

## ***Rethinking Your Retirement Funds***

You are interested in buying a business. You have adequate capital to fund the 20% requirement that the Small Business Administration (SBA) requires. You have decided you are ready to meet with a business broker to find a business that matches your finances and personal goals.

While you are sitting down with your business broker, the two of you review your finances. He or she discovers that you also have \$100,000 in your 401(k) retirement plan. Your business broker informs you that these funds can be used to buy a business.

Your business broker continues to explain that this can be the best investment opportunity for your retirement funds. Most retirement funds, if invested in the equity market, will never be sufficient to provide adequate retirement benefits. However, investing retirement funds in your own business gives the maximum potential of providing future financial security.

Additionally, using a 401(k) or IRA to fund your business purchase increases the size of the business you can acquire. For example, using your \$100,000 401(k) fund can potentially allow you to purchase a business with a fair market value of \$500,000 more than you could afford with your savings alone.

Your business broker also explains that both the Internal Revenue Code of 1986 and the Employee Retirement Income Security Act of 1974 specifically permit a retirement plan participant to invest in employee stock without penalty. Subsequently, this is an IRS-approved transaction.

Buying a business with your retirement funds does require a specific structure to avoid any penalties. The structure of the transaction is as follows:

1. A C-Corporation is established.
2. The Corporation establishes a profit-sharing plan.
3. The retirement funds are rolled over into that new profit-sharing plan.
4. You, the participant, direct the funds to be invested as company stock.

The process of establishing the new company structure is quick and is designed not to delay the closing of the transaction. Additionally, you may be able to defer up to \$200,000 annually, on a fully tax-deductible basis, into your new retirement plan.

For more information, [Contact Us](#) and we'll send you information on providers of this financing solution.

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