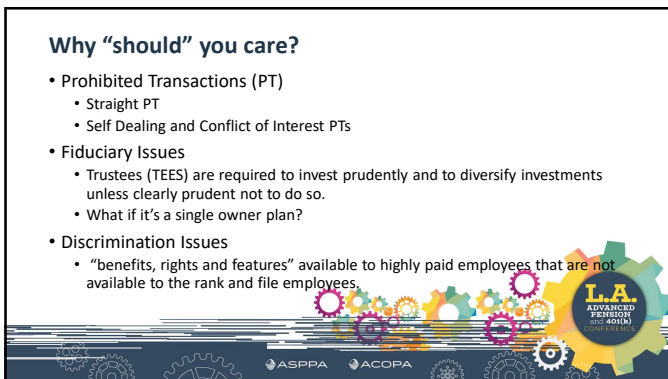




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Why “should” you care?

- Tax Issues
 - UBTI
 - retirement plan, operates an active business and the income attributable to those business operations becomes taxable
- Bonding/Audit Issues
 - plans investing more than 5 percent of their assets in anything other than publicly and other widely traded investments (“qualifying” assets), are required to obtain audited financial statements.
 - For plans with less than 100 participants, the auditing requirement can be avoided by raising the amount of the required bond from 10 percent of the value of the plan assets to 100 percent of the “non-qualifying” plan assets
- Distribution Issues



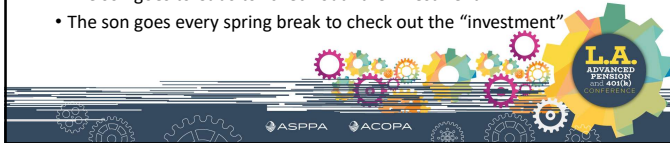
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Case Study- Mexican Holiday



5


- Dr. Frank’s son loves to go to Cabo during spring break
- Dr. Frank loves his son!
- Dr. Frank finds a great “investment” property in Cabo
- Dr. Frank wants his 401(k) Plan to “invest” in the property
- The son goes to Cabo to “check out” the investment
- The son goes every spring break to check out the “investment”



6


PARTY IN INTEREST

- Party in Interest Basic:
 - The Employer whose employees are covered by the plan and more than 50% Shareholders of the company.
 - A person providing services to the plan or a plan fiduciary
- Family members of people included of the above
 - Spouses
 - Children
 - Parents
 - Siblings
- Shareholders, officers, directors and employees of the company sponsoring the plan
- Partners, owners or employees of a party in interest



7


Case Study – Art and Entertainment



8

The Artist


- Mr. Van Gogh loves his artwork!
- In fact he loves it so much, he uses ALL of the assets in his Defined Benefit Plan and 401(k) Plan to buy artwork.
- What does he do with the artwork you ask? So does the IRS!
 - Side Note: His house is full of amazing artwork!



9


PROHIBITED TRANSACTIONS

- No self-dealing
 - Plan assets cannot be used to buy, sell, loan or trade anything with a "party in interest"
- No personal use. Plan assets cannot be used to buy anything that you (or a "party in interest") use such as:
 - Home or office or vacation property or timeshare.
 - Cars, art, jewelry, gems, or collectibles.
 - Loans (other than participant loans within specific parameters).
- Penalty tax and undo that transaction Mr.



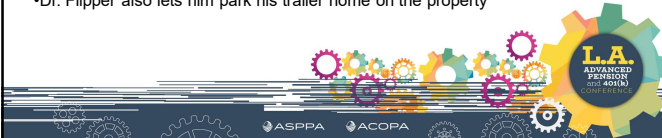
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Case Study – The Dr. and the Squatter



11


- Dr. Flipper buys some vacant land with his defined benefit plan assets
 - Side Note: That's what we thought until the DOL pointed out the property was in the name of the Dr Flipper's personal estate planning trust. Oops!
- Turns out there is a squatter already on the property
- Dr. Flipper thinks this is great and lets him stay in return for watching over the property
- Dr. Flipper also lets him park his trailer home on the property



12


Real Estate – Oh Yea, Oh Yea...

- Sure your plan can invest in real property
 - Getting a loan or mortgage may be near impossible and suspect at best
 - Full cash transaction can work
- All expenses (ALL EXPENSES) paid by the plan
 - Don't skip steps – no direct from Plan Sponsor to investment and tagging as contribution
- UBTI
- What is that property worth




13

Case Study – Mr. Good Guy



14

- Poor Mr. Gates gets bored at 38 and wants to do something with his \$1m retirement account
- Mr. Gates likes cars. He buys a Jiffy Lube.
- Mr. Gates forms a C Corporation and rolls \$500k of his retirement money to invest in the Jiffy Lube
- Mr. Gates also adopts a profit sharing plan and let's employees purchase stock in the franchise. Then he adds a 401(k) and lets them purchase stock with their deferrals
- Mr. Gates is good. He owns 5 franchises!



15

Business Start Up ... ROB me now

- Roll Over Business Startup (ROBS) plan.
 - C Corporation
 - Set Up a Qualified Retirement Plan
 - Roll over monies
 - Buy shares of Stock
 - Plan holds stock
- One person plan versus plan with participants
- Stock Value
 - How do I value this business?
 - This business has no value?
 - This valuation costs too much!
- Ready to retire now what.....



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Your Opportunity to Ask The Expert



17

THANK YOU Now move along.....



18
