RAINMAKER PLAN EXIT STRATEGIES

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Just as every Benetrends client is unique, so are the funding strategies used to open their businesses. Therefore, it only makes sense that exit strategies are not a "one size fits all" - they are as unique as the clients (and plans) themselves. When it's time to initiate an exit strategy, they are determined on a case-by-case basis and are customized based on each individual's personal and business needs.

But, while the strategies themselves are unique, these three scenarios are the most common:

1 SALE OF C-CORP AS A STOCK SALE

In this scenario, the plan is 'terminated' prior to the sale. All the proceeds from the sale of the stock in the C-Corporation can be rolled back into the plan **tax-deferred and penalty-free.** The plan assets can then be distributed by rolling the funds out of the plan into an IRA. Taxes are deferred until a distribution from the IRA occurs. At that time, the taxes are determined by the individual's income level.

2 SALE OF C-CORP AS AN ASSET SALE

In the case of an asset sale, the corporation is selling the assets; therefore, any proceeds will become corporate assets. **The corporation pays any remaining liabilities, including tax liabilities at the corporate tax rate.**

The remaining amount is paid back to the retirement plan in exchange for the stock owned by the plan. The plan assets can then be distributed by rolling the funds out of the plan into an IRA and, as in the first scenario, taxes are deferred until distribution and taxed at the personal income level.

3 CORPORATE BUYBACK OF STOCK AND CONVERSION TO S-CORP

In this instance, the corporation purchases back shares of stock from the retirement plan over a period of time. The share price for each transaction is based on an independent appraisal of the corporation's value as of the date of each transaction, so share prices can fluctuate. The proceeds from each sale of stock is deposited into the retirement plan, where it continues to grow tax-deferred, until time of distribution. **When the plan no longer owns shares, the corporate structure can be changed from a C Corporation to an S Corporation.**

The value/gain of the C Corp is locked in at the time of conversion, and any gains thereafter as an S Corp would see the gain passed on to the individual, requiring taxes to be paid at the long-term capital gains rate. The S Corp would also pay a small C tax on the gain that may have occurred prior to the revocation of the C Corp.

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