



Funding a Business with Your Own Retirement Funds

Put Your Qualifying Plan to Work

It's a common misconception that you can only use your retirement plan to purchase investments like publicly traded stocks, bonds or mutual funds. In reality, you can use most retirement plans to buy a business or recapitalize an existing business without paying taxes or penalties.

As the pioneer of this funding strategy, Benetrends blazed a trail for 401(k)/IRA rollover funding with our Rainmaker Plan®. The Rainmaker Plan is available to just about anyone who has an existing retirement plan. The money invested through a properly designed retirement plan can be used to fund the start-up of a new business, purchase a franchise, purchase an existing business, and in some instances, raise capital for an existing business.

The process calls for the assets in your existing retirement plan to be rolled over, tax-deferred and penalty-free, into a newly established qualified retirement plan for you and your new company's employees. The new retirement plan is modeled around many of the same Internal Revenue Code (IRC) and Employee Retirement Income Security Act (ERISA) provisions that support and govern large corporate retirement plans. This allows plan participants to invest in stock of the sponsoring company.

It's important to understand that you are not borrowing against your 401(k). Your new retirement plan has simply invested in your business instead of investing in another company's stock or bond.

Utilizing retirement funds to start a new business or franchise is a popular funding strategy that has been around for many years. It also may be one of the only types of funding that is not dependent on your credit score because you are using your own savings from your retirement plan.

Escape the Cubicle

Using the Rainmaker Plan, you unlock the savings in your retirement plan to buy your own business and take control of your future. Your entrepreneurial dreams don't have to be put on hold anymore. The money you have in your retirement plan could be the key to becoming your own boss. Benetrends helps thousands of people each year with utilizing their retirement funds to get a fresh start.

Looking for the Capital for an SBA Loan?

A bank will typically require you to provide 20% to 30% of the total cost of the business and the needed work capital. Many times an entrepreneur doesn't have the necessary funds available in a savings or checking account. However, your 401(k), IRA or other qualified retirement account can be the solution for acquiring capital to get approval for an SBA Loan. Benetrends' Rainmaker Plan allows you to utilize the savings in your retirement plan for the capital injection necessary to qualify for the loan.

Is My Retirement Plan Eligible?

Most types of retirement funds can be rolled over into your business' new retirement plan (**Roth IRAs and Inherited IRAs are not eligible**). If your 401(k) funds are held in your current employer's retirement plan, generally you must have terminated your employment with that employer. Typically funds from a previous employer are eligible for use in the Rainmaker Plan. You can generally use funds from any of the following types of plans:

- IRAs 401(k) Plans 403(b) Plans
- 403(b) Plans
- 457(b) Plans (for government agencies)
- SEPs
- SIMPLE Plans
- Defined Benefit Plans
- Profit-Sharing Plans
- Cash Balance Plans
- Money Purchase Plans
- Rollover Plans
- Employee Stock Ownership Plans

Steps to Setup a Rainmaker Plan

There is a four step process in order to use your funds in your retirement plan to buy a business. They go as follows:

- 1 Benetrends will establish a corporation for you with its own customized retirement plan.
- 2 You then roll over your current retirement plan funds into your new corporation's customized retirement plan.
- 3 Your new retirement plan purchases stock in your new corporation.
- 4 Your new corporation now has the capital to start, purchase or recapitalized a business or franchise.

Continue to Save for Retirement

At the core of the Rainmaker Plan's funding process is a qualified retirement plan. The plan is designed to help you and your new company's employees save for their retirement. Plan designs can vary depending on the business, retirement and other personal objectives. As with any qualified plan, compliance with rules and regulations is critical.

Obtain the Services of a Professional

Since the process involves the establishment and use of a qualified retirement plan, you should work with a firm that specializes in plan design, maintenance and has experience in this particular type of transaction in order to keep your plan compliant. Failure to properly design and operate the plan can have significant tax consequences.

Benetrends understands both IRS and ERISA provisions, and has extensive experience in setting up and managing these type of plans. We have more than 35 years of experience designing these plans, and can easily guide you through the process. Once established, Benetrends will keep your plan in compliance with the rules and regulations that govern all qualified retirement plans.

Calculate the Risks

Business financing of any kind comes with risks – the risks inherently associated with opening a new business or purchasing an existing one. Before you decide to use your retirement funds – or any other type of funding – you should ensure that you have a viable business idea, a comprehensive business and marketing plan, and adequate capital.

Q&A with Leonard Fischer, Esquire

Len Fischer is the founder of Benetrends Financial. Over 35 years ago, Len established the Rollover for Business Startup (ROBS) funding strategy - or as we like to call it, the Rainmaker Plan. Len has more than 50 years of experience as an ERISA attorney. Len is a frequented author and speaker who has lectured extensively on small business funding, rollover business funding, ERISA law and employee benefits.

Q: Is this type of financing really okay with the IRS?

A: The use of 401(k) and other retirement plans to help individuals invest in franchises and business startups has become very popular. While this may not have been commonly done ten years ago, today it's an integral part of many small business financing strategies. The process is based on Internal Revenue Code and ERISA regulations that have been in use by large corporations for years. In October 2008, the IRS, in a memorandum to Employee Plan field auditors, stated that these plans are in compliance as long as they are properly designed and operated.

Q: What advice would you give a small business owner considering this program?

A: It's vitally important to hire a firm with extensive experience in tax and retirement regulations. These plans are specialized and regulations from the IRS have been clearly established. Avoid providers that are simply promoting the funding transaction and not the underlying retirement plan. Remember, at the core of this process is a qualified retirement plan that must be designed and operated as such. Benetrends provides a guarantee to support you in the event of an IRS audit or Department of Labor review of your retirement plan.

Q: How is this retirement plan different from other retirement plans?

A: The Rainmaker Plan is a qualified retirement plan similar to other qualified plans. The Rainmaker Plan is unique in its design because it allows for plan participants to direct certain types of plan contributions to be invested in company stock as well as other investment options such as mutual funds, individual stocks and other types of investments. As in many plans, individual plan participants must assess what investments are right for them before directing their account balances.



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