How To Use Your Retirement Funds to Finance Your Business

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OVERVIEW

At CatchFire Funding, we believe that there are no limits to your dreams. The more you know about your options, the better your chances for making your dreams come true.

As you look for a way to finance your franchise or small business, this guide will help you learn more about:

* The most critical secret to your success – managing your cash flow,
* Why how you fund your business can make or break your success,
* What is a self-directed 401k plan,
* How these plans can help you fund your small business or franchise,
* Additional benefits you can gain by having such a plan in place,
* Some frequently asked questions, and
* A special offer

To get more information about how CatchFire Funding can help you set up a self-directed 401k plan and help you find commercial lenders to finance your small business, please contact us at:

Phone: 877-702-2040 (Toll Free)
Online: www.CatchFireFunding.com
Email: info@CatchFireFunding.com

Thank you,

William Seagraves
Bill Seagraves
President
CatchFire Funding
SUCCEED IN BUSINESS AND RETIRE WEALTHY: 
IT’S ALL ABOUT CASH FLOW

Successful business owners start with “sufficient capital” to get, and keep, their businesses going. So what is “sufficient”? The answer is different for every type of business.

It’s also different depending on how you fund your business.

How you fund your business, and how many funding options you leave open for yourself, are big factors in who will succeed in business and retire wealthy. And who won’t.

To understand why how you fund your business matters so much to your success, it is important to understand cash flow. Robert Kiyosaki does an outstanding job of explaining cash flow in his bestselling “Rich Dad, Poor Dad” books. (Haven’t read “Rich Dad, Poor Dad” or “The Cash Flow Quadrant”? Then we strongly recommend, as soon as you’ve finished this whitepaper, that you run, not walk, to pick those books up!)

The Rich Get Richer By How Much Cash They Keep

Many people think that how much net profit a business makes is the same as how valuable the business is. Not so. Many business owners try to make the net profit line as small as possible to avoid paying more taxes than they should.

How much a business pays for things that are valuable to the owners, plus profits, is what makes the real value of a business. Examples of things a business can pay for include the use of a car; travel; education; health insurance; or retirement savings. These items come out of your business expenses instead of out of your own personal pocket. They give you a better lifestyle and reduce your taxes.

The more you pay others in finance charges, the less you have to grow your business and keep for yourself. For many business owners, too much outside debt is the ultimate reason their business fails.
Getting Outside the Box: Reducing Debt, Taxes and Stress

Every time you borrow money, sign a lease or take out a line of credit, more cash flows out of your business. You have to repay these finance charges each month before you can pay yourself, or you could lose your business.

You may be saying to yourself, “That’s just the way it is. I just don’t have enough money to cover everything myself so I can go into business.” We know that many people will not have enough money to self-fund their business one hundred percent. Many of our clients use both outside financing and self-funding to raise the money they need to run their businesses.

However, it is important to realize how much impact reducing your outside debt can have. Reducing your debt dramatically increases your chances of business success. It significantly improves your retirement. It also greatly reduces stress on yourself, your marriage, your relationships and your children.

The Escalating Cost of Outside Financing

The problem that many new business owners walk into is that they estimate each type of financing they need in isolation from the rest of the financing they need.

They assume that because their basic credit score is good, each type of financing will cost them roughly the same. (OK, taking out money against a credit card costs more than an SBA loan. Keep away from the loan sharks and you should be in good shape, right?)

Not so.

The cost of financing goes up with each new type of financing you take on.

This is where many people set themselves up for failure without realizing it. And often why going into business for yourself is more risky than it needs to be.

Let’s use an example that applies to the majority of our clients.
Landlords Have to Pay the Bank Too

Let’s say that you are starting a type of business that requires retail or office space. Let’s also say that you’ve taken on a sizable SBA loan. This is to make sure you have enough starting capital for your small business or franchise.

You’ve also found the perfect location for your business. This is the one with people pouring in your door and cash overflowing from your register. Landlords won’t talk to you until they know you have funding for your business. So, with money in hand, you approach your ideal landlord.

Unfortunately, the larger the amount of debt you have committed to, the more risky you become for a landlord to take on.

Landlords never evaluate your application based only on what you bring to the table. A landlord has to look at the total amount of cash flow risk they are carrying from all of their tenants. When you take out a sizable loan, you change the cash flow picture your prospective landlord sees as he imagines adding you to his group of tenants. You may not think that your situation is that risky. From the landlord’s point of view, if any of his tenant’s businesses fail, then the landlord will have to make his bank payments out of his own pocket. Too much of that and he loses his business.

What does a landlord do when they are faced with what they see as higher risk? He charges higher rents with stiffer lease terms as an insurance policy that he will have extra money in the bank in case his tenants cannot make rent payments. Or, he denies an application and holds out for someone with a better cash flow picture.

So, from a landlord’s perspective, the more debt you have, the bigger the risk you are and the more money you will have to pay to get customers pouring in the door. On the other hand, the more money you pay to your landlord, the less profit you make from your customers. Starting to sound like a Catch-22 isn’t it? Pay too much in rent and you’ll go out of business.

You can pick a less expensive, less perfect spot. This usually means fewer customers flowing in your door and higher advertising costs. Higher rents and higher advertising you are likely to be working longer hours and for a longer time before you break even.
How to Use Your Retirement Funds to Finance Your Small Business with No Taxes or Penalties

Equipment Leases and Lines of Credit Get More Costly
We wish we could say that the escalating cost of your debt stops with your landlord.

Now that you have your lease on top of your loan, each additional financing source you go to will look at your new total of debt and commitments. They’ll ask you to place even more of your personal assets aside as collateral. In their eyes, you’re an even higher risk.

This means your equipment leases and lines of credit become more costly, as well.

Eventually, you’ll hit a limit on what you can borrow. By trying to borrow enough to make sure you have sufficient starting capital, you may not be able to get more when something unexpected happens. This is a key reason why many small business owners lose what they’ve worked so hard to build.

It is a lot more difficult to succeed in business and retire wealthy when you start out paying your cash flow to everyone else first.

Self-Funding Helps You Keep Your Cash Where It Should Be
Self-funding part, or all, of your business gives you a better chance for success.

When you self fund your business, you pay yourself back with your hard earned cash, instead of paying everyone else. If you need loans in addition to your own resources, the amount of debt that you need to service is smaller and the demands on your cash flow are easier to manage.

You have different options when self-funding your business. You can sell your personal collateral to fund your business. This may consist of stocks, bonds, a second home or other assets. You can self-fund using your retirement funds.

Let’s look briefly at the pros and cons of different self-funding options.
How to Use Your Retirement Funds to Finance Your Small Business with No Taxes or Penalties

Personal Collateral

One of your funding options is to sell personal assets: stocks or bonds; a second home; or other collected assets.

As you sell personal assets, you may find that you cannot get the amount of money for them that they are worth. This is often true in down housing or stock markets.

When you make a gain on a sale, you’ll need to subtract the taxes on the gain out of the money you need for a loan down payment or other business needs. This may leave you with less money than you had hoped.

Perhaps the most important reason not to tie all your personal assets up as collateral is that stuff happens. Experienced business owners know you always need to hold something back for yourself, just in case.

In business, as in life, the day always seems to come when you unexpectedly need a source of cash or credit. Like real-life Monopoly, you just might get a fabulous opportunity handed to you. You could win the game! Or, you might have to pay something you weren’t expecting. When you tie up all of your personal assets, you have little or no options to turn to when the unexpected happens.

Loans or Direct Withdrawal of Retirement Funds

You can take out a loan from your retirement plan. This can cover very short-term needs. In most cases, you need to repay the loan long before you are making money in your business.

A direct withdrawal can be a very expensive way to get the financing you need. Accessing your money directly will cost you a 10% withdrawal fee, plus taxes on the money you withdraw. For most people, these taxes are 30% to 40% of the amount of the money withdrawn. This means that you’ll be paying as much as 50% of your money to the IRS. That’s money you could be using to fund your small business and become more profitable in the end.
WHAT IS A SELF DIRECTED 401k PLAN?

Funding your business with a self-directed 401k avoids many of the pitfalls from taking on additional debt, selling personal assets, or paying taxes and penalties for a withdrawal from your current IRA or 401k.

A self-directed 401k plan is a method of using retirement monies that you have in an IRA or 401k plan to invest in your own business. Other types of funds that qualify include SEP’s, SIMPLE, 403b’s and 457’s.

Self-directed 401k plans are based on the same laws that make it possible for employees in mega corporations to invest in their employer’s stock in their retirement plans. These laws were established with the Employment Retirement Income Securities Act (ERISA) of 1974. With a self-directed 401k plan, you can direct your retirement plan to invest in the stock of your company.

There are a number of short-term and long-term benefits to you as a business owner in setting up a self-directed 401k plan.

SHORT TERM BENEFITS

Get Financing for Your Small Business with No Additional Debt

There is no interest to pay and no time schedule to repay for retirement funds for as long as you operate your small business. You can get into, or stay in business, with less debt and an improved cash flow.

You can repay your retirement funds earlier through a stock buy back. You do not need to pay back your funds until you successfully sell or exit your business.
How to Use Your Retirement Funds to Finance Your Small Business with No Taxes or Penalties

Since it’s your money you are using to fund your business, you don’t have to give up any control of your business to a bank… or any other investor.

**Minimal Paperwork**
Setting up a self-directed 401k plan requires far less paperwork than a loan application. A business plan and long application documents are not required to get your funding.

**Get Funding Fast**
Our average client receives their money from the rollover of their current retirement plan and the purchase of their company stock in about three weeks. Some receive their money in less time.

**Use Money for Any Legitimate Business Expense**
You can use the money for salaries, equipment, inventory purchases, or any other legitimate business expense.

The money your company receives from the sale of stock can be used for a SBA loan down payment. You may be able to reduce the size of your SBA loan, or eliminate it all together.

**LONG TERM BENEFITS**

**Save for Your Retirement While Improving Your Profits**
Once you have a self-directed 401k plan, you can put away a portion of your business earnings as savings for yourself.

This money is put away as pre-tax dollars, so you are not only saving money for your retirement; your business is paying less in taxes, which gives your small business a higher net profit or more cash to invest in growing your business.
Since taxes are deferred until you are retired, and ideally, in a lower tax bracket you end up paying fewer taxes on your savings.

The amount of money that you can save for retirement is significantly higher than in many other options you may have. The amount changes from year to year, according to limits set by the IRS. It also changes depending on how much salary you pay yourself during the year.

**Hiring, and Keeping, Better Employees**

Keeping your cash in your business is one of the secrets of people who succeed in business and retire wealthy. Hiring, and keeping, the best employees is another secret of people who succeed in business and retire wealthy.

This is so important to your future success that we want to say it again.

*Hiring, and keeping, the best employees is one of the secrets of small business owners who succeed in business and retire wealthy.*

Higher quality employees significantly increase a company’s profits. They help you make more money with more sales. They help you keep more money with better customer service, fewer errors and more productivity. They are more pleasant to be around and make it easier for you to sleep at night. These benefits add up in real dollars and cents!

When you set up a self-directed 401k plan, your retirement plan will be for the benefit of all of your company’s employees. Everyone will have a chance to participate.

When you are a business owner, you’re not just competing for customers. You’re competing for the best employees. The ones that draw customers to your business. Better benefits are a key advantage that sets you apart from your competitors.

A plan that helps your employees save for their retirement is a proven way to hire, and keep, better employees. By helping your employees, they are more loyal and they help you succeed.
SETTING UP A SELF DIRECTED 401K PLAN

A self-directed 401k plan helps you fund your business, improve your cash flow, be more profitable, save for retirement and attract the best people who will make you and your business a success.

These benefits set you apart from other business owners so that you can create the financial freedom you dream of for you and your family.

At CatchFire Funding, it’s easy to set up a self-directed 401k.

Check the Status of Your Retirement Funds
To roll your retirement funds into a self-directed plan, you must first have your funds in a qualified retirement plan. Qualified funds include 401k’s, IRA’s, 403b’s, 457’s, SEP’s, and SIMPLE plans. Roth plans are not qualified.

Set Up a C-Corporation
There are two requirements for your retirement plan to buy stock in your small business:

1) You must be an employee of your corporation, and
2) Your corporation must be legally separate from you, the individual investor.

LLC’s and S-Corporations do not satisfy the requirements for stock transactions and legal separation.

Many people worry that there is more paperwork with a C-Corporation. The paperwork for a C-Corporation is minimal. You, as the business owner, or your accountant, can easily handle it.

Other people worry about double taxation. For tax purposes, owners of a corporation that work for the corporation are employees. The company deducts salaries and 401k contributions before it pays company taxes. The owner pays taxes only once on their personal taxes for what they make as an employee. When the owner sells the company, the value goes back to the retirement fund. The owner pays taxes when they eventually take a distribution from their retirement fund.
Adopt Your New Self-Directed 401k Plan and Request Transfer of Funds
After your C-corporation is set up, you next adopt your new self-directed 401k plan for the benefit of the employees of your corporation.

Once you have adopted your plan, you then direct that the money from your existing retirement plan be rolled over to your new plan.

Perform the Stock Transaction
As the trustee of your new 401k plan, you next direct the plan to purchase stock in your new corporation.

A True Win-Win
Your company gets the cash it needs to pay startup business expenses. Your 401k plan gets stock in your new corporation. You, and your employees, get the ability to save significant amounts of money for retirement. Your cash flow is improved because you’ve reduced your need for outside financing. Your small business or franchise is more profitable faster because the money you’ve saved into your retirement plan reduces the taxes your corporation currently pays – giving you a better bottom line!

FREQUENTLY ASKED QUESTIONS

Not all self-directed 401k plans are created equal.

Some questions you should ask of self-directed 401k plan providers are:

Who Manages the Money?
Some plan providers will require that you pool your retirement money, and the retirement money of your employees, into one large retirement plan that has many companies as members.

At CatchFire Funding, we draft a retirement plan that is unique to your company. You are the only person who manages the rollover of your funds and determines what investments you should make. We don’t ever have any involvement with your money.
How Does CatchFire Funding Get Paid?
Self-directed 401k plan providers who get involved with your investments and receive a commission may be participating in a prohibited transaction by the IRS.

At CatchFire Funding, we are paid a reasonable, flat, one-time fee for our services in drafting your plan. And we guarantee that if, for any reason, you decide not to go into business for yourself within 90 days of funding with us, that we will return your fee. We want to make funding your business simple, easy and stress-free. Please see full details in our Terms of Agreement document.

Who Will Be Available to Help Me Maintain My Plan?
All self-directed plans have a nominal amount of paperwork that needs to be maintained each year. This is so that the IRS can account for the employees who have been making retirement plan contributions. Some service providers simply sell you the plan, disappear and then make an offer to file your IRS paperwork for you for a fee once a year.

At CatchFire Funding, we are passionate about your business success. We are available free via phone for six months after you set up your plan to help you with any questions that you may have. We offer an annual reminder email service with tips to help make things easy for you to maintain your plan all year long. The reminder email service is free for the first year of your plan. And, at the end of each year, we also offer a service to file your annual IRS paperwork for you to help you stay focused on managing your business.

Can You Help Me Get Other Funding?
Some self-directed 401k plan providers can only offer you retirement plans.

At CatchFire Funding, we maintain an extensive network of lending providers. We can help you structure a complete funding package and help you find the best rates through our nationwide network of commercial lenders.
CONCLUSION AND FREE OFFER INFORMATION

We believe that self-directed 401k plans are one of the best funding options for your small business. They are also one of the best options for setting your business up for success. However, self-directed 401k plans are not the only funding option available to you.

Would you like more information about self-directed 401k plans and all of the funding options available to you?

Would you like help on how to deal with any issues in the funding process that you may have come up against?

Said yes to either of these questions? Then please take advantage of CatchFire Funding’s “30 Minute Small Business Funding Tune-Up”. We conduct these tune-ups over the telephone with you and, if you so desire, your spouse or future business partner.

Here is what we cover together in this fast-paced, zero-nonsense session. We tailor these topics to be exactly what you need, given your unique situation:

Lay Out Your Funding Options
There are many different financing options available to you when you are purchasing a small business. It’s important that you have cast as wide a net as possible to put together options that work hard for you.

Determine What You Qualify For
How you finance your business can make or break your ability to be successful in your small business. First, you need to narrow down the options to what you, or a banker believes that you can do.

With the current credit crunch, bankers form an impression of you very quickly. It’s important to spend your time on the options that you are best qualified for.
Discuss the Best Options for You
You may qualify for many more options than you think. And not everything that you qualify for is good for you or your small business.

You don’t want to set yourself up to be servicing debt in such a way that you don’t have the cash you need when you need it for your business. It’s important to structure your funding to make sure that your business can grow as you need it to.

Clarify Your Next Steps
Everyone’s situation is different. You may need to clear up some old credit, do more research, make more lenders compete with each other to get yourself a better deal, or sit down with your significant other for a good, heart-to-heart talk.

Whatever the next best step is for you now is the time to get clear and adjust your plans so that you are in the best position for success.

The 30 Minute Small Business Funding Tune-Up is conducted by the President of our company, Mr. William Seagraves. Bill has worked with hundreds of startups to help them finance their businesses so that they are structured for success.

Please be assured that this consultation will not be a thinly disguised sales presentation; it will consist of the best intelligence Mr. Seagraves can supply in a thirty minute time span. There is no charge for this call. Please be advised that the call must be strictly limited to 30 minutes.

This consult will typically take place within 1-2 weeks of your call. To secure a time for this consultation, please call Amy Holland at (877) 702-2040 or email Amy@CatchFireFunding.com. Amy will advise you regarding available time slots. Amy will also provide you with a short, pre-consultation questionnaire that will prepare both you and us to get maximum value in the shortest amount of time.