



Are You Missing the Small Business 401(k) Market?

7 Tips for Reaching the Boomer in Transition

By Gary Anderson, CPA with TJ McCue

mybusiness
401k[™]



Are You Missing the Small Business 401(k) Market?

7 Tips for Reaching the Boomer in Transition

By Gary Anderson, CPA with TJ McCue

I am Gary Anderson, CPA, founder of mybusiness401k. I have been investing in real estate, secured real estate loans, joint ventures with builders and startup companies from my retirement account for the past fifteen years. I am a pioneer. I want to pass on knowledge and tips I have accumulated over the years and show you ways to turn this knowledge into increased revenue for your business. I say, “company is coming”; and you need to get ready. Whether you know it or not, your clients are looking for answers and are yearning for greater results when it comes to their retirement nest egg.

Many of your clients are behind the curve when it comes to accumulating adequate funds. I am hearing from your clients. I can steal them away because I have knowledge that can give them the control they seek. Using this knowledge, I brought in one new client every business day for three years. I want you to share my success.

This paper is about small business 401(k) plans. They are not for everyone. However, they will fit for a large portion of your existing clients. We all know that mining existing clients for additional business is a whole lot less expensive than spending advertising dollars and effort on a new set of clients. If you get to be known in your community for this new and exciting knowledge, you will not only grow a new business, but you will notice your existing business will grow too. Stay ahead of the pack and keep your clients for a lifetime. The more services you can provide the less likely your clients will seek help elsewhere.

Key Takeaways:

1. Small Business 401(k) plans are designed for the self-employed with no employees.
2. It's all about control.
3. Give your clients security through diversification.
4. Attract the Baby Boomer market and capture money in motion.
5. Serve a market that is already looking for you.
6. The only thing not allowable for Small Business 401(k) investment is collectibles.
7. Tap into this market, and develop new income streams for your firm.

All trademarks are the property of their respective companies.

I. Small Business 401(k) plans are designed for the self-employed with no employees.

Actually, this is a bit over-simplified

What this means is a small business 401(k) is right for any sole proprietorship, LLC, partnership, S-corporation, or C-corporation with no employees (except those that can be legally excluded) where the owners have a more than 5% stake in the company. The small business 401(k) can be used for a business that employs more than one person if they are all owners and or spouses. Said another way, a small business 401(k) is like any other 401(k) and since January 1, 2002, they are now allowed for all businesses. Some industry examples that have a high rate of qualified small business 401(k) clients are, real estate agents, service businesses, computer programmers and web designers; in fact any business performed by independent contractors. We have a high incidence of folks retired from large public companies (Boeing, Microsoft, Starbucks, etc.) that have started their own small business in retirement and have opened small business 401(k) plans to roll over existing corporate 401(k) into their own plan.

2. It's all about control.

Your clients want control of their retirement funds. An IRA or 401(k) with a custodian does not allow the kind of flexibility and access required by your clients. Custodians hold the funds and require paperwork and time to transact your client's account. People who have amassed large sums in their big corporate 401(k) plans and have now gone on to other endeavors are asking for control over their retirement dollars. A small business 401(k) allows checkbook control for your client. After setup, they sign as trustee. They are trustee and administrator of their own plan. Experience has shown that when you have access to cash, the opportunities for investment seem to show up. A small business 401(k) can be the "bank of you." Many clients want to use their retirement funds to invest in real estate or secured real estate related loans. Some may want to invest in a startup or form an LLC partnership for investing in larger projects with friends. These alternative investments (see below) are not possible when the retirement funds are with a traditional brokerage. Of course, checkbook control can be a dangerous thing for the client (consumer) if not done properly. As a valued and trusted advisor you have a fee-bearing opportunity to help your client avoid the pitfalls and explore the new opportunities available with greater control of their funds.

3. Give your clients security through diversification.

My clients tell me they are not happy with their stock market returns. A small business 401(k) is not a complete replacement for a stock market portfolio, but it allows powerful diversification. Any investing is hard work and requires an eye to the long-term. Moving funds into so-called alternative investments can provide your clients an opportunity to spread their risk. Although they will pay you a fee to set up and maintain their plan, their costs can be greatly reduced. Many clients forget that the charges associated with their mutual funds are usually hidden from view.

4. Attract the Baby Boomer market and capture money in motion.

Studies of customer loyalty in this retirement account and advisor space point to customer advocacy as the overriding trait your clients are looking for. It is the perception that your firm does what is best for your customers. As reported by a 2006 Forrester Research study, Capturing Boomer Retirement Dollars, "Advisors themselves will do well to note boomer's attitudinal differences. These are clients who want to remain in control, and who look for indications that the advisor has their best interests at heart." Boomers are looking for capable advisors. It has been reported that there are trillions of dollars maturing in the 401(k) market. You can position your firm to capture some of this money in motion. Educate your eligible clients about the small business 401(k).

It allows your client to:

- Consolidate their retirement accounts
- Gain more control over their retirement funds
- Have the ability to borrow against their accounts if necessary

Small business 401(k) plans are perfectly designed to accommodate rollovers. They are rarely opened with the intent of funding them solely with annual contributions. Instead, business owners and baby boomers are often seeking to fund their small business 401(k) with rollovers from existing retirement plans.

5. Serve a market that is already looking for you.

A Google search can demonstrate that clients are looking for small business 401(k) plan experts and advice. Enter "self-directed 401(k)" in Google's Adwords advertising program, and you'll see this term, or keyword costs advertisers \$4.69 per click (changes periodically). The average pay per click fee is substantially lower, at \$.50 (our estimate). What does that mean for you? It means a very large number of people are searching the Internet for information on self-directed 401(k) plans. Why not become the small business 401(k) expert who provides this information to your clients? With so few offering this type of service, you will end up with more clients as word spreads, meaning more money for your retirement.

6. The only thing not allowable for Small Business 401(k) investment is collectibles.

The investments listed below are so-called “alternative investments,” a term thought to be coined by Wall Street. Most small business 401(k) investments are real estate related, and can include income producing assets through the use of non-recourse loans (quickly – means the lender cannot look to the individual for repayment of the loan. This investment has to stand on its own and that’s why you see 40 to 50% Loan-to-Value scenarios). Another important fact is that unlike a self-directed IRA, a small business 401(k) is not subject to Unrelated Debt Financed Income Tax (UDFI) on income producing property.

Here is a list of what others have done with a Small Business 401K:

• Start a business, buy a franchise	• Tenants in common for real estate investments
• Buy part of a business	• Tax lien certificates
• Buy a partnership interest or form limited partnerships	• Tax deeds
• Fund limited liability companies (LLC’s) or corporations	• Lease options
• Purchase startup company stock or member shares	• Royalty rights
• Private placements (private company stock investment or loans)	• Franchise rights
• Purchase residential rental properties, multi-unit buildings, commercial property, storage facilities, boat slips, marinas, and parking spaces	• Stocks, bonds and mutual funds (traditional investments)
• Bare land parcels, lots, acreage, timberland, RV parks, mobile home parks and other income producing land	• Certificates of deposit
	• Commodities and futures
	• Commercial paper
	• Equipment leases
	• Joint ventures

7. Tap into this market, and develop new income streams for your firm.

Fees charged for setting up a small business 401(k) range from \$1,500 to \$4,000, depending upon your community. You may be able to charge more depending on your area. Since some plans will require a Form 5500 tax return, as well as other consulting services throughout the year, you will have a year round income. This is a great way to make extra money while educating clients on a different way to fund their retirement. With 35 small business 401(k) clients you should be able to increase your net revenue by \$150,000 annually.

About Us:

Do you have a system in place to process 401(k) plans that takes minutes – rather than hours – and allows you to pay as you go?

As a successful advisor, you recognize the importance of systematizing your procedures. The success of your firm depends on efficient, effective systems to streamline what would otherwise be a time-consuming cycle of paperwork. We are currently designing a new system to serve the small business 401(k) market. Our unique system enables advisors to quickly and efficiently set up small business 401(k) plans for their clients.

We help position you, the advisor, as the expert and you retain control of the client relationship. We will help you through the entire process – from the client interview to completing the required paperwork while remaining transparent to your client. You'll benefit from our expertise in alternative investments and non-recourse loans, and you'll be recognized by your clients as a knowledgeable advisor in this unique niche market.

Our goal is to provide each advisor with the education and document support to position them as the expert on small business 401(k) plans with their clients. We make it easy to provide your clients with information and investment ideas. If you can make it look easy, you will be considered an expert. We help you achieve that.

Contact Us:

Gary Anderson, CPA
mybusiness401k, LLC

gary@mybusiness401k.com
www.mybusiness401k.com

19689 7th Avenue NE
Suite 362
Poulsbo, WA 98370-7531

206-718-2775