

# Archives

THIS STORY HAS BEEN FORMATTED FOR EASY PRINTING

---

The article you requested is displayed below.

## Savings may help startups, expansions

**Author(s):** David Burge / El Paso Times **Date:** February 5, 2009  
**Section:** Business

EL PASO -- If you want to start or expand a business but can't find traditional financing during the so-called credit crunch, you can learn about an alternative way to fund your business during a free workshop next week. Participants can learn how to tap into their 401(k), IRA or other retirement accounts and use that money to help finance starting, expanding or purchasing a business, said Mark Lysinger, chairman of the El Paso chapter of SCORE, which is organizing the event along with the Greater El Paso Chamber of Commerce.

If you follow the rules of the program, you are not subject to taxes or penalties for tapping into your retirement savings, Lysinger added.

"This is aimed at the credit crunch," he said. "There are many companies or many people who want to start a company that can't get business loans for whatever reason. This is an alternative."

Anyone can attend the free event at 5:30 p.m. Wednesday at the Center for Workforce Preparedness, 1359 Lomaland.

Suzy Granger, a business development officer for a Houston-based accounting firm, DRDA, will be the guest speaker. She'll present a "nuts and bolts" look at how to tap into your 401(k) or other retirement savings plans without penalties or taxes and then use that money for business activities, Lysinger said.

Since 2002, Granger's company has helped nearly 400 businesses use what it calls a **BORSA**, or Business Owner's Retirement Savings Account, to help fund their entrepreneurial dreams, she said.

These types of programs are approved by the Internal Revenue Service and other federal agencies, she said.

"It's especially important now because people are facing layoffs and being forced out of corporate America," Granger said. "They may not have saved enough to enter full retirement or they want to live their entrepreneurial dream. They can learn how to use their retirement

savings to open a business and draw a salary."

The seminar will provide an overview of the program, how it works and what rules and procedures need to be followed, Granger said.

If you withdraw money from your 401(k) before you are 59½ years old, you are subject to taxes and a 10 percent penalty, Granger said, and that can result in you losing up to half the value of your retirement savings, depending on your tax bracket.

In the **BORSA** program, there are no penalties or taxes if you follow proper procedures, she said.

El Paso financial adviser Henry Gallardo, a partner with Strategic Wealth Advisors, said the program "provides a great opportunity" to obtain funding for a business, but he offered some words of caution.

"Most small businesses go out of business," he said. "My concern is if you don't do a good job of developing a business plan or strategy and you tap into your major source of retirement savings, what will you be left with if the business fails?"

"If you have a tried-and-true business plan or have been successful for a while, this could be a great alternative to traditional financing."

Granger said her typical client is 40 to 60 years old and has previous business experience.

"Out of our nearly 400 clients, only four have failed and two were because of death," she said. "We do find that our clients have a better success rate than the average small-business owner."

Retired Army pilot Kenny Ley and wife, Maureen, own two Batteries Plus franchise stores in El Paso and would like to open a third in El Paso and one in Las Cruces within three years.

They plan to attend the seminar on 401(k)-based financing and look into tapping Maureen Ley's retirement plan from a previous job. They haven't made a decision on whether they'll use this program to fund their business expansion, Kenny Ley said, but they are considering it.

"We always consider the advice of our banker, the SBA and SCORE," he said. "I want to go look at this; it sounds like a very viable alternative."

The advantages of this funding method, Ley said: It's an alternative to going to a bank, and it doesn't put your home at risk through a second or third mortgage.

To qualify for the program, Granger said, you typically need a minimum of \$50,000 in your retirement savings and have already left the company that your 401(k) is provided through. Your business also needs to be active, not passive, meaning it generates economic development through hiring people, paying salaries, purchasing equipment and selling products, she said. A passive business, for example, is owning rental property, she added.

"Recent clients have been a deli, a sports bar and a UPS store franchise," Granger said.

This is not considered a loan that has to be repaid to your retirement account with interest, Granger said.

"It's not a loan; it's an investment," she said.

How it works is that you need to establish a C corporation business structure and a new 401(k) plan for your business, she said. Then you roll money from your existing 401(k) into the new plan, where it is reinvested into your business, she said.

Granger's company helps business owners and entrepreneurs navigate through these steps for a fee of \$5,400, or less if some of the structure already exists. There are also annual administrative fees.

"The majority of our clients use the money as a down payment on an SBA loan," Granger said.

David Burge may be reached at [dburge@elpasotimes.com](mailto:dburge@elpasotimes.com); 546-6126.

Make plans

What: Free seminar on alternative financing for your business.

When, where: 5:30 p.m. Wednesday at the Center for Workforce Preparedness building, 1359 Lomaland.

Cost: Free, but reservations are required.

Goal: Learn how to tap into your 401(k) or other retirement account, without paying taxes and penalties, and use that money to obtain funding to start, purchase or expand a business.

Information: 629-6700.

**Technical problems:** If you have a technical problem with your account please e-mail [newslibrary@newsbank.com](mailto:newslibrary@newsbank.com).

Copyright (c) 2009 El Paso Times, a MediaNews Group Newspaper.