

Nabers Group CEO Warns Using Rollovers As A Business Startup ROBS As A Strategy To Fund Small Businesses



Released on: November 4, 2009, 3:59 am

Author: [Nabers Group](#)

Industry: [Financial](#)

Jeff Nabers, CEO Of Nabers Group www.Nabers.com Cautions Against The Use Of 401(k), IRA Rollovers As A Financing Strategy For A Business Start-up.

Denver, Colorado November 4, 2009 - One unforeseen consequence of the current recession has been the increasing number of Americans who have stumbled into entrepreneurship after losing their jobs to round after round of layoffs. Many of these people have taken one look at a job market where the unemployment rate is nearly 20% in some regions and decided to start their own businesses. It's a bold move and certainly there is something very admirable about the idea, but also a risky one, with about half failing in the first few years; making financing a small [business start-up](#) something, which should be done with great care.

There are a lot of people who think of using 401(k) or IRA rollovers as a source of financing the start-up costs of a new business or to cover the purchase of an existing one. While you may see a lot of praise for these plans (called ROBS for Roll Over Business Start-up by the IRS), especially online where their proponents try to sell would-be entrepreneurs on the merits of this form of financing, many financial industry experts strongly recommend thinking again about using your IRA or 401(k) to fund your small business.

One of these [financial experts](#) is Jeff Nabers, CEO of the Denver financial planning company Nabers Group. Nabers has written about how ROBS work and their risks on his blog, where he warns against using these financing vehicles.

"It's entirely understandable that people are tempted by ROBS; the recession hasn't made small business financing easy to come by and there are more

Americans than ever trying to start their own businesses. However, there are a lot of risks associated with using IRA and 401(k) rollovers. Beyond the old diversification maxim of 'don't put all your eggs in one basket' the legality of the ROBS strategy has been on shaky ground. There's a basic rule that prohibits "self dealing" for any retirement account participant, but ROBS promoters have attempted to skirt this by creating a loophole that claims a special exemption. Unfortunately, a government ruling from 2006 closed that loophole. ROBS structures could face a stiff penalty, which amounts to approximately 115% of your retirement funds," says Nabers.

"It's a subject that is somewhat controversial in the financial services industry, but as I have been informed by government officials and my legal counsel, the 2006 ruling means ROBS no longer occupies a legal gray area even. I can't recommend these to my clients in good conscience. I don't see a bright future for this strategy of [funding](#), to put it mildly," added Nabers.

Jeff Nabers isn't alone in sounding the alarm about ROBS and other rollover schemes - there has been a lot of concern expressed by financial experts in the last year. Previously, ROBS was considered high risk, but as Nabers' put it, "My recent DOL meeting was the nail in the coffin of the ROBS loophole."

Nabers unabashedly encourages entrepreneurship in spite of the government's unfavorable stance on ROBS. His message to would-be ROBS users is: "Start and fund your venture anyway [without ROBS]. You can still raise money from others, including from their IRA and 401(k) accounts. Frankly, that is actually a surer path to success because raising money from others will cause you to be more thorough in your business planning."

About

Nabers

Group:

To learn more about Nabers Group, please visit: <http://www.Nabers.com>
To read what Jeff Nabers has written about ROBS and similar financial instruments,
please visit his blog at: <http://JeffNabers.com>.

MEDIA CONTACT INFORMATION

Nabers Group
621 17th St #2100
Denver, CO 80293
<http://www.Nabers.com>

Phoebe Chongchua
Office: 877-903-2220

~~~~~

Press release distributed via EPR Network (<http://express-press-release.net/submit-press-release.php>)