



Using Your 401(k) or IRA to Purchase a Bed & Breakfast or Country Inn

Very few investors/entrepreneurs realize that they have the ability to finance the purchase of a business with retirement funds. Most people believe that there are only two options available to them if they want or need to access capital from their plan/s, namely, either borrowing from the account or withdrawing some portion of the assets. Borrowing involves repaying the principal and interest and a withdrawal may be subject to a pre-distribution tax and penalties. There is another way... the Employee Retirement Income Security Act (ERISA), which created the IRA in 1974, places surprisingly few restrictions on how retirement money can be invested. Except for life insurance or collectibles—such as artwork or coins—IRA funds can be placed in just about anything. Tens of thousands of investors have switched their retirement savings to self-directed accounts since the stock market correction of 2000 and 2001. By some estimates, 3% of the \$3.5 trillion held in IRAs is now in alternative investments—and the number is growing.

Retirement Account Facilitators have become expert at structuring self-directed accounts and streamlining the once-onerous paperwork. A Facilitator can create a C Corporation that allows you to purchase a business or franchise with retirement funds. They will form wither a new self-directed IRA or a new 401(k) and roll over your existing 401(k)/IRA funds into the newly formed plan and manage the plan going forward. Here is how it works... A new C Corporation will be formed and will sponsor a new 401(k). Your retirement funds are rolled into this new 401(k) and the retirement monies will invest in the stock of the new C Corporation giving the corporation the cash to purchase the inn. The new retirement account invests directly into your new C Corp. by purchasing as much as 95% of its stock, providing the necessary capital to fund the down payment or as much as 95% of the entire purchase. Your new retirement account actually purchases the stock of a company you control, much as if your IRA or 401(k) were to purchase shares in a publicly traded company.

Here are the benefits... when you purchase an inn with this type of structure you do not re-pay a loan which adds to overhead and you will not incur penalties and taxes due to a distribution - it is a stock investment. Profits can flow into your retirement account and can be sheltered proportionate to how much stock it owns in the corporation. Ultimately, once you sell the inn, any gain from the sale of the sale will be tax deferred in the same way as the profit. The accumulated tax deferred profits and the gain from the sale, are now available for re-investment.

Custodians don't offer investment advice—that's the self-directed part. No outsider can guarantee the soundness of your investment strategy and that can be as terrifying as it is liberating. As always, talking with a good financial advisor who is knowledgeable in your area of interest is important. Unless you have both time and capital to spare, you should be cautious before putting your entire nest egg into a new business. However, investors with a strong do-it-yourself streak and a compelling alternative investment strategy may want to consider joining the growing ranks of people who have decided to invest their retirement funds in themselves.

For a free no-obligation informational CD please call...1.888.457.7326

Note: *The material contained in this overview is provided for your general information and should not be acted upon without prior professional consultation with the appropriate experts.*

