

# **ERSOP<sup>®</sup>**

**Entrepreneur Rollover Stock Ownership Plan<sup>®</sup>**

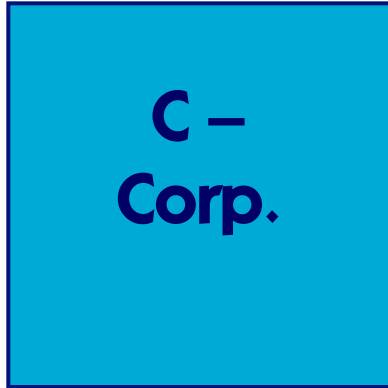
**Real Estate  
Management Company**

# **First:**

## **Are you going to be Active or Passive?**

- **All of our clients have that entrepreneurial spirit, they choose ACTIVE.**
- **They are going to be in charge and make the decisions.**
- **Therefore they cannot use a self directed IRA as the vehicle to invest their retirement funds into real estate. [see slides 13 & 14]**
- **First a review of the Start-Up Steps 1 through 4.**

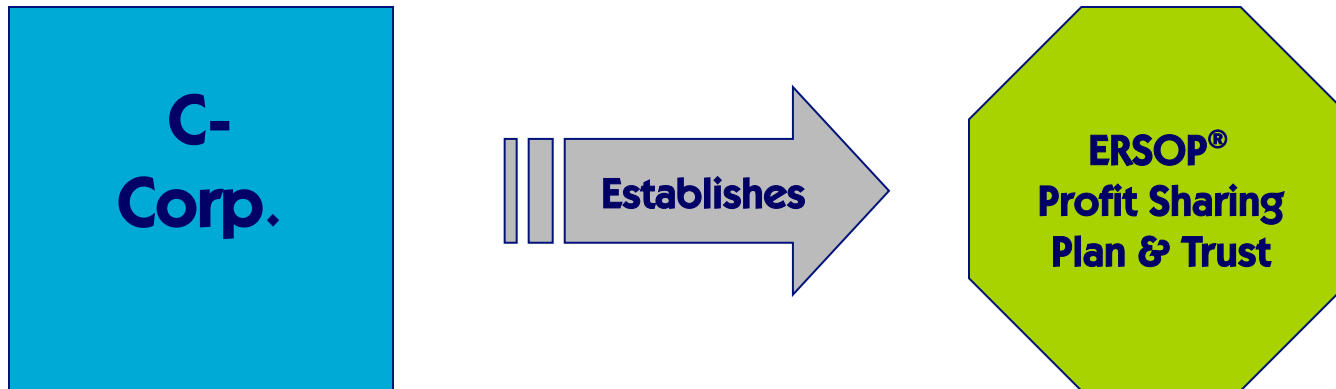
# Step 1 – The CORPORATION



Even if you are already doing business as another type of entity, you need:

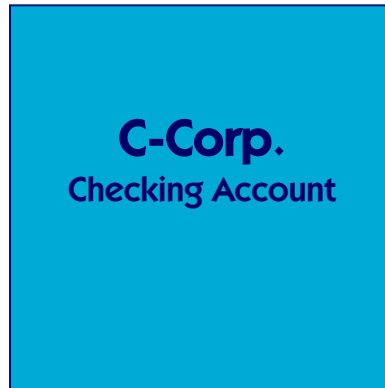
- a Corporation because ERISA §407 requires “Stock”,
- a C – Corp. because Sole Proprietors, Partners and S –Corp. Shareholders are Excluded by IRC §4975(f) (6) and ERISA §408(d),
  - LLC Members are Partners under the Code and
  - LLCs do not have stock as required under ERISA.
- Any pass-through entity would be too good to be true.

## Step 2 – The ERSOP<sup>®</sup> Plan



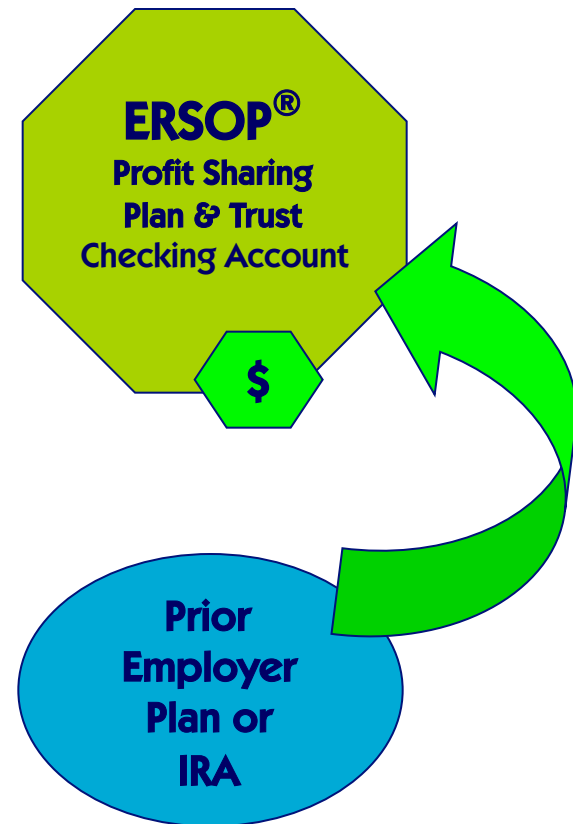
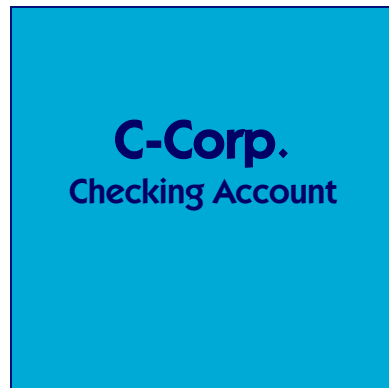
- The retirement plan for you and any other employees that may become eligible,
- An ERISA profit sharing plan, with special enabling language.

## Step 2 – cont.



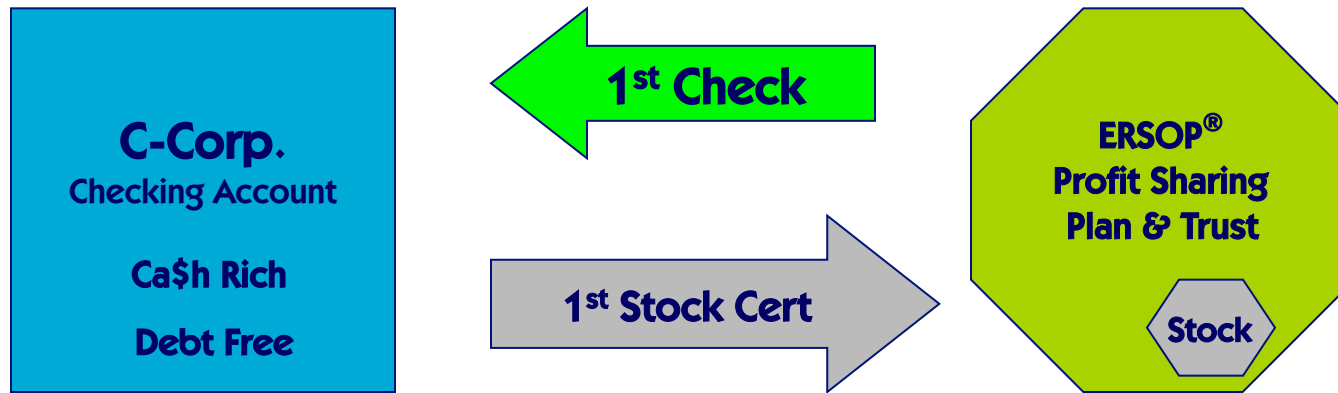
**At your favorite bank, YOU establish a checking account for your new C-Corporation and another checking account for the Profit Sharing Plan & Trust.**

## Step 3 – The Rollover



- We assist you with the rollover of your accounts from IRAs and 401(k)s into your ERSOP<sup>®</sup> Profit Sharing Plan & Trust checking account at your favorite bank.
- Still it generally takes just 2 weeks to get the money to move.

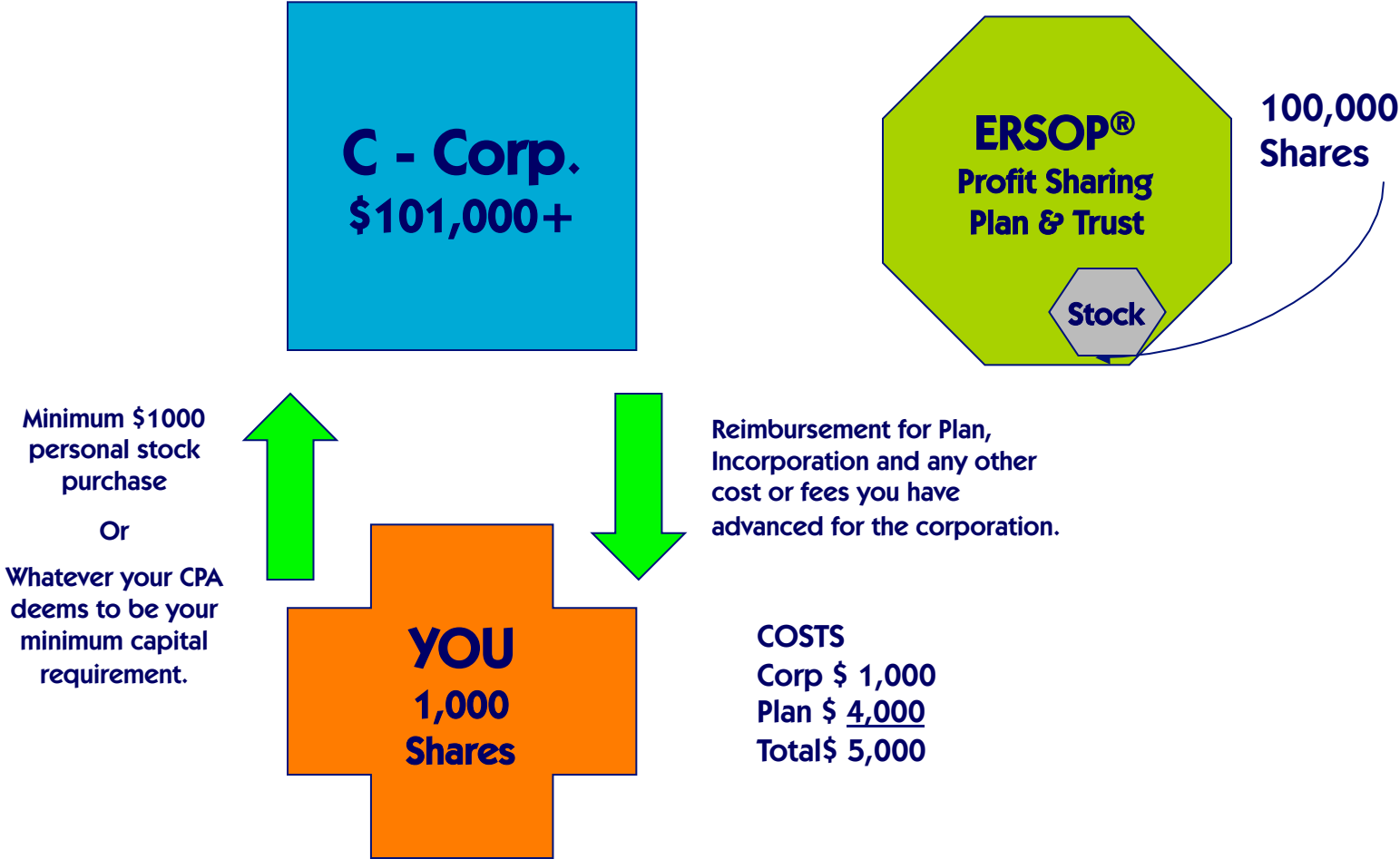
## Step 4 – The Funding of the Corporation



- You as Trustee, from the Trust checking account, issue the first check to be received by the C-Corp checking account.
- You as President issue the first stock certificate back to you as Trustee for the benefit of your rollover account.

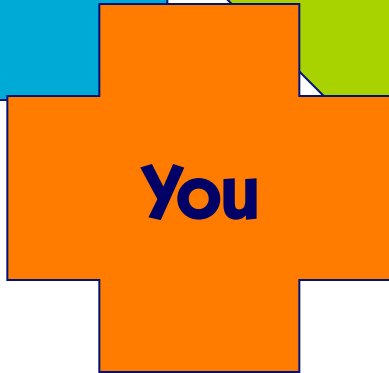
# Step 4 – cont.

## 101,000 Shares @ \$1 per Share





# Enter the LLC

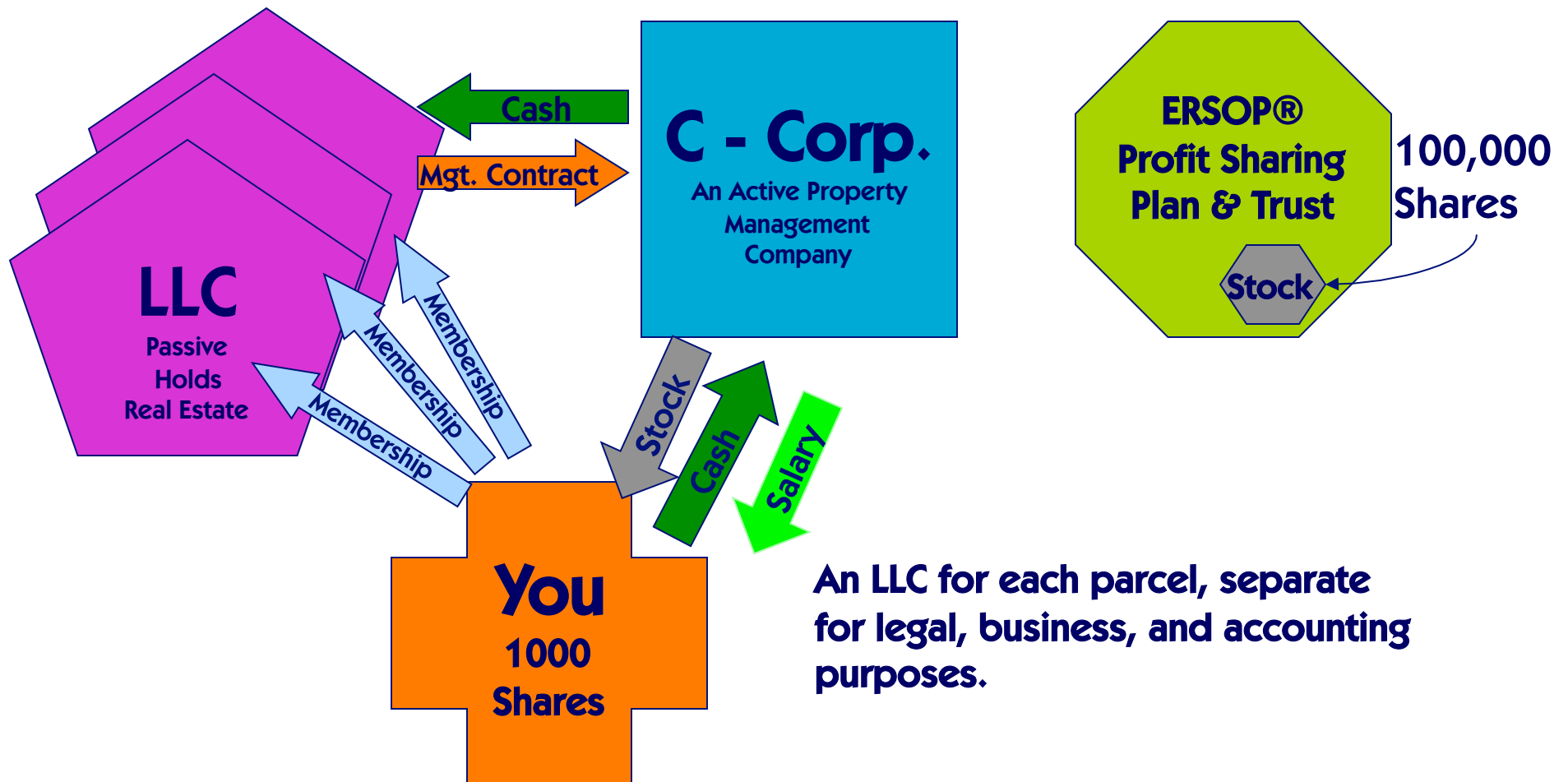


**LLCs have developed into the preferred entity to hold real estate.**

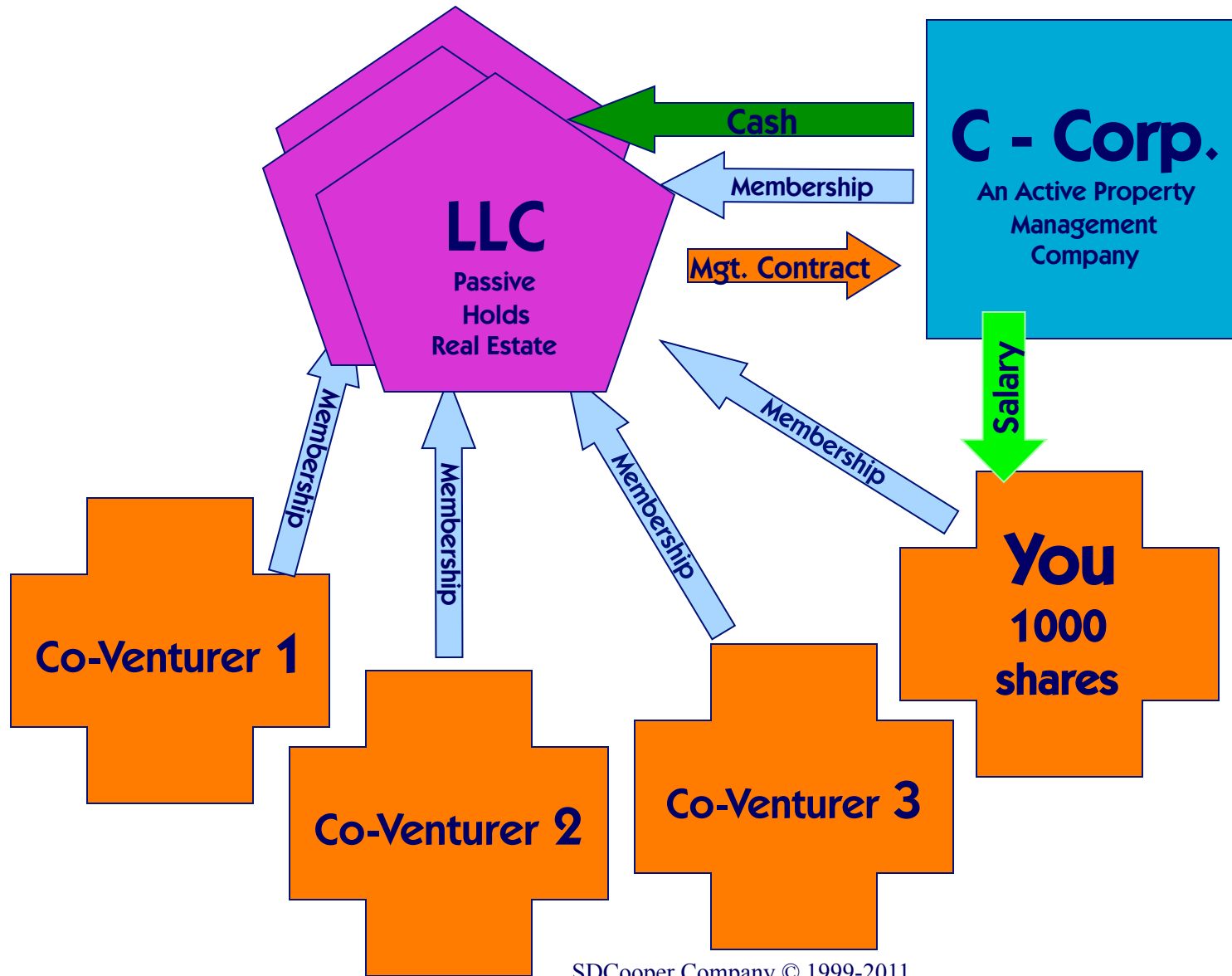
# Step 5 - Funding the LLC



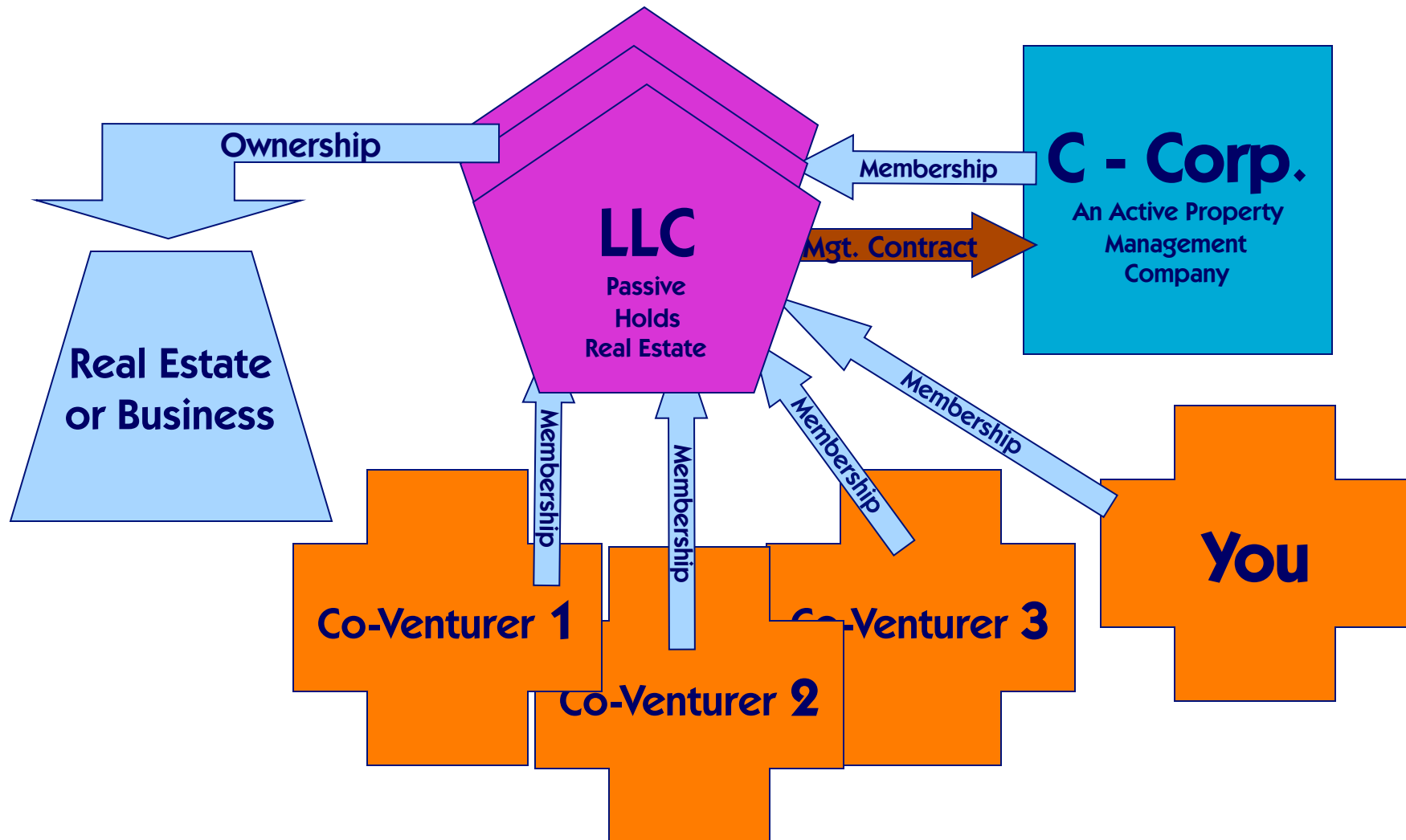
# Step 5b - Funding LLCs



# Step 5c - Adding More Members



# Step 6 – Purchase Business, Franchise or Real Estate



# The Three Rules of ERISA Section 408(e)

1. If such acquisition, sale, or lease is for adequate consideration (fair market value),
2. If no commission is charged with respect thereto” . . . “to or from a disqualified person,”
3. If the plan is an eligible individual account plan (as defined in section 407(d)(3).

# Why you cannot use a self-directed IRA?

- **ERISA 407(d)(3) excludes IRAs from the definition of “eligible individual account plans.”**
- **IRC Sec. 4975(e)(2)(H) . . . Officer, director or having any of the powers or duties of an officer or director . . . is a “disqualified person.”**
- **Our clients are Entrepreneurs.**