



guidant  
FINANCIAL

Brad P.  
Coastal Spirits  
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# Your Guide to ROBS & Guidant Financial

We know that learning about Rollovers for Business Start-ups and Guidant encompasses a lot of information, so we've distilled the basics here for you. Read on for a review of ROBS, why Guidant could be the right financing company for you, and a frank discussion on the fees associated with ROBS and becoming a business owner.

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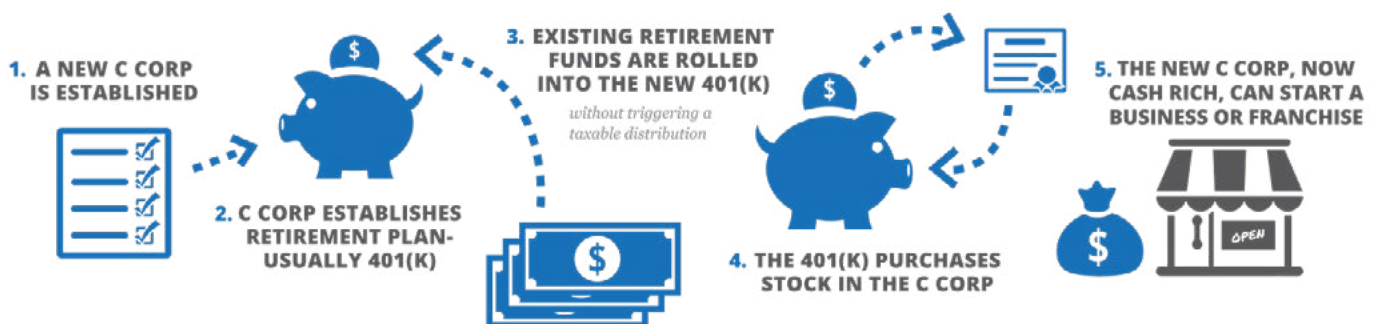
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# 1 REVIEWING ROLLOVERS FOR BUSINESS START-UPS

401(k) business financing, also known as Rollovers for Business Start-ups (ROBS), is a small business or franchise financing method that allows you to use retirement funds to start or buy a business – without incurring tax penalties or an early withdrawal fee. It's an ideal option for those who have \$50,000 or more in a 401(k), IRA or other eligible retirement account and don't want to go into debt to start or buy a small business.

The ROBS structure consists of multiple elements, which we've distilled into five basic steps:





Linda J. & Kenneth M.  
Aluminum Case Co.  
Chicago, Ill.

## How ROBS Works

### 1. Create a new C Corporation

First, create a C corporation. Because the ROBS arrangement hinges on the sale of Qualified Employer Securities, the business you start/buy must operate as a C corp (because a C corp has the ability to sell stock. Other entity types, like an LLC and S corp, cannot issue QES stock).

### 2. Set up a 401(k) Plan for your C Corp

After establishing the C corp, a retirement plan needs to be set up for your new business. You have many plan type options, but most people pick a 401(k). Once you've selected the type, you'll work with a custodian – Charles Schwab, Merrill Lynch, etc. – to manage the actual investments of the plan.

### 3. Roll existing funds into the new retirement plan

Once the retirement plan is set up for your company, you then roll the funds you're your original, personal account into the new C corp's plan. (This is where the "rollover" part of Rollovers for Business Start-ups comes from.)

### 4. The company plan buys stock in the C Corp

Now that funds are in the company retirement plan, the plan uses that money to buy stock in the C corp through a QES transaction. (This brings us back to Step 1 and why the ROBS structure requires a C corp – without it, a QES transaction wouldn't be possible.)

### 5. Use the funds to operate your business

The last step is to start paying for business expenses! Once the QES transaction is complete, your retirement funds are now available to the corporation to begin operating and paying for business expenses, like buying equipment, leasing space, hiring employees, etc.

### [Check out this quick video overview of ROBS](https://www.guidantfinancial.com/learning-center/videos/overview-rollover-business-startups/)



[\(www.guidantfinancial.com/learning-center/videos/overview-rollover-business-startups/\)](https://www.guidantfinancial.com/learning-center/videos/overview-rollover-business-startups/)

## Frequently Asked Questions about ROBS

### 1. Where did ROBS come from? How long has this program been around?

ROBS has been around for decades. It was made possible when Congress wanted to give American works another option for growing their retirement assets (among other reasons) and so allowed for a 401(k) plan to invest in Qualified Employer Securities – which then allows the individual to fund a business.

### 2. Is using my 401(k) to fund a business a tax loophole?

Not at all! The Employee Retirement Income Security Act (ERISA) works in conjunction with sections of the Internal Revenue Code to make ROBS a perfectly legal, IRS-acknowledged form of utilizing your retirement funds.

### 3. What types of business can I fund with ROBS?

With ROBS, the world is your business oyster. You can start a business from scratch, purchase an existing business, open a new franchise location or even buy an existing one. The only exceptions are businesses deemed to be “solely the investment of capital” (think factoring or loaning your retirement account to others) and activities that are state legal but not federally legal (like a marijuana operation).

### 4. What is the max employee deferral contribution I can make to my new 401(k) plan?

The maximum annual contribution in 2018 was \$18,000, though this fluctuates from year-to-year. If you’re over 50, you’re allowed an additional \$6,000 “catch up” contribution.

### 5. Is ROBS legal?

Yes, ROBS is perfectly legal! Check out [chapter 1](#) of our Complete Guide to ROBS (linked below) for a deep dive into the structure and history of ROBS.

### 6. Can I pay myself a salary?

You sure can! In fact, it’s encouraged: when you earn a salary, you’re able to commit a percentage of that salary back to your retirement fund. Keep in mind that your salary should fall within “reasonable bounds:” if your company’s annual revenue is \$100,000, a salary of \$200k likely falls outside of “reasonable.”

*For an even more in-depth explanation of ROBS, check out our [Complete Guide to Rollovers for Business Start-ups!](#)*

*“Guidant Financial made a complex financial process easy to understand and followed up with a step-by-step checklist and excellent communication.”*

—Jack S.

# 2 WHY WORK WITH GUIDANT?

Guidant Financial is a small business and franchise financing company. Since 2003, we've helped over 20,000 people get the money they needed to start or buy a small business or franchise. And we'd like to help you do the same.

With over 140 employees on staff in three offices, we're here to offer you the best service, more protection and an exceptional experience from day one:



### **Experienced Team**

We employ a team of extremely experienced financing experts—some of them have even been with Guidant from the very beginning. Your consultant will help you understand the financing options that are available to you based on your unique situation and the things that are most important to you.



### **In-House Legal Team**

The ROBS structure can be complex, which is why our in-house legal team reviews each and every contract to ensure it meets the IRS requirements. If you work with us, you can rest easy knowing we've double- and triple-checked your ROBS transaction.



### **Outside Counsel**

We also ensure you have a chance to speak with outside legal counsel, already included in our fee. Your outside attorney works for you, serves as your counsel, and can provide you with additional insight around the details and operation of your ROBS transaction. This gets you unbiased legal advice with a highly specialized ERISA tax attorney, which helps protect you from some inconsistencies in the industry that can be experienced with other firms.



### **Audit Protection**

In the unlikely event that your business is audited, it will trigger an audit of the ROBS structure and associated 401(k) plan. If that happens to you, we'll pay 100% of the cost to represent and guide you through the entire 401(k) side of the audit.



### **In-House Plan Administration Team**

We also have an in-house team of 401(k) plan administrators who are trained and educated on every aspect of keeping your plan up-to-date and operational. Anytime you have a question or need help, you're calling Guidant – not an outsourced company. (Keep reading to learn more about 401(k) Plan Administration and why it's important for your ROBS structure.)



### **Clients First**

All of this experience and effort on your behalf is part of our commitment to helping business owners succeed. We're not here to sell you on a product; we're here to help get you the money you need to create the life that you want. All of our expertise and triple-checking ensures that our clients are the best educated, best supported and most protected in the industry.



### **Putting Technology to Work**

Our custom-built Client Portal is your one-stop-shop for giving our plan administration team the documents and information we need to keep your plan up-to-date and in compliance. (Section 4 talks more about this and why it's important.) Plus, through our connected partnerships with top payroll service providers, we can get automatic uploads of that information – making for a more streamlined, turnkey experience.

Patty & Chuck P.  
Mesa Park Vineyards  
Palisade, Calif.



# 3 ONE-TIME ROBS SETUP FEE - \$4,995

What does Guidant's ROBS setup service cost? For a one-time fee of \$4,995, you'll receive a variety of services and benefits. Your set-up fee covers:

- **Setting up your new C Corporation**, including state and federal filing fees.
- **Obtaining your tax ID / EIN**
- **Establishing your Qualified Retirement Plan.**
- **Walking you through the transfer of existing retirement account to the new 401(k) Plan.**
- **Supporting your bank account set-up.**
- **Implementing the Qualified Employer Securities (QES) transaction.**
- **Time with an independent attorney** who specializes in ROBS, to ensure you fully understand this product and the process involved.

ROBS is a complex product, and laying a solid foundation is an important step to ensuring you incur no taxes or penalties when accessing your retirement assets. That's why we take the time to do it right, and make sure that you are set up for success as you begin your small business or franchise journey.

We're honored to provide a Veteran Discount to current and past members of the United States Armed Services. Consider this our way of saying "thank you" for your service. Ask your financing expert for more details!

Keep in mind that there are other costs associated with the ROBS program that are not Guidant-related and that our fee does not cover: namely, an ERISA bond and the services of an investment management company. An ERISA bond is an insurance product that states you are the fiduciary of the 401(k) plan and will act in the plan's best interest. This cost depends on the amount of your rollover, the term set, and the company providing the bond. All told, you should not expect to pay more than \$200 per year for this.

In order to manage the funds you're contributing to your 401(k) plan each year, you'll need to work with an investment management custodian like Charles Schwab or Merrill Lynch. You can expect to pay \$500 - \$1,000 per year, depending on the amount of money in your plan, how many times per year you move those funds, and the company you work with.



Dan P. & Kent F.  
Dry Fly Distilling  
Spokane, Wash.

# 4 MONTHLY PLAN ADMIN FEE - \$139

Setting up your ROBS structure is just the first step: each 401(k) plan must be appropriately administered on an ongoing basis to ensure it remains protected and in compliance with the IRS and DOL. This is why we've designed an all-inclusive 401(k) plan administration package to support your plan management with industry-leading service and expertise.

So what does this actually mean? Your plan is required to file an IRS Form 5500 each year (this is different from filing your personal or business taxes) and pass a round of "plan testing." It boils down to this: you provide us required information about your business and employees through our online Client Portal; Guidant performs all plan testing and prepares all of the IRS and DOL forms your plan needs to file; Guidant lets you know your form(s) are ready to file; you follow our step-by-step instructions to file online. (We can't legally file for you, otherwise we'd be happy to take care of that, too!)

It's not a simple process, which is why it's important to work with a company that is experienced in supporting the administration of your plan. Our monthly plan administration fee of \$139 includes:

## Ongoing 401(k) Plan Protection and Compliance



### Full Audit Protection

An audit of the 401(k) plan is rare, and Guidant has the lowest audit rate in the industry. In the event that your 401(k) plan is audited by the IRS or DOL, we pay for legal representation through the full audit cycle, potentially saving you thousands of dollars. You can think of this like car insurance: we should all have it, even though we hopefully never need to use it!



### Compliance Review

After the preparation of your Form 5500 and annual report, all information is reviewed by our in-house compliance team. Guidant will also cover up to one hour of paid time annually with outside legal counsel related to compliance and operation of the 401(k) plan.



### Required Amendments

The 401(k) plan that Guidant establishes is a prototype plan, which allows you to avoid personally establishing a plan with the IRS. We also provide ongoing updates to your 401(k) plan, as required by the IRS and DOL, including required plan restatements – an otherwise expensive cost that is included in the monthly fee.



## 401(k) Plan Testing, Forms and Additional Services

You have unlimited access to our team of retirement plan experts, including certified plan administrators. In addition, we perform all required 401(k) plan testing, prepare IRS and DOL forms, and provide ongoing services, including:

### Annual Benefits to you and Your Company's 401(k) Plan

- Preparation of IRS Form 5500: Report of Employee Benefit Plan
- Preparation of 401(k) plan Summary Annual Report (SAR), detailing plan activity and compliance recommendations and requirements
- Statement of Value and comprehensive industry report
- 401(k) plan testing including: elective deferrals test, annual additions test, actual deferral percentage (ADP) test, actual contribution percentage (ACP) test, minimum coverage test and top heavy test
- Calculation excess distributions required to correct any testing failures

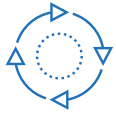
### Benefits Provided As Needed

- Preparation of IRS Form 945 and calculation of federal income tax withholding
- Preparation of IRS Form 1099-R
- Preparation of IRS Form 5330
- Preparation of reasonable cause letters
- Elective 401(k) plan amendments
- Creation of 401(k) participant loan documents



# 5 DISCOUNT OPPORTUNITIES

We understand that every dollar counts for franchise and small business owners. That's why we offer a variety of options to discount your monthly fee:



## **Early Return Discount - \$139 / year**

When you get your business document back to us early, it makes our jobs easier. Get a full month of administration services free (a \$139 value), prorated over the remainder of your billing year, when you get your documents to us three months before your document return deadline. You'll also have the added bonus of being at the front of the line for document review, which means you'll get your Form 5500 back quicker and filing done faster.



## **Client Referral Program - \$1,668 / referral**

We love getting referrals from our existing clients! When you send someone our way who engages our services, we'll give you a full twelve months of plan administration services free – a \$1,668 savings. We know people will ask how you started your business, and we want to demonstrate our appreciation when you tell them about Guidant.



## **Connected Payroll - \$20 / month**

We partner with ADP and Paychex to offer discounted payroll services that also streamline our reporting processes. When you sign up for ADP or Paychex and take steps to digitally connect your payroll account with Guidant, you'll receive a \$20/month credit on plan administration services! By connecting accounts, it also enables us to automatically pull employee census information so you don't have to do it manually. This saves you valuable time and helps improve reporting accuracy.



## **Business Services**

We've partnered with leading business service and software providers to offer you discounts on the products and services your business needs, from payroll (like ADP and Paychex) to bookkeeping software to office supplies. We'll be rolling out even more business service providers in the future.



Empire Container  
Carson, Calif.

# 6 MORE RESOURCES

We know that you've taken in a lot of information recently. Check out our Learning Center at [www.GuidantFinancial.com/learning-center/](http://www.GuidantFinancial.com/learning-center/) to browse our library of resources and continuing education. A few things you might find immediately interesting:

- [Overview of Rollovers for Business Start-ups](#)
- [The Complete Guide to ROBS: Rollovers for Business Start-ups](#)
- [The Complete Guide to Buying a Franchise](#)
- [Guidant's Awards and Recognition](#)

*"The ROBS program made put the dream of financing our business within reach. However, it was only a dream without Guidant Financial. Only with Guidant did our dream become our reality."*

—Jon L.

**We appreciate your interest in Guidant Financial and look forward to working with you!**



**CONTACT YOUR BUSINESS DEVELOPMENT OFFICER TODAY!**

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