

from ROBS clients

Q: Can I reimburse myself for expenses paid with personal funds?

- A:** **Yes** – any business expenses paid with personal funds can be reimbursed back to the individual once the bank account is funded.
- B:** SAS recommends keeping a spreadsheet tracking the expenses paid with personal funds with Date, Amount, Vendor and short description of purchase.

Q: How do I get money out of the business?

- A:** Loans/Advances to related parties are a prohibited transaction.
- B:** Ways to take cash out:
 - i. Through W-2 wages
 - ii. If the individual owns shares – a dividend can be paid out and is taxable to the individual reporting a 1099-DIV.
 - iii. Profit Sharing – money into your retirement plan (not personal pocket)
- C:** After you're at least 59½ and your Roth account has met the 5-year rule, the company can declare dividends to the Roth plan (as a shareholder). The plan can then distribute those dividends to you as a qualified, tax-free payout.

Q: How do I determine what a reasonable salary is?

- A:** Salary should be in accordance with the roles and responsibilities of the owner.
- B:** Salary can be paid Weekly, Bi-Weekly, Monthly, or Quarterly.
- C:** Performance/Result based bonuses are allowed.
- D:** Work with your SAS Accountant to determine what is reasonable.

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Q: Can I purchase stock in the ROBS C-Corp, as a personal investment?

- A: Yes** – Any cash deposited into the business and not paid back or reimbursed, can be considered for personal investment
- B:** A formal appraisal is not needed for personal investment, however, you should work with a CPA to determine a fair share price that does not dilute the plan investment.
- C:** Discuss any documentation requirements to support these investments with your service provider. This may include bank statements, appraisals, or a CPA letter supporting investments (e.g. pre-corporate expenses)

Q: Can I purchase a Vehicle?

- A:** If the vehicle will be used 100% for business use, then yes, the business can purchase the vehicle.
- B:** If not used 100%, then SAS recommends that the owner reimburse themselves for in one of the following ways:
 - i. Mileage Reimbursement using the IRS standard \$/mile
 - ii. Auto Allowance – this will be added to Payroll and subject to payroll taxes.

Q: Can the C-Corp (ROBS) have ownership in other entities?

- A:** Yes - They can be a partner in an LLC & be a shareholder in another C-Corp
 - i. Discuss any business structures with your service provider to ensure ROBS compliance.
- B:** No – They cannot be a shareholder in an S-Corp.

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Q: Does C-Corp (ROBS) have 'Double Tax'?

A: *Dividends paid to the Retirement Plan are exempt from dividends tax.*

i. However, dividends to individual shareholders are taxed immediately on individual tax return at capital gains rate.

B: *Wages still carry payroll taxes for all entities, and the C-corp pays 21 % federal + state tax on its taxable income. By contrast, S-corp or partnership/LLC income flows through and is taxed to the owners at their individual rates (pass through rate can be as high as federal taxes of 37% plus state income taxes (0–13.3%).*

Q: Who is the ideal candidate for Traditional ROBS vs ROBS with a Roth Conversion, and Why?

A: Traditional ROBS (pre-tax money): *Best when you need the largest amount of capital now, most of your retirement money is pre-tax, and you can live with strict ERISA/IRS compliance and C-corp requirements.*

B: Traditional ROBS + Mix (pre-tax + Roth/cash/debt): *Useful when you want capital and tax diversification—limit how much of your nest egg is at risk, manage current taxes, and keep some Roth money growing untouched.*

C: ROBS with a Roth Conversion: *Ideal when you have a big traditional IRA, expect strong business growth, and can afford to pay the conversion tax now (i.e., low current tax bracket and large carryforwards). Eventual tax-free exit, value no RMDs on Roth plan dollars, and want heirs to receive funds income-tax-free (though most non-spouse heirs must empty the account within 10 years).*

D: ROTH 401(k) ROBS: *Fits owners with sizable 401k balances who expect high future growth and eventual tax-free exit, value having no RMDs on Roth plan dollars, and want heirs to receive funds income-tax-free (though most non-spouse heirs must empty the account within 10 years).*