



Funding a **Business**

using your retirement funds -Tax Free

The Ultimate **ROBS** Guide

Introduction to the ROBS SOLUTION

The ROBS (Rollover as Business Startups) Solution is a legal structure approved under IRS and ERISA rules that allows you to use retirement funds to start or buy a business without taxes, penalties, or taking on debt. Unlike most retirement rules, which restrict personal involvement with your investments, ROBS is specifically designed to let you invest in (and actively run) your own company.

For smaller amounts, the Solo 401(k) loan feature lets you borrow up to \$50,000 (or 50% of your account value, whichever is less). But if you

need more than that, ROBS is the only IRS-compliant way to use retirement funds directly in a business you are personally involved with.

Important: *If structured incorrectly, a ROBS transaction can be considered a prohibited transaction, which may lead to taxes, penalties, and possible disqualification of your retirement account.*

Invest in yourself, not Wall Street.

The ROBS Solution is the best solution for retirement fund investors who want to:

- > Invest in **themselves**
- > **Diversify** their investments
- > Earn a **salary** and be involved in the business
- > Save money by **not taking** early taxable distributions

Book a Consultation

Schedule a free consultation with a member of our team to explore how opening a self-directed retirement account can unlock your ability to invest tax-free in a variety of alternative assets.

[Book a Consultation](#)

How it WORKS

Turn your retirement funds into startup capital and launch your business tax- and penalty-free.

THE BENEFITS

With ROBS, you can use your retirement funds to finance a business without taking on debt, giving up equity, or paying early withdrawal taxes and penalties. This structure allows you to start or buy a business with your own retirement funds, preserving cash flow by avoiding loan repayments and interest.

Unlike outside investors, ROBS funding lets you retain full ownership and control of your company. Best of all, the structure is designed to comply with IRS rules, so you can invest confidently while putting your retirement savings to work in your business.

- Use retirement funds to invest in a business tax free
- Earn a reasonable salary from your new or existing business
- Re-capitalize and/or expand your business
- Maintain a qualified retirement plan and save for your future

You can do this because of a special exemption under IRC Section 4975(d) called “qualifying employer securities.” Here’s how it works:

1. ESTABLISH A C CORP

The ROBS Solution requires forming a C corporation in the state where your business will operate. A C corporation (or “C corp”) is a business entity whose profits are taxed separately from its owners and is owned by shareholders. Shareholders, together with a board of directors, make business decisions and oversee policies. A C corp provides limited liability protection, meaning shareholders are generally not personally responsible for corporate debts and cannot be sued individually for the company’s actions.

2. ROLL OVER FUNDS

Next, roll over funds from an eligible retirement account into a new 401(k) plan sponsored by the C corp. This rollover is tax free and can come from accounts such as a:

- Traditional IRA
- 401(k) Plan
- 403(b) Plan
- SEP IRA
- SIMPLE IRA
- Annuity Plans
- Defined Benefit Plans
- Rollover Plans

You don’t need a special bank to open your 401(k) plan account (any bank or credit union will work). Once your C corp adopts the 401(k) plan, you can direct your 401(k) funds to purchase newly issued stock in your company at fair market value. Personal funds may also be used, up to 1% of the purchase price. The company then uses the combined proceeds to acquire business assets. Family members, friends, colleagues, or other “disqualified persons” may also purchase stock under the IRS exemption for ROBS transactions.

3. START EARNING A SALARY

IRS rules require that you actively work for your new business and provide legitimate services. You cannot receive compensation before the business is operational, and your salary must come from the business's revenue, not from the 401(k) stock purchase. Compensation must be "reasonable" for your role. IRA Financial's tax professionals can help determine an appropriate salary, and you can also benchmark against similar positions in the market.

WHY YOU NEED A C CORP

C corporations are eligible for an IRS exemption from the prohibited transaction rules when purchasing "qualifying employer securities," which refers to the stock of the C corp. You cannot use an LLC, as it does not meet this definition, and you cannot use an S corporation because only individuals—not trusts like a 401(k) plan—can be shareholders.

The IRS requires an independent valuation of the new company's stock. Under ERISA rules, a 401(k) plan may purchase "qualified employer securities" as long as the transaction is conducted at fair market value and can be adequately evaluated.

Checkbook IRA vs. ROBS SOLUTION

The Rollover as Business Startup Solution shares some similarities with a Checkbook IRA (also known as a Self-Directed IRA LLC), which can also use retirement funds to invest in a business.

However, with a Checkbook IRA, you cannot be actively involved in the business, earn a salary, or personally guarantee loans, whereas the ROBS Solution allows these features.



Process **SUMMARY**



01

ESTABLISH A C CORPORATION

The business must be structured as a C corporation. This type of entity can issue stock, which is essential for the ROBS arrangement. The corporation's shareholders and board of directors oversee operations and make major business decisions.



02

CREATE A NEW 401(K) PLAN

The newly formed corporation adopts a retirement plan—usually a 401(k). This plan is designed to allow the purchase of company stock as an investment option.



03

ROLL OVER EXISTING FUNDS

Funds from an existing eligible retirement account are rolled into the new 401(k) plan. Because this is a rollover, it avoids taxes and early withdrawal penalties.



04

PURCHASE STOCK IN THE CORPORATION

The 401(k) plan uses the rolled-over funds to purchase newly issued stock in the C corp at fair market value.



05

ACQUIRE BUSINESS ASSETS

The C corp uses the proceeds from the stock sale to purchase business assets, a franchise, or other business-related investments.

The 401(k): Benefit from OFFERING & PARTICIPATING

For small business owners, a 401(k) plan is more than just a retirement benefit, it's a smart business move. It helps you attract top talent, keep employees loyal, and even save on taxes, all while giving your team a valuable tool to build their financial future.

MATCHING CONTRIBUTIONS

A safe harbor 401(k) plan is one of the most attractive options for small businesses. With this setup, employers can match employee contributions, essentially giving team members extra money toward retirement. For employees, it's an instant boost to their savings. For employers, it's a powerful way to show they're invested in their people.

EMPLOYEE RETENTION

A strong 401(k) plan doesn't just help employees save, it helps businesses thrive. Offering retirement benefits gives your company a competitive edge when attracting new talent and creates loyalty among existing team members. It's a proven way to reduce turnover and keep your best employees engaged for the long term.

EASY ADMINISTRATION

Today's 401(k) plans are designed to be simple, affordable, and hassle-free. Providers like IRA Financial handle the recordkeeping and administration, so you can focus on growing your business instead of managing paperwork. That means offering a great benefit to your team is easier than ever.

PLAN PARTICIPATION

A company 401(k) delivers value on both sides. Employers enjoy tax advantages and a stronger workforce, while employees gain a reliable, tax-advantaged way to build retirement wealth. Add in the benefit of employer matching, and it becomes one of the most effective tools for rewarding your team and securing their financial future.



**Turn Retirement Savings Into
Business Capital with a ROBS 401(k)**

[Open an Account](#)

What the IRS SAYS

The IRS permits a qualified retirement plan to purchase company stock. Under IRC Section 4975(d)(13), the acquisition of “qualifying employer securities” is not considered a prohibited transaction.

That said, the IRS has raised concerns about how ROBS arrangements are implemented. In two separate memorandums, they highlighted potential compliance risks and areas of abuse.

2008 MEMORANDUM

In 2008, the IRS noted that many ROBS transactions were not being carried out in full compliance with IRS and ERISA requirements. Two main issues stood out:

- Employees of the adopting employer were not always given the opportunity to participate in the company’s 401(k) plan.
- In some cases, business assets were not being properly purchased, and valuations were inaccurate.

The IRS did not declare ROBS transactions illegal but urged caution before establishing one.

2010 MEMORANDUM

In a 2010 public phone forum, the IRS reaffirmed that the ROBS structure is legal, but it also emphasized ongoing concerns. Specifically, they pointed to abuse of the structure, and the high failure rate of many start-up businesses funded this way. The IRS concluded by reiterating that while ROBS is a legitimate strategy, strict compliance with IRS and ERISA rules is essential.

With proper guidance and adherence to IRS and ERISA requirements, the ROBS solution can be implemented successfully as a legitimate way to fund a new business.





Why IRA FINANCIAL

The ROBS solution requires careful setup and ongoing compliance, which is where IRA Financial's expertise makes all the difference. Our team of ERISA and tax professionals works with you at every stage to ensure your plan is established correctly and remains fully compliant with IRS and ERISA rules.

We help you...

ESTABLISH A C CORP & 401(k) PLAN

We'll create a qualified 401(k) plan for your new corporation and guide you as the plan trustee. Our team also provides third-party plan administration to keep your plan in good standing year after year.

STOCK VALUATION & SUPPORT

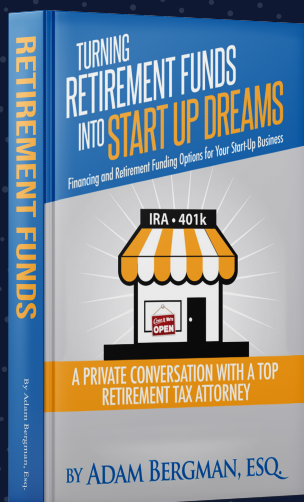
When your company's stock needs to be valued, we coordinate with independent appraisers or CPAs to ensure the valuation process is accurate and IRS-compliant.

ROLL OVER FUNDS TAX-FREE

We help you transfer your retirement funds from an existing custodian into the new 401(k) plan efficiently and without triggering taxes or penalties.

ONGOING COMPLIANCE

Because the IRS emphasizes strict adherence to regulations, our in-house tax professionals design structures that are compliant from the start and remain that way. With IRA Financial, you gain the peace of mind that your business funding strategy is built on a strong legal foundation.



About the Founder & NEXT STEPS

Adam Bergman, a nationally recognized expert in self-directed retirement accounts, is the author of *Turning Retirement Funds into Start Up Dreams*. New clients receive this book plus exclusive access to his live webinars, packed with practical strategies to make the most of their retirement funds.

With IRA Financial's guidance and Adam's expertise, you can confidently turn your retirement savings into a business opportunity, fully compliant with IRS and ERISA rules, while focusing on growing your company.

Get Your Questions Answered

Let us help you plan for the future. Schedule a consultation with our New Accounts team to learn more about creating wealth with your ROBS account, or other retirement account.

[Schedule a Free Consultation](#)

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