

Is a C-Corp the Only Alternative for Retirement Rollover Investment in Company Stock Purchase? *Whitlock Group Newsletter #2 Posted Feb. 1, 2011*

The Retirement Security Plan & Trust (RSPT) is a multiple employer safe harbor 401(k) and profit Sharing Plan. Any form of entity can adopt the RSPT to serve as its official retirement plan. This includes C corporations, S corporations, LLCs, Partnerships and Sole proprietorships. This is because a 401(k) plan can be only be adopted by an employer and all these entities can be employers. Even though these different entity types can be an employer and adopt the RSPT, **a C corporation is the only entity type which can compliantly allow plan participants to direct the RSPT to invest their retirement money in the equity of the employer.**

For an employing entity to receive an investment from its retirement plan, the investment must occur through the purchase of stock. This stock is referred to as employer stock. The employer stock must further qualify to be classified as Qualifying Employer Security. A class exemption exists when which allows Qualifying Employer Securities to be bought and sold between a retirement plan, the employer, the employee and other parties who would normally be prohibited from doing a transaction with a retirement plan.

Although the ownership entity of both C corporations and S corporations occurs through the issuance of stock, **the S corporation stock does not qualify for classification as a Qualifying Employer Security.** Thus, only C corporation stock can be bought and sold with a retirement plan and other disqualified parties and escape being classified as a prohibited transaction.

Hopefully this information will finally put to rest as to why a C corporation is the only alternative.

I look forward to seeing you in 2 weeks. Until then.....

Remember "focus on retirement development - respect the Plan 1st and foremost and then respect the Plan as an investor not just a conduit if it ends up holding investments in your company."

"Servicing The Entrepreneurial Spirit"

Sincerely,

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