

ROBS (Rollover for Business Startup)

# FranPlan Retirement Plan Business Funding

Fund your business using your retirement funds tax-deferred & penalty-free.

Your retirement funds (an IRA, 401(k) or other qualified retirement account) can be structured as an investment in your business. The FranPlan® allows you to utilize the full potential of these funds to purchase your own business, possibly enabling you to eliminate or reduce the need for additional loans. Unlike a loan, the FranPlan allows you to start your business debt-free with available cash, having no debts to increase your overhead.



## What is a FranPlan?

A FranPlan is a “Qualified Retirement Plan” (a plan that meets the requirements of the Internal Revenue Code and is eligible to receive certain tax benefits) sponsored by your new corporation. This new retirement plan (the FranPlan) will be a shareholder of your new corporation.

## Some of the Retirement Plans that Qualify for a FranPlan:

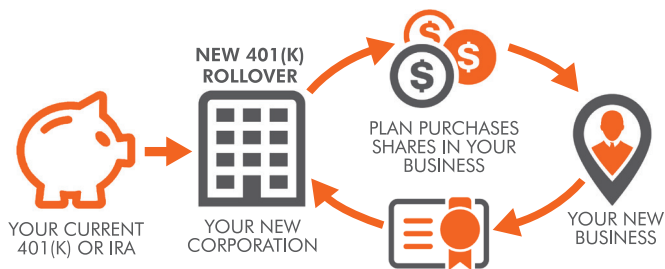
- 401(k) Plans
- Employee Stock Ownership
- 403(b) Plans
- IRAs
- 457 Plans (government)
- Money Purchase Plans
- Annuity Plans (penalty may apply)
- SIMPLE Plans
- Cash Balance Plans
- SEPs
- Defined Benefit Plans

*“If you’re going to finance your business with retirement funds, I think FranFund is the best way to be sure that tricky IRS regulations are managed. The cost, compared to having to know and handle the IRS regulations yourself, is incredibly low.”* - Iain R.

*“FranFund was absolutely wonderful... very professional and walked me through the entire process. They kept me informed and updated and the entire experience was fast and easy. I would unequivocally recommend FranFund to anyone looking to finance their franchise or business.”* - Calvin M.

## How Does a FranPlan Work?

- 1** **FranFund establishes a new C-Corporation for you**, which will be the operating entity for your business. FranFund will be responsible for setting up this C-Corporation, ensuring that the Articles of Incorporation are written properly to accommodate the establishment and operation of the new company's qualified retirement plan.
- 2** **FranFund creates a new retirement plan.** This plan is highly scalable and has features and benefits that will accommodate your new business during the critical startup phase, as well as the ongoing and long term growth of your business. Your FranPlan Specialist will discuss the implementation strategy specific to your needs.
- 3** **Your current IRA and/or 401(k) funds are rolled over into the new retirement plan tax-deferred and penalty-free.** Once these funds are in place, you (as trustee of the new plan) will direct how these funds are to be invested.
- 4** **Your new C-Corporation has the capital available to invest in a new or existing business or franchise** after the new retirement plan (FranPlan) purchases stock in the new company. The company's operating account has cash that may be used for any legitimate business purpose. These expenses may include franchise fees, payroll, marketing, furniture, rent, and other costs associated with running your new business.



## Let's Look at an Example:

Suppose you have \$250,000 in an existing retirement plan and you need \$150,000 to purchase a new business, or to provide an equity injection for a loan. Using the FranPlan, you can roll all of these funds, or just a portion of them, into your new company's retirement plan. If you choose to move all \$250,000, then you may direct \$150,000 to be invested in the new company's stock and the remaining \$100,000 may be invested in other stocks, bonds or mutual funds, depending on the investment options adopted by your plan. Your new company now has \$150,000 cash that may be used for any legitimate business expense. The plan has your new company stock valued at \$150,000, plus the other investments.

If you had taken a distribution of your retirement funds instead of utilizing the FranPlan, your tax liability would be your ordinary income tax rate plus a 10% penalty.

**Assuming your company has \$150,000 in a Retirement Plan, and you are in a 25% tax bracket.**

Rollover Program	Distribution
No Penalty	10% Penalty: \$15,000
No Taxes	25% Taxes: \$37,500
Net Available: \$150,000	Net Available: \$97,500

## Benefits of a 401(k) Plan

Employees (including the business owner) contribute to the plan with pre-tax dollars. The Company (your operating entity) has the option to make matching contributions and extra profit sharing contributions to attract and maintain quality employees with a true employee retirement plan.

Year	Employee Contribution Limit	Annual Maximum for All Contributions	Catch-Up Contribution Limit (Age 50+)
2020	\$19,500	\$57,000	\$6,500
2021	\$19,500	\$58,000	\$6,500

## Benefits of a Profit Sharing Plan

With this type of plan, contributions to the plan consists only of employer profit sharing contributions. The employer contributions are completely discretionary which means that a company can decide from year to year how much to contribute, or whether to contribute at all. These contributions are only made after the end of the year, so you have the ability to review your profits for the year to determine if you would like to make an employer contribution. This flexibility makes it a great option for small businesses.

Year	Individual Annual Limit	Employer Deduction Limit
2020	\$57,500	25% of eligible pay
2021	\$57,500	25% of eligible pay

**Utilizing these funds to capitalize your business allows you to invest in yourself. By avoiding unnecessary taxes and penalties, you have access to more of your funds and are able to save more money for retirement.**

## Managing a Retirement Plan

There are three primary roles associated with administering a retirement plan. The first role is the Trustee, acted out by you, who legally owns and manages the plan assets. The second role is Plan Administrator, also you, who is legally responsible for the non-investment and administrative operation of the plan. The final role is the Third Party Administrator (TPA), which is a service provided by FranFund. The IRS and DOL require that you utilize a TPA firm to provide services necessary for the orderly administration of the plan and to maintain compliance with the associated directives, such as the annual 5500 filing.

Trustee	Plan Administrator	Third Party Administration
Legally owns & manages the Plan Assets.	Legally responsible for the non-investment administrative operation of the plan.	Required by the IRS & DOL. Hired by Plan Administrator to help carry out the legal duties of the Plan Administrator.

## SafetyNet Program

The FranPlan process normally takes about 15 to 20 business days, with the longest portion of that time allocated to the movement of funds from the current custodian to your new 401(k) custodian. Utilizing the SafetyNet™ Program, you can get a head start and initiate the money movement with no cost. When the money arrives at the new custodian, it is placed in a rollover IRA until you decide to move forward. Once you decide to move forward with your business and engage FranFund for the FranPlan, your funds will be available to capitalize your new business in as little as five to seven business days. If your plans change and you decide not to move forward with a business, there is nothing to undo, no refunds to initiate, and your money is safe in an IRA.





## The FranFund Guarantee

### **FranFund's confidence in its FranPlan design is backed by the FranFund Guarantee.**

At FranFund, we take the most conservative approach possible with this process, as the regulatory agencies are the Internal Revenue Service (IRS) and the Department of Labor (DOL). FranFund has taken a leadership role in this industry to ensure that our approach sets the standard for compliance. Our attorneys continue to monitor the activity within the IRS and DOL regarding changes to the process, including any government agencies that may raise concerns. If changes are identified as necessary, we make an immediate adjustment both to our execution of new plans and to the plans of our existing clients.

#### **GUARANTEE**

We are entirely confident that our FranPlan design is compliant with the guidelines and directives issued by the IRS and DOL for creating a qualified retirement plan. If there should be any inquiries or audit proposed, our current clients that are following these guidelines and directives have the full backing and support of our extensive support staff, ERISA and Tax attorneys, and a TPA (Third Party Administrator) analyst.