



# ROBS Solution

use retirement  
funds to buy  
a business



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## The ROBS Solution

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# Introduction to the ROBS Solution

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The ROBS (rollover business start-up) Solution is an IRS and ERISA approved structure that allows investors to use their retirement funds in a new business/franchise that they will be personally involved in.

It is one way that a disqualified person (retirement plan holder) can have personal involvement in a business with their retirement funds without triggering the IRS prohibited transaction rules. The second way is the Solo 401(k) loan feature.

The Solo 401(k) loan allows you to borrow \$50,000 or 50% of your account value, whichever is less, but if you need more than \$50,000, the ROBS solution is the only legal option.

Note that if a rule is triggered, it creates a taxable transaction that is subject to a 100% penalty and may disqualify your retirement account.

**Invest in yourself, not  
Wall Street.**

The ROBS 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

# How it works

**Invest in an active business (or trade) without penalties or taxes.**

## The Benefits

- 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.”

## 1. Establish a C Corp.

The ROBS Solution requires you to establish a C corporation in the state you plan to operate the business. **“C corporation”** is a business term for this type of entity. The C corp.’s profits are taxed separately from the owner and is owned by shareholders.

Shareholders make business decisions and oversee policies alongside a board of directors.

The C corp. provides its shareholders with limited liability protection. Therefore, they will not be personally liable for debts the C corp. has incurred and cannot be sued individually for corporate wrong-doings.

## Why You Need a C Corp.

C corps. are given an exemption from the IRS prohibited transaction rules, which involve the purchase of “qualifying employer securities.” This is the stock of a C corp. You cannot use an LLC because an LLC does not satisfy this definition. You cannot use a S corp. because only individuals can be shareholders, and a 401(k) plan is a trust.

## 2. Roll Over Funds

Next you'll have to roll over your funds from an old IRA or 401(k) plan into a **new 401(k) plan** that the stock of the start-up C corp. business sponsors or adopts. Roll over funds tax free from the following retirement accounts:

**traditional IRAs, 401(k) Plans, 403(b) Plans (for governmental agencies), SEPs, SIMPLE Plans, Annuity Plans, Defined Benefit Plans, Rollover Plans.**

**Note:** You don't need to use a special financial institution to open the 401(k) plan bank account. You can use any bank or local credit union.

Once you have established a C corp. that adopts a prototype 401(k) plan, this allows you to direct your funds toward a variety of investment opportunities, including employer stock.

Direct the investment of your 401(k) Plan account to purchase the C corporation's newly issued stock at fair market value (the amount you wish to invest in the new business). You can also invest personal funds up to 1% of the purchase price.

The IRS requires that an independent valuation of the new company's stock be performed. According to ERISA rules, a 401(k) plan can acquire "qualified employer security" provided that the acquisition or sale can be adequately considered.

The C corp. uses the proceeds from the sale of stocks to purchase the assets for the new business. The proceeds are the combination of your rollover funds and the personal funds used to purchase the newly issued stock.

A family member can purchase stock in the new company along with the new 401(k) plan. The exemption to the prohibited transactions allows ownership or investment in the new company by family members, friends, colleagues or other "disqualified persons."

### 3. Start Earning a Salary

Start earning a salary from your new business. According to IRS rules, you must be an employee of your new business and provide a legitimate service. You cannot earn compensation income before the company actively engages in a trade or business. Your compensation must be derived from your business, not from the sale of corporate stock to the adopted 401(k) plan.

The compensation you earn from your business must be "reasonable." The tax professionals at IRA Financial Group can work with you to best determine what a "reasonable" salary entails.

You can also perform a basic market salary comparison to determine the "reasonable" compensation for your position.

### Self-Directed IRA LLC vs. ROBS Solution

The Rollover business start-up solution shares some similarities to using a Self-Directed IRA LLC to purchase stock in a corporation.

Although you can use the retirement funds in a Self-Directed IRA LLC to purchase business assets, much like the ROBS Solution, you cannot be actively involved in the business, earn a salary, or personally guarantee a loan.

# Summary

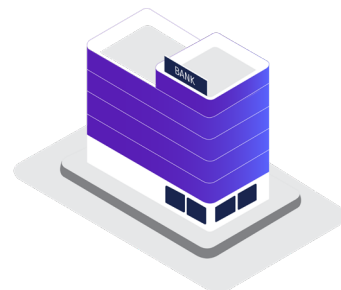
## 1 Establish a C Corp.

The C corp.'s profits are taxed separately from the owner and is owned by shareholders.



## 2 Roll Over Funds

Transfer your funds from an old IRA or 401(k) plan into a **new 401(k)** plan that the stock of the start-up C corp. business sponsors or adopts.



## 3 Start Earning a Salary

You must be an employee of your new business and provide a legitimate service. Your compensation **must come from your business.**



**At IRA Financial Group, our specialists will help you establish your ROBS Solution.**

Learn more about the advantages of the ROBS structure! Call IRA Financial at **1-800-472-0646** or email us at **[info@irafinancial.com](mailto:info@irafinancial.com)**.

# The 401(k): benefit from offering & participating

**Employer-sponsored 401(k) plans are one of the best ways to save for retirement and ensure future security. These are some advantages of offering and participating in a 401(k) plan.**

## Matching Contributions

A popular type of 401(k) retirement plan for small businesses is the safe harbor 401(k) plan. This plan offers participating employees a 3% matching contribution by the employer. As an employee, if you earn \$40,000 in salary during the year and contribute 3% (\$1,200) of the salary to the 401(k), your employer will contribute an additional \$1,200 to the retirement plan.

## Employee Retention

If you're a small business owner, a great way to retain key employees is by offering 401(k) plan benefits. When potential hires consider multiple job offers, they often compare corporate culture, growth opportunities, and benefits packages.

## Easy Administration

401(k) plans are now easier and more cost-effective than ever thanks to the online options available to small business employers. Many self-directed retirement facilitators, such as IRA Financial Group, provide recordkeeping and third-party administration services for their clients' plan. This allows you to spend more time focusing on your business and less time on your 401(k) plan.

## Plan Participation

You can participate in the company 401(k) plan if you are the owner or an employee of the company that sponsors the 401(k) plan. In 2024, plan participants can contribute up to \$22,500 if under 50 years old on a pretax basis each year, and \$30,000 if at age 50 or older.

You can receive tax savings by offering the plan and providing matching contributions, and additional savings by participating in the plan.



# What the IRS says

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The IRS allows the purchase of company stock by a qualified retirement plan. It doesn't consider the purchase of "qualifying employer securities" as a prohibited transaction, pursuant to IRC Code Section 4975(d) (13).

The IRS does have concerns that the ROBS structure can be abused, which they detailed with the release of two separate memorandums.

## 2008 Memorandum

The 2008 Memorandum detailed that the execution of ROBS transactions, in many cases, was not in full compliance with IRS and ERISA rules and procedures. There were two compliance areas that they felt were not being adequately followed by the promoters who implemented the structure during this time.

First, the employees of the adopting employer were not being offered the opportunity to participate in the company's 401(k) plan. Second, in some cases, business assets were not being purchased by the business, and the value being given was inaccurate.

The only guidance that the IRS offered was that individuals should be cautious before establishing the ROBS solution.

## 2010 Memorandum

The IRS held a public phone forum in 2010 to cover transactions involving the use of retirement funds to purchase a business.

During the phone forum, the IRS made it clear that the ROBS solution was legal, but there were still concerns regarding abuse. Furthermore, the IRS was concerned over the high failure rate of many of these small business start-ups.

They concluded by reiterating the legality of the structure but cautioned that the transactions must be fully compliant with IRS and ERISA rules and procedures.

At IRA Financial Group, our **tax** and **ERISA** specialists will help you establish your ROBS Solution correctly.

We'll help you make sure it complies with IRS and ERISA rules and procedures.

# How to get **started**

**1**

Select a corporation name and the state of incorporation.



**2**

Indicate whether your business will have employees.



**3**

Sign pages to adopt your company's new 401(k) plan.



**4**

Provide a summary of the assets the new or existing corporation will have for appraisal purposes.



**5**

Sign the stock purchase agreement on behalf of your corporation.



**6**

Invest your retirement funds in your business tax-free.



**Want to learn more about getting started? Get a free consultation with an in-house tax professional.**

Call IRA Financial at **1-800-472-0646** or email us at **[info@irafinancial.com](mailto:info@irafinancial.com)**.



# Establishing ROBS is easy **with IRA Financial**

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## **We help you...**

### **Establish a C Corp. that Adopts the 401(k) Plan**

The ERISA professionals at IRA Financial Group will establish a qualified 401(k) plan for your new corporation. You can serve as trustee of the plan.

Our team offers third-party 401(k) plan administration services to ensure your plan remains in full IRA and ERISA compliance. We will help you invest in your future while gaining financial independence tax-free.

### **Roll Over Your Funds Tax Free**

IRA Financial Group's ERISA tax professionals will assist you in transferring your retirement funds from your current custodian to the new 401(k) plan in a tax-free and efficient manner.

### **Determine Fair Market Value of Company Stock**

When it's time for your new company's stock to get valued by the IRS, IRA Financial Group will work with an independent contractor or business appraisal CPA to help value the stock of the new or existing company.

### **Fully Comply with IRS & ERISA Rules/ Regulations**

IRA Financial Group's in-house tax professionals have the expertise to develop a structure that is fully IRS and ERISA compliant.

The IRS has stressed the importance of compliance when using retirement funds to purchase a business. As a result, it is important to work with a company founded by tax and ERISA attorneys, such as IRA Financial.

# Business Acquisition Solution

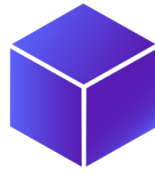
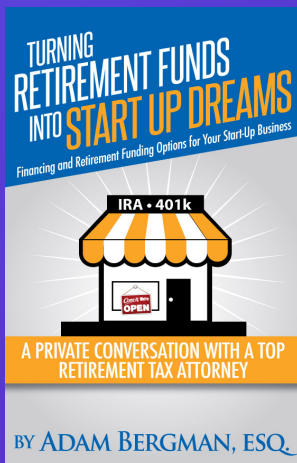
## Flow Chart



# The IRA Financial Difference

IRA Financial Group was created by a former tax attorney to help investors take control of their retirement funds. We work to educate our clients about the tax-free investments they can make with their Solo 401(k).

## Our Book



## Experience

Our company has over a decade of experience helping more than 23,000 clients in all 50 states invest over 4.6 billion in alternative asset investments.

## Resources

Founder Adam Bergman is the nation's leading voice of self-directed retirement accounts. He has authored 8 books, including the first book on cryptocurrency investments with a Self-Directed IRA or 401(k). As a client, you will receive all 8 books and a spot for his exclusive live webinars.



## Assurance

When you establish an account, your 401(k) specialist will help you complete all necessary documents, agreements, as well as provide free and unlimited consultations.





# Testimonials

"My wife and I have decided to take control of our own IRAs. Using IRA Financial Group has been very simple. Our account manager is very accessible and responsive. The service received compared to the price paid is very good."

**—William Davis, Oregon—**

"Thank you so much! You and your team have made this a wonderful experience for us. We are very grateful for your step by step help. We have already shared our testimony with our family and friends! I really appreciate all the links you shared and the reminders along the way. I am excited to start earning income from the rental and I know that the income will provide us with additional security in an uncertain economy! Thanks again for all your help, we couldn't have done this without you!"

**—The Padillas, California—**

"My experience with IRA Financial Group has been excellent. From the start they were prompt to answer calls and emails, answer questions and follow through at every step of the setup of my account. They are professional, knowledgeable and helpful in all aspects of providing excellent service. I highly recommend IRA Financial Group!"

**—Tina Hanssen, Indiana—**



# Getting started is easy with IRA Financial



## Invest in yourself, not Wall Street.

Call IRA Financial Group at  
**1-800-472-0646** to learn more  
about the ROBS Solution and get  
started!

Our tax and ERISA specialists will  
immediately customize the ROBS  
structure to meet your business  
and retirement needs. Your funds  
will be available to invest in your  
new business within **14-21 days**.

## Contact Us

**Hours of Operation:**  
9:00am—7:00pm EDT  
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