



*Brad P.  
Coastal Spirits  
San Carlos, Calif.*

# Everything You Need to Know About **ROLLOVERS FOR BUSINESS START-UPS(ROBS)**



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# ROBS OVERVIEW



*Colin H.  
Merry Maids  
Rockwell, N.C.*



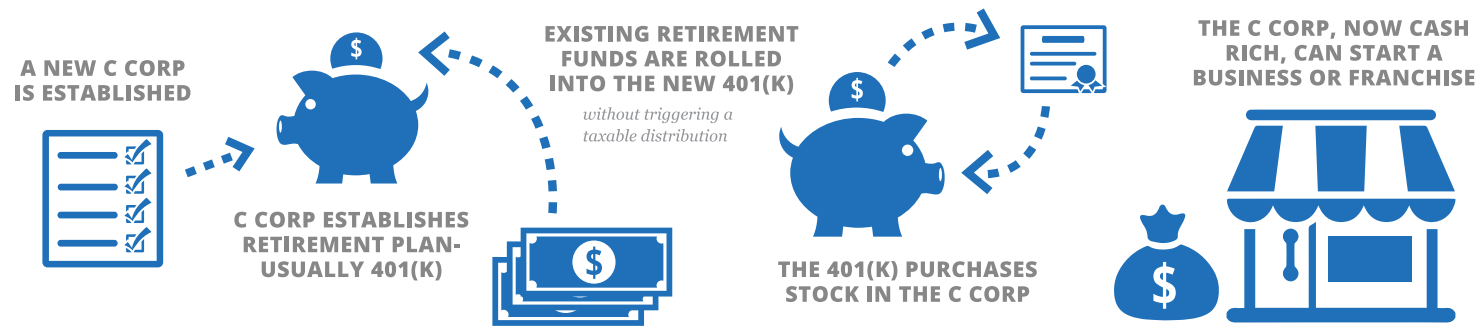
*Chuck P.  
Mesa Park Vineyards  
Palisade, Calif.*

## *Invest in your future*

For over a decade, Guidant's 401(k) business financing service has helped hopeful entrepreneurs fund small businesses and franchises. Through an arrangement called Rollovers for Business Start-ups (ROBS), you can utilize funds from an eligible retirement account to purchase a small business or franchise without taking a taxable distribution or getting a loan. Whether you want to buy an existing business, start one from scratch or grow one you currently have, ROBS can provide a significant part of your capital injection.

# HERE'S HOW IT WORKS:

The Rollovers for Business Start-ups structure must be formed correctly in order to qualify under IRS code and generally involves five steps. Although complex, these steps can usually be completed in less than three weeks. Here's how it works:



1. A new business is established as a C corporation.
2. That corporation creates a new 401(k) plan that can purchase private stock.
3. Funds from the existing retirement account are rolled into the new 401(k) plan without triggering a taxable distribution.
4. The 401(k) plan purchases stock in the C corp.
5. The C corp. acquires or starts a business using these funds.
6. The new business is now cash-rich and debt-free.

# MOST RETIREMENT PLANS QUALIFY FOR ROBS:



**401(k)**



**Traditional IRA**



**TSP**



**403(b)**



**Keogh**



**SEP**



# HISTORY OF ROBS

Funding through the ROBS arrangement has been an option since Congress passed the Employee Retirement Income Security Act (ERISA) in 1974. This law passed the responsibility of retirement saving from the employer to the employee, meaning you have the right to invest your retirement savings as you see fit — within reasonable limitations. Though ROBS continues to gain popularity, many stock brokers and financial advisors aren't aware of or don't educate their clients about this option because it doesn't provide sufficient profit for their institutions.

*Keith and Raquel B.  
The Ville Restaurant  
Noblesville, Ind.*



# BENEFITS OF FUNDING WITH ROBS



*Karen and Jeff S.  
Santiago Cycling  
Tustin, Calif.*



# A QUICKER PATH TO PROFITABILITY

Utilizing your retirement funds to finance a new business offers a tax-free, penalty-free way to access capital without borrowing money. Launching your business debt-free lowers overhead and eliminates monthly payments to a lender. Without loan payments to make, your new venture can become profitable sooner rather than later.



**81% of Guidant clients are still operating after four years.**

# CONTROL YOUR FUTURE

Unlike investing in the stock market, with ROBS, you're in control of your retirement funds, and you eliminate the risk of working with financial advisors and stock brokers who earn commission off your investment choices. Not only do you have the opportunity to create the life you want, but you're investing in yourself. Who better to bet on?



**Experts estimate that in less than 20 years, Social Security will only pay about 79% of promised benefits. The time to take control of your future is now.**

*via CNN Money*

# TAX-DEFERRED SAVINGS

Using the ROBS arrangement allows you to avoid the tax penalty that normally occurs when withdrawing retirement funds early. This means you can put more of your money to work for you rather than waste it on needless penalties. The investment in your new business isn't a loan, so it doesn't require monthly payments with interest. However, you still have the ability to make salary deferrals into your new 401(k) plan to continue saving for retirement.



**Rest easy, ROBS is not a tax loophole. In 1974, ERISA made this kind of transaction legal.**

# YOUR NEW COMPANY



*Mark S.  
Molly Maid  
Lynnwood, Wash.*

# YOU'VE GOT OPTIONS

The ROBS arrangement allows you to buy almost any legal business or franchise, whether you're starting a new venture or buying an existing business. There's just one rule to keep in mind: ROBS can't be used to create a business deemed to be "solely the investment of capital." An example of this is creating a business where you'd be loaning your retirement funds to others.



# FUNDING POSSIBILITIES

If you finance your business using ROBS, you can combine funds with a business partner, spouse or even a loan to produce the necessary capital to start your business.



**45% of Guidant clients use a combination of ROBS plus an SBA loan to meet their funding needs.**

*Kent F.  
Dry Fly Distilling  
Spokane, Wash.*


# OPERATING YOUR BUSINESS WITH ROBS



*Stillmank Brewing Company  
Green Bay, Wis.*

# YOUR NEW C CORPORATION

ERISA laws and Internal Revenue Code require that businesses funded via the ROBS structure be a C corporation. Some business owners have concerns about the 'double taxation' that occurs on dividends paid by the C corporation. Often, these taxes can either be avoided or mitigated. A qualified tax professional should be able to assist you in optimizing your corporate taxes.



**C corporations have proven useful in helping many business owners minimize their overall tax burden. Learn more [here](#).**



# TAKING A SALARY

As a part of ROBS requirements, you must be a bona fide employee of the business you purchase, which gives you the ability to draw a salary. To comply with IRS regulations, Guidant recommends waiting to take a salary until your business generates operational revenue rather than using funds from the rollover.



*Ann and Borg S.  
Speed Pro Imaging  
Scottsdale, Ariz.*

# 401(K) PLAN

The ROBS process requires you to set up and maintain a 401(k) plan for your corporation, which offers a major competitive benefit. Every employee of your business, including you — the owner — is offered participation in your new 401(k) plan once eligibility requirements are met.



**SETUP & MAINTAIN  
401(K)**



**MEET ELIGIBILITY  
REQUIREMENTS**



**ALL EMPLOYEES  
PARTICIPATE & BENEFIT**

**You can contribute up to 100% of your salary to your new 401(k), up to the annual limit. If you're age 50 or older, you can also make catch-up contributions to maximize your retirement savings.**





*Randy B.  
Eveningside Vineyards  
Cambria, N.Y.*

## *Rest Assured with the Industry's Leading ROBS Provider*

For over 10 years, Guidant's 401(k) rollover service has helped entrepreneurs fund their dream of small business ownership. Guidant has performed more 401(k) rollovers than any other provider, offers in-house recordkeeping services and provides free legal counsel to ensure your business starts on the path to success.

*Ready to get started?*

**PRE-QUALIFY TODAY**

