



How to Use Your Retirement Funds as the Down Payment on a Business Loan




An Alternative Way to Manage a Down Payment

For over a decade, Guidant has helped entrepreneurs use their retirement funds to buy a small business or franchise through an arrangement called Rollovers for Business Start-ups (ROBS). While ROBS has many stand-alone benefits, like taxdeferred savings and debt-free financing, it can also be combined with traditional funding methods to increase buying power. When ROBS is used in combination with SBA loans, it allows entrepreneurs to use their retirement funds for the down payment on a loan. This preserves the business owner's personal savings for later use and gives lenders the proof they need to know the borrower is responsible. It's ideal for those who can't afford or don't want to pay their down payment out-of-pocket.



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A man wearing a straw hat and a dark shirt is standing in a vineyard. He is resting his chin on his hand and looking towards the camera. The background shows rows of grapevines and a bright sunset sky. A dark blue banner is overlaid on the bottom half of the image, containing white text. A light blue curved shape is on the right side of the image.

Combining 401(K) Business Financing With An SBA Loan

How ROBS and SBA Work Together



1 A New Business is Established as a C Corp



2 That Corporation Creates a New 401(k) Plan that Can Purchase Private Stock



3 Funds from Your Existing Retirement Account are Rolled into the New 401(k) Plan
Without Triggering a Taxable Event



4 The 401(k) Plan Purchases Stock in the C Corp., Making it Cash Rich



5 The Cash from the Corporation Can Now be Used as a Down Payment For an SBA Loan



6 Funds from the SBA Loan Can be Used to Start, Buy, or Expand a Business or Franchise

Benefits of Combining ROBS and SBA

Almost half of all Guidant clients who apply for an SBA loan get their initial down payment (also known as an equity injection) through the Rollovers for Business Start-up (ROBS) arrangement.



Save Money

SBA loans are known for their low interest rates and affordable monthly payments. Plus, ROBS allows you to use your retirement funds without incurring tax penalties.



Preserve Your Savings

Since you can use your retirement funds as the loan down payment, you won't need to pull from your own cash reserves.



Fulfill the Capital Requirement

SBA loans require up to a 30 percent down payment. Using your retirement funds as the down payment will show the lender you're vested and responsible.



Increase Your Buying Power

Since you'll be able to afford a bigger down payment with your retirement funds, you could qualify for a larger loan amount.

More About SBA Loans

The first step in combining ROBS and SBA is to apply for an SBA loan. Whether you need money to purchase real estate, cover construction costs or to use as working capital, SBA loans offer attractive repayment terms and low interest rates.

SBA loans are typically not directly from the Small Business Administration. Rather, the SBA encourages banks to lend to small business owners with affordable terms and multiple loan options. In return, the SBA covers 75 to 85 percent of the loan for the bank if the loan defaults.



Benefits of SBA Funding



Flexible

Loan proceeds can be used as working capital, revolving funds, or to purchase real estate, equipment, inventory, etc.



Grow Your Business

With budget-friendly monthly payments, you'll have more money to put back in your business.



Cost Effective

With low interest rates, extended repayment terms and no ballooning costs, SBA loans offer affordable repayment options.

More About ROBS

Once you've qualified for an SBA loan, it's time to initiate the Rollover for Business Start-up (ROBS) arrangement. Funding through ROBS has been an option since Congress passed the Employee Retirement Income Security Act (ERISA) in 1974.

This law passed the responsibility of retirement savings from the employer to the employee, meaning you have the right to use your retirement savings as you see fit — within reason.

ROBS allows entrepreneurs to use up to 100 percent of eligible retirement funds to buy a business or franchise without incurring tax penalties. Rather than investing in the stock market, you can control your retirement savings and invest in yourself. It's easy to qualify; as long as you have at least \$50,000 in a rollable retirement account, you're good to go.

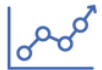


Benefits of ROBS



Tax-deferred Savings

ROBS allows you to avoid taking a taxable distribution, meaning you can put more of your money to work for you rather than waste it on needless penalties.



Confident Investing

Unlike the stock market, this is an investment you can control, so you won't have to worry about market volatility.



Easy to Qualify

There are no collateral or minimum credit score requirements, making the application process quick and simple.



How to Qualify

Qualifying for an SBA Loan

How to become an attractive, eligible SBA borrower is best summed up by the 5 C's:



Capital

This is the amount of cash you'll invest in the business. The required amount ranges from about 20 to 30 percent, depending on the business.



Credit

Most banks require a personal credit score of at least 680 and a [small business credit score](#) of 160.



Capacity

The measurement of your ability to generate an income that can be used to pay back the borrowed debt.



Character

Lenders look for experience in business as well as in the industry of the business you're hoping to fund.



Collateral

The SBA usually requires some form of collateral to secure a loan, such as a home, property, boat, etc.

How to Qualify for ROBS

How to become an attractive, eligible SBA borrower is best summed up by the 5 C's:

- ✓ **Retirement funds in one of the following accounts:**
 - 401(k), traditional IRA, TSP, 403(b), Keogh, SEP (Roth IRAs do not qualify.)
- ✓ **Over \$50,000 in rollable retirement funds**
- ✓ **The company you fund must be an operating company (cannot be a passive investment).**

There are no collateral or minimum credit score requirements to qualify for ROBS.





Why Work with Guidant

As a leader in small business financing, Guidant is committed to helping you get the funding you need, while making the process as smooth as possible.

Guidant clients have a 96% funding success rate once a loan offer is secured.

Here's what we offer:

- ✓ Over 10 years of experience in setting up and maintaining ROBS arrangements.
- ✓ Loan package analysis to ensure you're set up for success.
- ✓ Access to a large network of SBA lenders with a single application.
- ✓ Money-back guarantee if you aren't approved for an SBA loan.

Take Control of Your Future

For over 10 years, Guidant has been helping entrepreneurs make their dreams of small business ownership come true with our full suite of financing options. By helping 12,000 small business owners secure over \$3 billion in financing, we're fueling the American dream — one entrepreneur at a time.

Ready to get started?

[Pre-Qualify Today](#)

