

Your 401(k) is Congress' Rainy Day Fund

Shouldn't You Insulate Yourself from Future Tax Hikes?

By Samuel N. Asare
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Many financial advisors claim that by funding qualified plans like 401(k)s and 403(b)s, retirement investors stand to save on their future tax bills because you're likely to need much less income in retirement compared to your working years. But that simply amounts to wishful thinking and a very flawed understanding of how the U. S. Tax Code actually works as it relates to these plans.

The tax we pay is based on our taxable income, not total income—something that many retirees discover the hard way. Also, these advisors are completely ignoring the fact that your future taxes will be based on future rates, vis-à-vis exemptions and deduc-



tions—all of which are totally up to Congress' discretion. Obviously, your taxes could be lower. But you do realize how unlikely that is, right?

In fact, most experts believe that it would be naïve to expect Washington, D.C. to do anything different from what they've always done—seek more revenue, also known as raising taxes. The fact that no agreement was reached during the recent fiscal cliff negotiations until “spending cuts” were dropped entirely should highlight the attractiveness (and ease) of tax hikes as a congressional solution. Those of us who don't consider ourselves to be “rich” must not accept promises to keep our taxes low just because in the days preceding the Fiscal Cliff deal, President Obama and politicians from both parties promised exactly that. On the contrary, that is now just another broken promise.

So, if you have a yet-to-be-taxed 401(k) or IRA, *would a tax hike ruin your retirement?* Are you aware that every single dollar from your 401(k)/IRA will count toward your “provisional income” and may, in turn, cause you to pay additional taxes on up to 85 percent of your Social Security retirement checks? Does your advisor really understand the ramifications of what they are suggesting you do?

You'd be thrilled to know that IRS rules provide some simple alternatives that would permit you to save basically “unlimited” sums of money that you can access later (including all of your gains) or leave to your heirs, completely income-tax free!

Irrespective of where you are in your planning process—even if you're already retired—call 877.656.9111 or visit LaserFG.com today to schedule a *complementary, totally no-obligation* consultation to speak with experienced professionals who can help you to structure your retirement assets so that you can KEEP your hard-earned money.

About the Author

Samuel N. Asare, MBA, CRPC, CMFC, CLU, CTP, CBM, is a noted retirement planner and the senior strategist at Laser Financial Group. His firm trains financial professionals on a variety of retirement-related subjects. Samuel has authored several personal finance publications, designed instructional videos, training workshops, and is featured regularly in various media outlets. You can read his acclaimed blog at LaserFG.blogspot.com, call 877.656.9111 to schedule a complimentary, no-obligation consultation, follow him on twitter@LaserFG, and get practical insights or learn more about him at LaserFG.com.



Are You Protected From Future Tax Hikes?



Irrespective of where you are in your planning process—even if you're already retired—let us share some simple tweaks that could help you KEEP your hard-earned money.

Schedule your *complimentary, no-obligation* consultation TODAY!

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