

March 14<sup>th</sup>, 2020  
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## BUSINESS FORMATION

# PATRICK MCNEELY INTERIORS

1. **Name of the Formation Selected:** Sole Proprietorship
2. **Business Name:** Patrick McNeely DBA as **Patrick McNeely Interiors**
3. **Pros of Selected Formation**
  - I will be able to “be my own boss” and not have external partners or boards responsible for the decisions of the business
  - I can have flexibility with my personal finances to start up the business. This will be critical in the beginning of formation, as I will need to fund startup costs. I also am able to fully reap the profits and any assets acquired as my own.
  - I will have simpler tax filing requirements since it will be tied to my personal statements.
  - I will have a simpler time setting up the business from a paperwork and fees perspective.
4. **Cons of Selected Formation**
  - I will be much more vulnerable to risk legally. Since the company doesn't technically exist separate from myself, lawsuits/etc will affect me and my assets (home, car, etc) personally, and the liability is “unlimited.”
  - Because it is not an LLC or corporation, financial statements and controls are not required legally. The act of not doing this can set up the business for failure, as monitoring finances is obviously critical to running a successful business.
  - If I need to procure loans, it will be harder to since the business is directly tied to me. Creditors will not be as willing to lend funds in this situation.
5. **Reflection Summary**

Overall, I definitely feel that a sole proprietorship is the best structure for my design business at this point. It allows me to simply set up the

structure and get started with opening trade accounts. It will allow me the most financial flexibility and control over my small business. Of course, there are the downsides listed above, namely vulnerability to legal risk. This does concern me, but I don't think it would be a big deal until the company grew a bit bigger and hired staff started getting involved. With much more to manage, I would eventually want to shift to an LLC to protect my personal assets and separate the company from myself legally. However, this feels like too much at this point to undergo, when the benefits of an LLC are really realized for slightly larger, less individual-contributor focused business. From my research, this type of approach definitely seems to be very popular among interior designers for the reasons described.

### Sources

1. Piotrowski, Christine M. *Professional Practice for Interior Designers*, 6th ed., John Wiley, 2020.
2. Sandilands, Tracey. "The Factors of a Sole Proprietorship." *Small Business - Chron.com*, Chron.com, 21 Nov. 2017, [smallbusiness.chron.com/factors-sole-proprietorship-61180.html](http://smallbusiness.chron.com/factors-sole-proprietorship-61180.html).
3. Bonney, Grace, et al. "Biz Ladies 09: Sole Proprietorship vs. Incorporation." *Design Sponge*, [www.designsponge.com/2009/11/biz-ladies-09-sole-proprietorship-vs-incorporation.html](http://www.designsponge.com/2009/11/biz-ladies-09-sole-proprietorship-vs-incorporation.html).