



Innovative

**MYTH  
SERIES**

**#8 ONCE I SELL A  
COMPANY, I DON'T HAVE  
TO WORRY ABOUT IT  
IMPACTING MY CURRENT  
RETIREMENT PLAN.**

## THE PROBLEM:

An Innovative client sold a majority interest in one of its business units to an outside party, retaining a 40% interest. Because they sold most of the division, the sellers believed the sale would end the unit's relationship with their retirement plan. The new majority owners intended to set up their own retirement plan with a significantly different employer contribution structure. When Innovative learned that the companies would continue to share back-office services such as finance, IT, personnel, and some revenues, we recommended they obtain a legal determination on whether the sale would result in an Affiliated Service Group (ASG) situation.

## THE SOLUTION:

The companies planned to maintain separate retirement plans with different designs and funding. However, legal review confirmed that there was an ASG relationship, requiring that the plans be tested together. Innovative advised the companies of the operational and testing issues that would result from having two plans with different designs. After careful review, the companies decided to continue as one plan.

To help the two organizations maintain as much privacy as they can, Innovative now acts as an intermediary between the two organizations. We worked with the recordkeeper to establish protocols that allow the companies to maintain some level of separation and privacy, while maintaining data integrity of each company's financial and participant information.

Identifying the potential for an ASG situation was critical to the operation of the retirement plan. If the ASG determination was not made, there may have been significant regulatory issues for each company.

It is advisable to review any business relationships post sale to avoid potential pitfalls relating to your benefit plans. Feel free to contact Innovative during the sale process for a consultation on your specific situation.

## FAST FACTS

- Privately owned, for-profit company
- 1,500 employees
- Provided benefit consulting services on sale of business unit

## HOW WE HELPED THE CLIENT



Prevented the client from running afoul of the Affiliated Service Group rules



Saved the client from potential serious regulatory issues



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