ENTITY COMPARISON GUIDE

LLC · S-Corp · C-Corp · Trust · Sole Proprietorship

The definitive comparison of every major legal entity — enriched with history, real-world stories, and famous examples that transform knowledge into strategy.

20+ Comparison Factors	Real-World Examples	Historical Origins
Famous Case Studies	Tax Treatment Summary	Use-Case Decision Map

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INTRODUCTION

The Entity Decision That Changes Everything

Most people go their entire lives without thinking seriously about how their assets are structured. They work hard, accumulate savings, build businesses, and purchase real estate — all while their personal wealth sits completely exposed, separated from risk by nothing more than hope and good intentions. Then one lawsuit, one creditor claim, one unexpected business liability — and a lifetime of work can disappear overnight.

The wealthy think differently. Behind every major fortune — from the corner real estate investor to the Fortune 500 CEO — is a deliberate legal structure designed to protect, preserve, and pass on wealth. Trusts, LLCs, corporations, holding companies — these are not just tools for the ultra-rich. They are strategies available to anyone willing to invest the time to understand them.

"The secret to wealth is not just earning it — it is keeping it. And keeping it requires structure."

73%	40M+	5	20+
US businesses with no liability protection	Civil lawsuits filed annually in the US	Entity types covered in this guide	Comparison factors analyzed side by side

What makes this guide different: Most entity comparison resources give you a table and send you on your way. This guide gives you the history, the context, the famous real-world examples, and the cautionary tales that make the information truly stick — and truly actionable.

HISTORICAL CONTEXT

A Brief History of Legal Entities in America

Every legal structure available to you today was invented to solve a specific problem. Understanding that problem makes the solution far clearer. Here is the timeline of how each entity came to exist.

1600

The Birth of the Corporation

Queen Elizabeth I granted a Royal Charter to the British East India Company — the world's first joint-stock corporation with limited liability. Investors could participate in enormously profitable trading voyages while limiting their personal liability to their investment. The concept reshaped global commerce. Every C-Corporation in existence today traces its legal DNA directly to that 1600 Charter.

1800s

Corporations Come to America

As the United States industrialized, the corporate form became essential. The railroads, Standard Oil, Carnegie Steel — all built as corporations raising vast sums from multiple investors while protecting those investors from personal liability. Delaware emerged as the preferred state for incorporation due to its flexible corporate laws — a distinction it still holds today.

1100s Medieval

Trusts — A Crusader's Invention

The legal trust was born in Medieval England during the Crusades. Knights departing for the Holy Land transferred legal ownership of their estates to trusted friends who agreed to manage the property for the benefit of the knight's family. This separation of legal ownership from beneficial enjoyment became the foundation of modern trust law — still used eight centuries later.

1958

The S-Corporation Is Born

President Dwight D. Eisenhower signed the Technical Amendments Act, creating Subchapter S of the Internal Revenue Code. The law was a direct response to small business owners burdened by corporate double taxation. The S-Corp election gave small businesses the liability protection of a corporation with the pass-through tax treatment of a partnership — saving American small business owners hundreds of billions in taxes since 1958.

1977

Wyoming Invents the LLC

Hamilton Brothers Oil Company lobbied the Wyoming legislature for a new entity combining corporate liability protection with partnership tax flexibility. Wyoming passed the first LLC statute in US history. In 1988 the IRS ruled LLCs could be taxed as partnerships. Within a decade every state adopted LLC legislation. Today there are over 25 million LLCs in the US — all tracing their lineage to one oil company in Wyoming.

Section 1 — Sole Proprietorship

The oldest and most dangerous business structure in existence

What It Is

A sole proprietorship is not a separate legal entity — it is simply you, doing business. No state filing. No formation documents. No separation between you and the business. If you have ever freelanced, mowed lawns for pay, sold handmade goods online, or consulted without forming an LLC, you have operated as a sole proprietor — whether you intended to or not.

Historical Origin

The sole proprietorship is the oldest form of business in human history. Ancient Mesopotamian merchants, Roman tradesmen, and Medieval craftsmen all operated as sole proprietors — their personal reputation, assets, and liabilities completely intertwined with their trade. For thousands of years this was simply how commerce worked. The concept of separating personal assets from business liability was not even imagined until corporations emerged in the 1600s. Yet today — despite centuries of legal innovation — millions of Americans still operate as sole proprietors, unknowingly using the most primitive business structure in existence.

■ WHEN IT WENT WRONG

Mike Tyson — $300 Million Earned, Nearly Everything Lost. At his peak Mike Tyson earned hundreds of millions of dollars. By 2003 he filed for bankruptcy with over $38 million in debt. A core problem was the complete absence of protective legal structures around his assets. Personal spending, business liabilities, and personal assets were all mixed together with virtually no legal separation — a catastrophic version of the same mistake millions of sole proprietors make on a smaller scale every day.

Taxation

All business income flows directly to Schedule C on your personal tax return. You pay ordinary income tax plus self-employment tax (15.3%) on all net profits. There is no mechanism within a sole proprietorship to reduce this burden — unlike an LLC with an S-Corp election, where salary splitting can save thousands per year.

■ DID YOU KNOW?

> Approximately 73% of all businesses in the United States are sole proprietorships — yet they account for only about 4% of total business revenue. The vast majority of these owners have zero personal liability protection and are unknowingly putting their personal assets at risk every single day.

When It Makes Sense vs. When to Move On

✓ Advantages	✗ Disadvantages
✓ Testing a very early-stage idea with minimal investment ✓ Short-term one-time projects where formation costs outweigh risk ✓ Transitional period before forming a proper entity	✗ The moment you have personal assets worth protecting ✗ When annual profits exceed $40,000 (S-Corp becomes advantageous) ✗ When you take on clients, employees, or real estate ✗ When you want credibility with banks or business partners

■■ ENTITY IN ACTION

Sarah's $150 Lesson. Sarah runs a personal training business as a sole proprietor. One of her clients slips during a session and sues for $250,000. Because Sarah has no LLC, there is no legal separation between her business and her personal life. The lawsuit targets her personal savings account, her car, and threatens her home equity. Had Sarah formed a single-member LLC before taking her first client, her personal assets would have been completely protected. **The LLC would have cost $150 to form.**

■ End of Preview

The complete 31-page Entity Comparison Guide is available for purchase.

✓ All 5 Entity Types — Sole Prop, LLC, S-Corp, C-Corp, Trust
✓ Master Comparison Table — 20+ factors side by side
✓ Tax Treatment Summary & Liability Protection Breakdown
✓ Formation Cost & Complexity Chart
✓ Use-Case Decision Map — 8 real-world scenarios
✓ Famous Failures + The Wealthy Playbook
✓ Common Mistakes to Avoid + 4-Step Action Plan
✓ Written & researched by Albert Davis, Founder

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