

Three Options to Fund Your Private Business Venture

1) Rollovers as Business Startups (ROBS):

Cost:

- ROBS generally allow access to your retirement funds tax and penalty-free. - \$4,000 initial setup
- ROBS transactions generally do not require scheduled loan repayments. - \$150/month ongoing
- Retirement assets remain subject to the rules governing qualified retirement plans.
- Advantage to a bank loan
 - You do not need a good credit score, or to pledge your home as collateral.

Qualifications:

- Eligibility depends on the type of retirement account and whether the assets are eligible for rollover. Individuals should consult their plan administrator and qualified tax professionals regarding eligibility.
- You generally need more than \$50,000 in retirement assets to qualify for ROBS.
- Your new company must be registered as a C-corp.
- Qualified retirement plans sponsoring a ROBS arrangement must comply with applicable employee participation and nondiscrimination requirements.

Creating a ROBS:

- 1) Create a C corporation.
- 2) Set up a company retirement plan for your new C corporation.
- 3) Roll existing retirement funds into the new company retirement plan.
- 4) Have the plan purchase stock in the C Corp via a Qualified Employer Stock (QES) transaction.
- 5) Once the transaction is complete, your retirement funds will be available to the corporation.

Exiting a ROBS:

- 1) Determine the value of your company's stock.
- 2) Repurchase the stock from the company retirement plan. You will need to establish a bank account to initially hold the funds before they are rolled into your IRA.
- 3) You will need to properly terminate your company retirement plan & notify employees.
- 4) File your final Form 5500.

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2) 401(k) Loan:

- Maximum withdrawal is the lesser of 50% of your vested balance or \$50,000.
- Loans must be repaid within 5 years, with quarterly interest payments.
- Loan interest rates are set by the administrator.

3) 401(k) Withdrawal:

- If you are younger than 59.5, you may be subject to a 10% early withdrawal penalty.
- Amount withdrawn is taxed as ordinary income in the year of distribution.

**The examples and concepts presented in this material are for educational and illustrative purposes only. Individuals should consult with their financial professional before making any decisions.*

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ROBS arrangements are complex and subject to IRS and Department of Labor requirements. Failure to properly establish or administer the arrangement may result in adverse tax consequences. Ongoing plan administration, reporting, and compliance obligations apply. Investing retirement assets in a privately held business involves substantial risk, including the potential loss of invested principal.

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