

Exploring Your Options:



SPECIALIZED ACCOUNTING SERVICES

Traditional ROBS and ROBS with a Roth Conversion

When starting or expanding your business, accessing your retirement funds partially or fully can offer substantial financial flexibility. However, the decision involves understanding two primary pathways clearly: **Traditional ROBS** or a **ROBS with a Roth Conversion**.

Here's an easy-to-understand comparison to help you make an informed decision:

Comparing Your Retirement Funding Options & How to Combat Double Tax.

Feature	(1) Traditional ROBS	(2) ROBS with a Roth Conversion
Taxation at Setup	No immediate taxes or penalties when properly structured.	Taxes due on converted amount, typically in April of the year following conversion. Taxable as ordinary income.
Future Tax Impact	Retirement withdrawals will be taxed as ordinary income . Potential Double Tax with Asset Sale.	All future growth and retirement distributions from Roth IRA are tax-free , assuming IRS rules are met.
Complexity & Costs	Common, straightforward, and relatively lower complexity.	Need access to liquid cash to pay taxes for conversion. Moderate complexity—requires careful tax planning and accurate financial projections.
Suitability	Highly suitable for most entrepreneurs aiming to finance their business without immediate taxes or penalties.	Ideal if you anticipate higher tax rates in retirement, wish to benefit from tax-free growth, and have the means to pay taxes when due, typically in April of year following conversion.

ROBS VS. ROBS WITH ROTH CONVERSION

Scenario	\$500,000 investment grows to \$1,500,000; funds distributed after age 59½
Tax Assumption	28% combined federal + state (23% federal, 5% state)

1 Contribution Stage

Item	Traditional ROBS	ROBS with Roth Conversion
Initial investment	\$500,000	\$500,000
Taxes on conversion	\$0	(\$140,000)*

2 Investment Growth

Item	Traditional ROBS	ROBS with Roth Conversion
Sale price and net cash payout (before taxes)	\$1,500,000	\$1,500,000

3 Distribution at or after Age 59½

Item	Traditional ROBS	ROBS with Roth Conversion
Taxes on distribution	(\$420,000)*	\$0

4 Net Cash to Investor

Item	Traditional ROBS	ROBS with Roth Conversion
Net cash payout (after all taxes)	\$1,080,000	\$1,360,000

* tax typically due in April of the following year

What Does Each Retirement Funding Option Mean for You?

1 Traditional ROBS

How ROBS Works

- 1 Establish a new business as a C Corporation.
- 2 Create a company retirement plan.
- 3 Rollover your traditional retirement funds into the new plan.
- 4 The funds buy stock in your new business, providing capital.

Why Choose ROBS

- ✓ No immediate tax burden when executed correctly.
- ✓ Avoid debt, keep ownership, and control of your business.
- ✓ Common, simple, and IRS-compliant if properly managed.

Who Should Consider ROBS

- Entrepreneurs seeking a straightforward, debt-free business startup.
- Individuals comfortable with taxable retirement distributions later.

2 ROBS with a Roth Conversion

How The Conversion Works

- 1 Same sequence of steps as Traditional ROBS with the addition of....
- 2 Perform an in-plan Roth conversion of any pre-tax rollover dollars.
- 3 Pay taxes on the converted amount, typically in April of the year after conversion.
- 4 All future capital gains from sale of your business are exempt from tax, provided proceeds remain in the Roth retirement plan or rolled to a Roth IRA. All future retirement distributions from the Roth IRA are tax-free.

Key Differences

- Often used to provide tax mitigation and wealth protection features, such as:
 - No Required Minimum Distributions.
 - Allows tax-friendlier dividends (vs. W-2 income) distributed from excess profits of business to grow tax-free.
 - Allows for lifetime tax-free growth for surviving spouse and an additional ten years for surviving children.
- Requires careful planning and payment of income taxes in the year following conversion, typically in April.

Why Choose The Conversion

- ✓ Expect to be in a higher tax bracket in the future.
- ✓ Expect the value of the business to increase.
- ✓ Interested in long-term tax-free growth after paying upfront taxes now.
- ✓ Want greater flexibility later without concern for taxes on withdrawals.

Who Should Consider The Conversion

- Entrepreneurs and investors looking for tax-efficient growth long-term.
- Those with sufficient resources to comfortably cover immediate tax obligations.

Why Understanding These Options Matters

The right decision can significantly influence your financial security, business success, and retirement strategy. Carefully choosing your path helps you:

- **Preserve retirement savings** without unnecessary penalties.
- **Maintain control** over your business.
- **Optimize your long-term tax situation**, enhancing overall financial security.

Next Steps

Before deciding, consider these actions:

- **Discuss your goals** and situation with a financial advisor.
- **Evaluate your tax circumstances** with a CPA or tax expert.
- **Discuss your plans** with an experienced ROBS provider.
- **Weigh immediate business funding needs** against your long-term retirement strategy.