

# News You Can Use

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## Warning: Uncle Sam Can't Wait For You To Retire. Must Read.

### Uncle Sam is Building *His* Retirement at Your Expense

That employer sponsored 401K may be a big tax trap when you are ready to retire. And Uncle Sam can't wait. As a matter of fact it was a well crafted plan to participate in the retirement income of millions of Americans.

Remember when you first started that job and the HR manager said, "Our 401k is a great plan because we will match your contributions 50 cents on the dollar up to

5%". Free money! Which is a good thing. We all started saving like crazy. Some of us even more than the 5% because it was automatically deducted from our pay-check; easy savings plan right?

There will be billions of dollars in those accounts by the time retirement comes around. And those billions will be taxed at a greater rate than the tax deferred rate that you may be getting now.

Let's look at an example: Jeff started working for XYZ corp. when he was 22 years old making \$30,000 a year. He

started contributing 5% to the company 401K. That first year he contributed \$1500 and he was only taxed on \$28,500. And no tax was owed on the savings until he took it out at retirement. The more he contributed the more tax he saved.

Jeff's story could be yours, maybe not. You may make \$30,000 a year or \$300,000 a year. You may be a corporate executive or run a small business out of your home. It doesn't matter. What does matter is that you understand all the issues at play in this example, because they affect you in the same way.

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## Continued

Here is the eye-opening truth. If someone were to contribute a \$100 a month into a retirement account over a 30 year period, that person would have contributed \$36,000. If we project a 10% growth into the future,

\$36,000 becomes \$226,049. 528% total return!

If this individual had been contributing to a tax-qualified retirement plan they would have de-

layed (not saved) the tax on their \$36,000 contribution.

Let's calculate the current tax delay (not savings) in our example. Using a 20% net tax rate

# Uncle Sam's Retirement Continued

just to be conservative; 20% of \$36,000 is \$7,200 of tax deferral (not savings) during all the accumulation years.

Now for the sake of space and time, let's move to the retirement years. If we apply the same tax rate of 20% (you don't believe that do you?) and we apply that to the balance in the retirement account, you get a tax liability of \$45,210. So much for the benefits of the \$7200 tax deferral. That deferral cost nearly 7 times more in actual taxes to pay over the life of withdrawals from their account. **And the death – tax**

– picture is even worst.

Now get your statement out and figure out what kind of retirement you are building for Uncle Sam. What people fail to realize is that tax-qualified plans do not avoid tax, they simply delay tax. And by delaying tax, these plans compound tax, making the burden worse.

Step back and consider whose retirement you are planning. Is there any question why the government promotes tax-qualified programs?

There are ways you can beat the tax-deferral trap and have a tax-free retirement. Our agency is committed to helping our clients reach this goal.

Many of the concepts in these article are taken from the book, Tax - Free Retirement by Patrick Kelly.

If you call or email me I will send you a copy of this fantastic and easy to understand book. 503-526-8685 or don@nwprotection.com.

## The Death Tax Trap

### The Single Worst Place to Have Money at Death is in a Tax-Qualified Account

I hope this is not overloading you, but I feel the need to get this infor-

mation to you. When you are talking about a person's life savings, it really doesn't take much to accumulate an account worth more than \$350,000.

**Read This Carefully: At death (except if**

passing to a spouse) the entire account gets treated as taxable income paid in that year and gets taxed at the appropriate tax rate. Do you understand this?

**That Train Has Left**

*"I couldn't wait for success, so I went ahead without it"*  
-Jonathan Winters

Put some real numbers to this. Most retirees don't want to

spend down the principle in their account. They have been living on the interest and they don't want the money to run out before they do.



\$350,000 in federal income tax and \$90,000 in state income tax (if you live in state with a 9% income tax.) That's \$440,000 to government right off the top! And if the marginal tax rate rises, it could go to 50-60% higher.

If you have money in a tax qualified plan at death, you're stuck! Uncle Sam is going to get his cut – and he can hardly wait.

At today's rate, a \$1,000,000 account would get hit with a

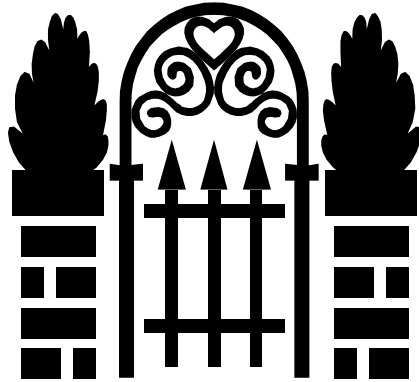
Wouldn't you rather have your

# Death Tax Continued

money in an account that you can control? An account that let's you get at your money anytime you want. An account giving you the ability to pass it on to whom ever you like without government influence.

70 1/2 whether you need the money or not. There is a 50% penalty if this is not done correctly. Can you see how this plan has been crafted for Uncle Sam to get to that account?

Now you may have a plan to spend all of your money and leave it to no one. But if you are informed you can at least plan to spend all of your money the way you want.



And remember the 70 1/2 year old rule. You have to take withdrawals out of the account (and there are guidelines) the year after you turn

Place a wall of protection around your retirement

The solution is planning. Education is key. If consumers and savers have the information they can plan ahead and sidestep the tax traps.

There may be some you who want to leave a legacy to your favorite charity, or an organization that you believe in. Wouldn't it be great if you could give that organization a sizable amount that would not have the government with their hand out?

Think about it!! Then call me.

# More Chocolate Trivia—For My Friend Marina

Chocolate was introduced into the United States in 1765 when cocoa beans were brought from the West Indies to Dorchester, Massachusetts.

Cocoa butter is the natural fat of the cocoa bean. It has a delicate chocolate aroma, but is very bitter tasting. It is used to give body, smoothness, and flavor to eating

chocolate.

Cole Porter got a kick from fudge. He had nine pounds of it shipped to him each month from his hometown.

Columbus brought cacao (chocolate) beans back to Spain on his fourth voyage

in 1502.

Cultivation of cacao trees can occur only in tropical climates, 20 degrees north or south of the equator. Principal growing areas include West Africa, Brazil, Ecuador

*It's In The DNA*  
 "My father had a profound influence on me—he was a lunatic."—Spike Milligan

and the Indies. Generally, it takes five years before trees begin bearing fruit in the form of pods. Each pod contains an average of 20 to 40 cream-colored cocoa beans. Nearly 400 beans are required to make a pound of chocolate liquor, the semi-liquid mass produced by grinding the beans. A non-alcoholic sub-

stance, chocolate liquor is the basis of all chocolate and cocoa products.

German chocolate cake did not originate in Germany. In 1852, Sam German developed a sweet baking bar for Baker's Chocolate Co. The product was named in honor of him -- Baker's German's Sweet Choco-

late.

Hawaii is the only US state that grows cacao beans to produce chocolate.

## GLLOUD INSURANCE

10215 SW Park Way  
Suite C  
Portland, OR 97225

503-526-8685—office  
503-526-0256—fax  
503-319-5062—cell



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**Please keep in mind that this information is designed to be of help for you, but is not to be relied upon as advice. It is merely a reminder that there are many choices you have available to you, and that planning is the only way to find the right answers for your situation! As with any financial issues, make sure you get the right information before making a decision! If you have any questions, we'll be glad to help you!**

## Got a Better Idea?

The ideas I stand for are not mine. I borrowed

them from Socrates. I swiped them from Chesterfield.

I stole them from Jesus. And I put them in a

book. If you don't like their rules, whose would

you use? – *Dale Carnegie*

## Was It Something I Said?

Men think computers should be referred to as females

because: (1) No one but the creator understands

their internal logic, and (2) the message

“Bad command or file name” is about as informative

as “If you don't know why I'm mad at you,

I'm certainly not going to tell you.” – *Unknown*

## Restart

Women think computers should be referred to as

males because: (1) They have a lot of data but

they are still clueless, and (2) they are supposed to

help you solve problems, but half of the time they

are the problem. – *Unknown*

***I would like to get the book—Tax—Free retirement by Patrick Kelly in your hands. Contact me and I will send it to you or you can purchase it on Amazon.***

***Don Gloud***

***503-526-8685***

***don@nwprotection.com***