

Limit Your Liability to Protect Your Assets

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If your business runs into serious difficulty, will it bring you down too? For example, what if one of your employees got involved in a serious car accident while working for you? Will the resulting lawsuit bankrupt you personally?

Here are just a few ways of protecting yourself against catastrophic losses and lawsuits.

1. Obtain Adequate Insurance Coverage

If someone slips on the sidewalk of your home and injures himself, he could sue you for damages. Your tenant's or homeowner's policy may cover you for liability in such an event.

However, what if it is your customer who falls on his way to visiting your home-based business? You will need an extra rider on your house insurance to cover such incidental business use. The extra charge for this additional coverage is well worth it.

If you use a car for business use, insure it for such. Some people think that they are being clever writing off automobile expenses for income tax purposes but at the same time not informing the insurance company that the car is being used for business.

This is false economy. If you ever get into an accident, police and insurance investigators will certainly find out that you used the vehicle for business purposes. If you're not paying for business coverage, why would the insurance company cover your claim?

As well, what do you think an income tax auditor would think of your claimed business expenses on the vehicle when your insurance policy indicates personal coverage only? Avoid this additional exposure to tax liability.

Be sure to obtain required workers' compensation coverage. Some have been held responsible for all the medical and other expenses of an injured worker, as well as fines for non-compliance to the law. These costs can be quite substantial and even bankrupt you.

Consider obtaining product liability insurance. This applies not just for any products you manufacture but also for products you sell that are made by others.

2. Incorporate Your Business

Insurance may give you some protection against loss. However, you may suffer business losses and lawsuits that may not be covered by your insurance fully. What then?

An extra level of protection can be obtained by forming your own corporation. Even though incorporating yourself will result in extra paperwork and costs, it could be the best insurance you ever bought.

This is because the corporation is a separate legal entity or person. Even though you may own the corporation, if the corporation operates the business, it is the corporation that will be sued or suffer loss.

If, for example, the corporation had severe business losses resulting in debts that could not be repaid, the corporation would be insolvent. You, as a shareholder, would lose your investment in the company but would generally not be responsible for any of its debts. Thus, you would not have to sell your home or other personal assets to cover the corporation's liabilities.

On the other hand, there are cases where directors of a corporation can be held responsible for liabilities if they didn't act responsibly. You can't hide behind a corporation, commit criminal acts and expect to escape accountability.

For more information about incorporation, visit: <http://www.yenommarketinginc.com/incorporation.html>

3. Protect Yourself With Legal Agreements

Properly drafted written agreements can protect you in many ways. First of all, they can sometimes prevent misunderstandings that can lead to legal problems. Secondly, they may limit your exposure to lawsuits and losses.

Contracts can limit your exposure to liability by including provisions restricting the scope of your work and responsibility, having disputes handled by arbitration rather than through the Courts, and specifying that the maximum damages payable shall not exceed the amount of the contract.

A special area to watch out for is the Internet. There are many laws that impact on websites including matters affecting children, privacy, earnings claims, and unsolicited e-mail ("spam"). Certain agreements and notices on your

website may help to protect you.

For more information about Internet law, visit: <http://www.yenommarketinginc.com/internet-law.html>

Protect yourself from catastrophic losses and lawsuits. Take steps today to protect your assets by limiting your exposure to liability. J. Stephen Pope, President of Pope Consulting Inc., <http://www.popeconsultinginc.com/> has been helping clients to earn maximum business profits for over twenty-five years.

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