

## Self-Invested

Can your retirement savings help solve your financing problems?

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Gaining access to startup capital is often a huge hurdle. Now many entrepreneurs are turning to companies like BeneTrends Inc., Directed Equity and Equity Trust Co. to get early access to retirement savings--without the normal penalties.

How does it work? Len Fischer, founder of San Diego-based BeneTrends, explains his company's four-step process. First, a C corporation is established for the new business, and a retirement plan is then created under the new C corporation. Next, funds are rolled over from the person's existing retirement plan into the C corporation's new retirement plan. Finally, the new retirement plan purchases stock in the C corporation, leaving the capital in the business owner's hands. This process takes about two to four weeks and costs \$4,800 plus state filing fees.

Don Patrick, managing director of **Integrated Financial Group**, a financial services consortium in Atlanta, offers the following **advice to avoid potential problems with this type of financing**:

- › **Carefully research** the company that carries out the process to make sure it's legitimate.
- › **Get an IRS letter ruling** that documents approval of your individual situation.
- › **Operate the C corporation** properly, as there's a higher chance of being audited due to both the type of corporation and the type of financing used.
- › **Comply with the main principles** of the Employee Retirement Income Security Act of 1974.
- › **Keep in mind** that losses cannot be deducted if the business fails.
- › **Employ a team of professionals.** "Retain a CPA, an attorney and a financial planner, and let them work as a team," says Patrick. "This is still an area that's [on] the fringe of things."