least one general partner who manages the business and one or more limited partners who invest but do not take part in day-to-day management.
Management Control	Who has the authority to make decisions in a business.
Organization Type	The legal structure of a business, such as sole proprietorship, partnership, LLC, or corporation.
Pass-Through Taxation	When business profits are taxed only once on the owner's personal tax return, rather than at both the business and personal level.
Personal Liability	When an owner is personally responsible for business debts or legal actions.
S-Corporation	A special type of corporation that allows profits to pass through to shareholders' personal tax returns helping to avoid double taxation.
Self-Employment Tax	Taxes paid by self-employed individuals to cover Social Security and Medicare contributions.
Shareholder	A person who owns part of a corporation through shares of stock.
Sole Proprietorship	A simple business structure where the business and the owner are legally the same. The owner reports business income and expenses on their personal tax return.



Term	Definition
Taxation	How a business and its owners are taxed by the government.
Transferability	How easily ownership of a business can be transferred to someone else.

