



# How to Properly Terminate Your Plan When Selling or Closing Your Company

## Step 1. Liquidate All Assets

- Your CPA/Accountant will assist with this step
- If you are selling your corporation this is typically handled through an asset purchase
- If you are closing your business (not selling) then you will liquidate assets individually
- You must liquidate everything that belongs to the company.

## Step 2. Pay All Corporate Liabilities

- Your CPA/Accountant will assist with this step
- Please ensure that you include any remaining balance owed to FranFund to complete your Plan termination.

## Step 3. Remaining Cash Paid to Shareholders

- Any remaining cash in the corporate accounts needs to be transferred back to your 401(k) as the shareholder. If there are shareholders other than the 401(k), the proceeds will be divided proportional to the shareholders.

## Step 4. Close Corporation

- You will work with your CPA/Accountant to ensure all of the correct steps are taken to close the corporation

## Step 5. Transfer funds from the 401(k)

- Contact FranFund for a Distribution Election Form, which will designate where you want the funds moved.
  - Option 1) Rollover to Traditional IRA or eligible retirement plan
  - Option 2) Taxable Distribution – If this option is chosen the funds will be subject to taxes and early withdraw penalty of 10% if you are < 59 ½ years old. It is required that the company withhold 20% from all 401(k) distributions. Please notify your accountant that a Form 945 is required to report the withholdings.
- You will forward a copy of the completed form to FranFund.
  - Upon receipt of the signed form, FranFund will contact you to facilitate the distribution.

## Step 6. Terminate the Plan/File Final 5500

- In the year your plan assets go to zero, FranFund will prepare your final 5500



## Frequently Asked Questions

### **Q How does closing the company affect my Plan?**

**A** The plan is a shareholder in the company so proceeds from the sale will go back into the plan. If there are outside shareholders, the remaining assets will be split pro rata to the number of shares issued. The plan cannot exist without the company so the plan must be terminated once the company closes.

### **Q What is the cost of closing down the Plan?**

**A** You will pay FranFund the **annual** third party administration fee or the remaining **annual** balance if you pay monthly, but there is no *additional* cost outside of your annual TPA fee.

### **Q What if the proceeds from the sale of the company is more/less than the initial investment?**

**A** Any difference in the value distributed to shareholders is documented as a gain/loss in the value of the shares while the plan was invested in the company.