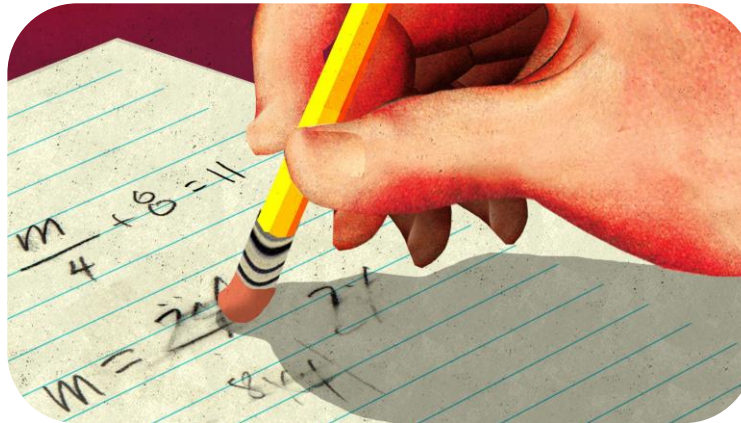


Top 10 401k/IRA Mistakes

Approximately 80% of IRA owners make these mistakes

Mistake #1

Not knowing how the NEW “Secure Act of 2019” will impact your retirement accounts



Secure Act Benefits

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Savings &
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- Eliminates the 70 ½ age limit for making traditional IRA contributions (You can contribute longer)
- Increases the RMD age from 70 ½ to age 72 (You can wait longer to take distributions)

Note: If you turned age 70 ½ in 2019 or earlier, you must continue to take your required distributions. The new age 72 start date will not apply to you

Secure Act Tax Break



Savings &
Investments

You may be able to neutralize the tax on your required minimum distribution (RMD)

If you have earned income

Example

\$14,000 taxable IRA/401k distributions (RMD)

\$14,000 IRA deposit (\$7,000 your IRA - \$7,000 for your spouse)

= Net Zero Tax

Rules: Must be age 50 or over. Must have earned income. You cannot contribute more than your earned income. Social security, pensions, interest, dividends and rental property income are not considered earned income

Secure Act - Beneficiaries

Old rules:

Children and grandchildren could spread their distributions and taxes over their individual life expectancies

New Rules:

Children/ grandchildren and all other non-spouse beneficiaries must pay the taxes no later than 10 years after they inherit

Secure Act – Non Spouse Beneficiaries

- Cash out the account now and pay all of the taxes now
- Spread the distributions and taxes over 10 years
- Wait until the 10th year to take a full taxable distribution

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Savings & Investments

Secure Act – Non Spouse Beneficiaries

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Savings &
Investments

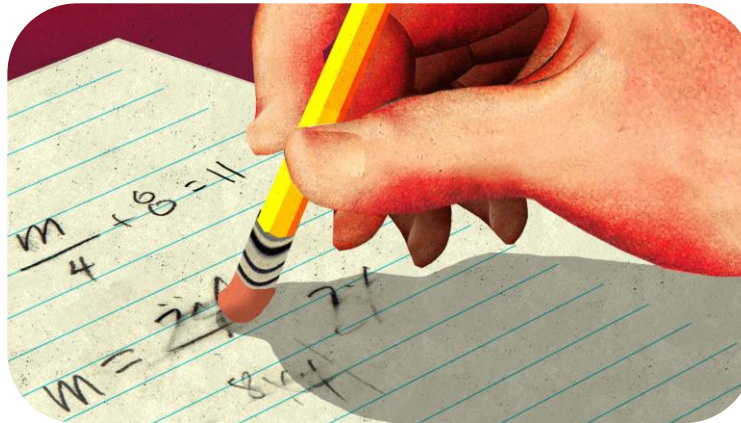
Mistake #2

Missing a required minimum distribution (RMD)

First distribution is due by April 1 of the year
after you turn age 72

All future distributions are due by Dec. 31

Missed distribution
causes 50% Excise
Tax



This is the #1
mistake IRA
owners make!!

Missed RMD Example

\$10,000 Missed distribution (RMD)

\$3,000 Income tax

+ \$5,000 Excise Tax ($\frac{1}{2}$ of distribution)

= 8,000 Total tax + penalty

\$8,000 to the IRS – only \$2,000 from the RMD left for you

The IRS IS your money partner



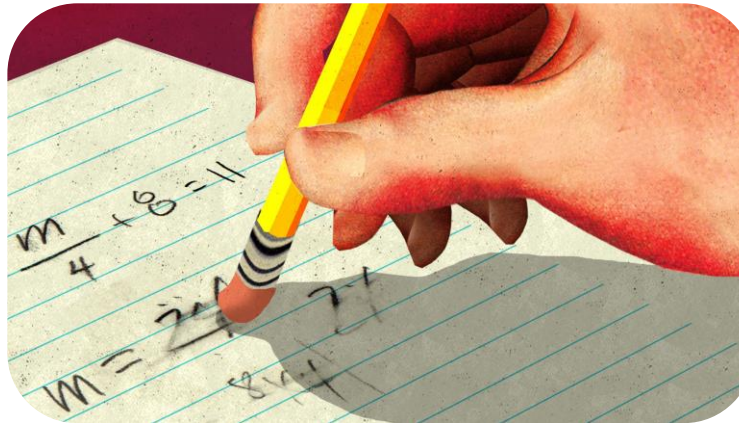
Time Out for a Tip

Cares Act

Eliminated RMDs for 2020,
but they are back for 2021

Mistake #3

Not properly designating beneficiaries.
Can leave a glaring hole in your estate plan.



U.S. Supreme Court UNANIMOUSLY ruled

William Kennedy's Ex-spouse receives his \$402,000 retirement plan because she was the named beneficiary.

Under the divorce decree of 1994 his ex-spouse waived her rights to any benefits from his retirement plan.

They agreed that the proceeds to be paid to their daughter but failed to change the beneficiary document.

Mr. Kennedy died in 2001

The beneficiary form trumps everything, regardless of what a well trust divorce decree or other signed documents say.

Too much too fast

It is estimated that the average inheritance is spent between
90 days and 17 months!

“Those who **save money or
better at handling money than
those who **inherit money.**”**

Properly set a beneficiary document to prevents losses due to...

- Spendthrift problems
- Divorce
- Bankruptcy
- Disinheriting grandchildren
- Cost of time and probate
- Bad choices - inexperienced beneficiaries

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Savings & Investments

Time Out for a Tip

Get a Beneficiary Check Up

You should get a beneficiary form checkup anytime you have a precipitating event, for example, a current beneficiary passes away, or a new potential beneficiary is born, one of your beneficiaries is going through a divorce.

These are all triggering events that tell you it's time to get your beneficiary form checked out.

No cost

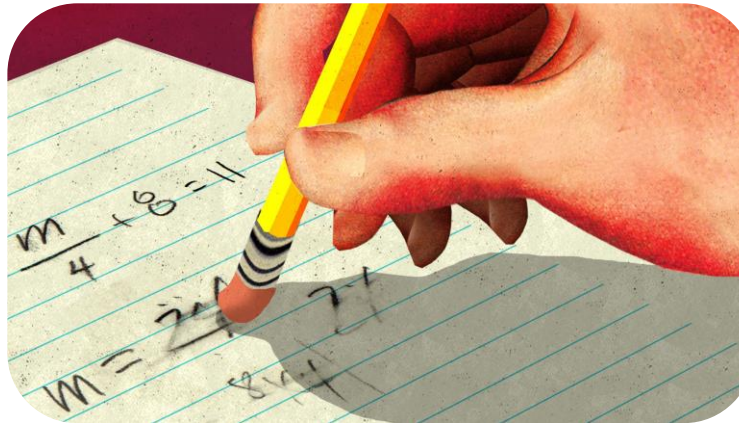
No obligation

Correct any mistakes



Mistake #4

Not knowing the new IRA/401K rollover rules could cause immediate taxation.



Roll-Over Rules

Two ways to transfer your IRAs:

1. Indirect roll-over
2. Direct roll-over

Indirect Roll-over

Current custodian sends check to you....

Your check to bank, 60 day deadline

Only one indirect rollover every 365 days.

Additional indirect IRA rollovers same year.

100% taxable - 20% tax withholding

Example

Judy has 2 accounts - IRA \$50,000 and IRA \$250,000.

Judy does an indirect roll-over with her \$50,000 IRA in January.

Three months later Judy does a second indirect roll-over with her \$250,000 IRA.

The second indirect roll-over is no longer an IRA, Judy will need to pay income tax on the entire \$250,000.

Direct Roll-over

Current custodian transfers directly from one institution to another.

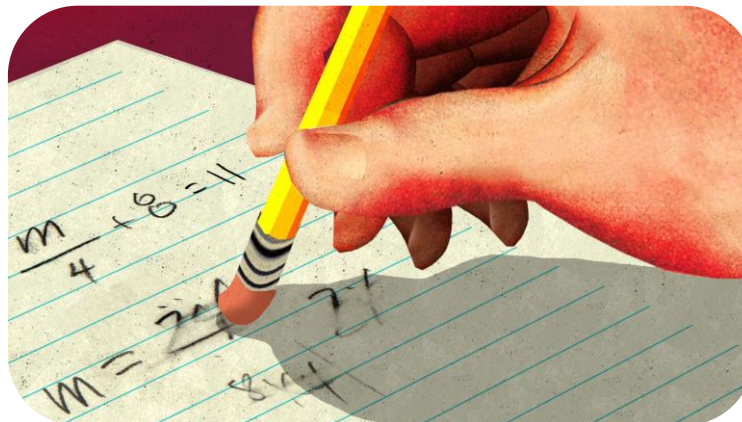
You don't receive a check - sent directly to institution.

You can do a direct roll-over as often as you want without any tax consequences no 20% mandatory withholding.

Mistake #5

Too much of your IRA at risk can easily destroy your retirement plans.

If you need income from your IRA or want to leave a legacy for your family.



“The most powerful force in the universe is compound interest.”

-Albert Einstein

Compound Interest Scenario: 2000-2019

	Year	S&P500	S&P acc. \$100k+	FIXED acc. \$100k (4.0%)
\$200,000 Invested Jan. 1, 2000	2000	-10.14	89,950	104,000
	2001	-13.04	78,142	108,160
	2002	-23.37	59,880	112,486
	2003	+26.38	75,676	116,985
	2004	+8.99	82,480	121,665
	2005	+3.00	84,954	126,532
	2008	-33.84	61,000	142,000
	2019	+29.00	\$219,992	219,112



Compound Interest Scenario Explanation

Here is a scenario to consider. It's January the 1, 2000, and you have \$200,000 to invest. You decide to put some of it in the S&P account, and that's just money in the market. You decide to put the other 100,000 in a fixed account that's going to give you a 4% rate of return. Let's see what happens. Well, we all know 2000 through 2002 we had the tech bubble crash. Your original \$100,000 is now down to \$59,800, and in this fixed account at just 4% you're at \$112,000. What has to happen for you to get back those losses that you just took in the market? Well, you just need some good market years, and we had five in a row. Look at 2003, the S&P jumped 26% and it worked. You are now at just over \$75K, but over in the fixed account at just 4% you're at almost \$117K.

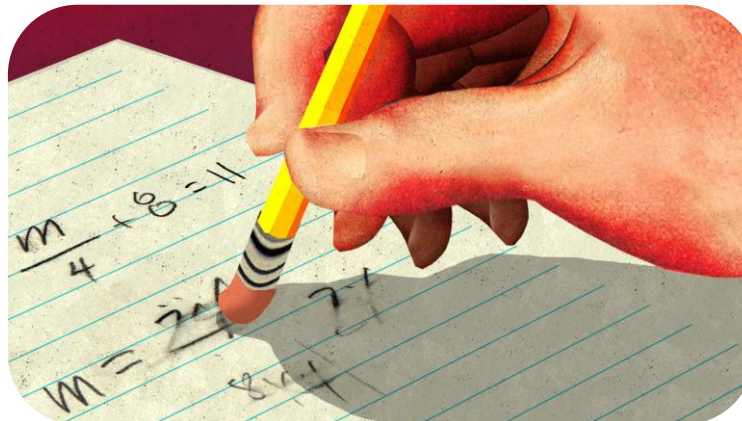
Then in 2008 we saw the great crash. We went into a recession, which had a lot to do with subprime lending, and now your S&P account is down to \$61,000, and if you look over to the right column, your fixed account at only 4% has grown to \$142,000. Like I said before, what needs to happen when you lose money in the market? Well, you just need some good market years to get your money back, and we had two in a row, 2009 at 23% and 2010 at 12%, but you'd only backup to \$85,000 in your S&P account. In the fixed account at 4%, you're at \$153,000. Let's just close this out. Between 2011 and the end of 2019, we had a couple of flat years, one slightly down year, but mostly good years. The bottom line is in your S&P account by 2019, you would have ended up with \$219,992, and in the fixed account at 4% you would have \$219,112.

But let me point out one thing, the S&P account balance only outperformed the 4% compounded one out of the last 19 years, and that was in 2019.

Mistake #6

Overpaying fees and loads on 401Ks/IRAs and other retirement accounts.

How to free your retirement accounts from excessive fees and loads.



\$200,000 IRA - 5% Return -- 10 Years

1.5% Annual fee

\$282,119 balance**

No Fee

\$325,778 balance*

\$43,659 or 15% more with no fee

A blue circular graphic containing the text 'Savings & Investments' in white.

Savings &
Investments

401k Hidden Fees

1. Investment Fees
2. Plan administration fees
3. Individual Service Fees
 - a. Average 2.22%

Average Worker Pays \$138,336 in fees over their lifetime!

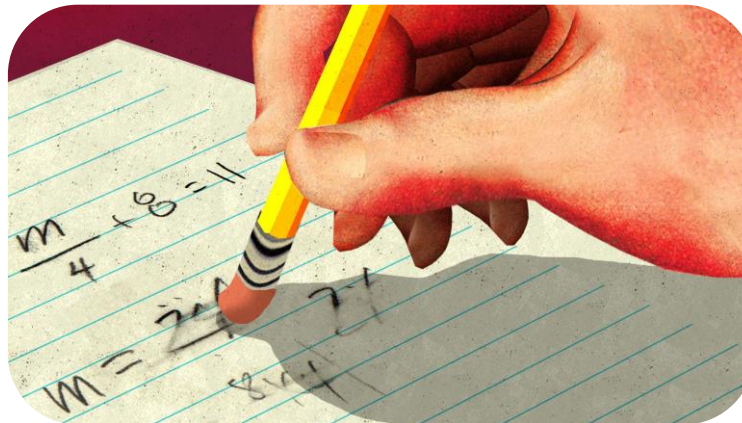
Ways to Reduce Fees

- Check for Lower-Cost Share Classes
- Replace Your Funds with Lower-Cost Alternatives
- Renegotiate with Your Current Provider
- Switch to a New Provider
- Replace Your Funds with Index Funds
- Lobby Your Employer
- Move Your Assets to an IRA

Mistake #7

Not knowing the secret to converting your retirement account.




TAX FREE INCOME



From the first day you contributed to your retirement plan

Uncle Sam became your partner!

The Roth IRA conversion may be the best solution.

-  Pay income tax on your IRA when you convert
-  Roth IRA owners not forced to take distributions
-  Distributions and gains are INCOME TAX FREE

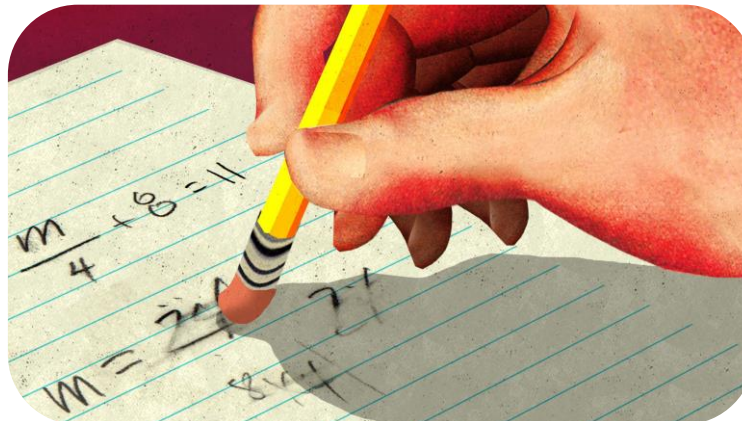
Small tax bite today, may save a fortune in taxes tomorrow (more on this in class 4).

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Savings &
Investments

Mistake #8

Not moving 401k, 402b and TSP plans to more flexible IRAs.



Why participate in a 401k, 403b or TSP plans?

#1 Reason

Employer Matching Funds -- Free Money



When contributions stop -- Free money ends

Time to get YOUR MONEY out of the plan.

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What should you do with your 401k - 403b when you retire?

-  Leave the money in the plan
-  Roll the plan to an IRA







Savings &
Investments

Leave Your Money in the Plan

- 📖 Plan guidelines can restrict access to your money
- 📖 Investment options are limited
- 📖 Limited distribution flexibility - children and grandchildren
- 📖 Most 401k - 403b plans do not offer the roth conversion
- 📖 Market risk (mutual funds)
- 📖 Fees and loads (.20% to 5% - average 2.22%)

Savings &
Investments

Roll the Plan to an IRA

-  Direct roll-over avoids the 20% mandatory withholding
-  Your money continues to grow tax deferred
-  You control where your money is invested
-  IRAs offer the roth conversion
-  Eliminate market risk
-  Eliminate fees and loads of 401k

401k Rollover Opportunity at Age 59 ½

- 📁 Most 401k, 403b and TSP plans offer only mutual funds
- 📁 In-service transfers to an IRA can protect the principal from market down-turns
- 📁 Plan participants can continue to contribute after an inservice roll-over

If you are laid off or change employment -- you may also be able to move your 401k Now!!

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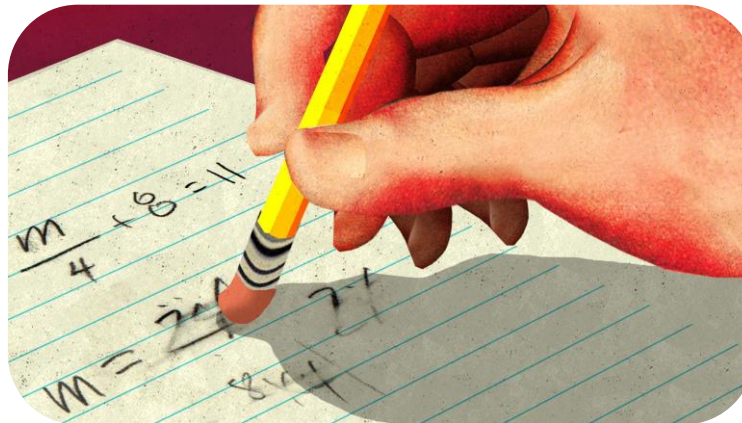
Savings &
Investments

Mistake #9

Too many retirement accounts.

Retirement mess!

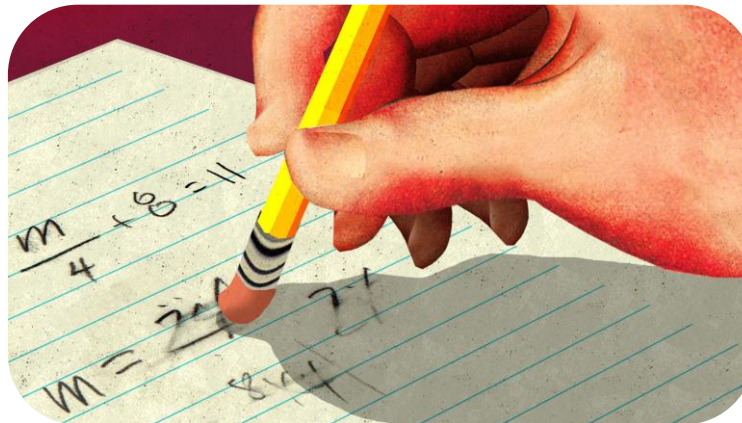
Time to consolidate



Mistake #10

Not getting a second opinion.

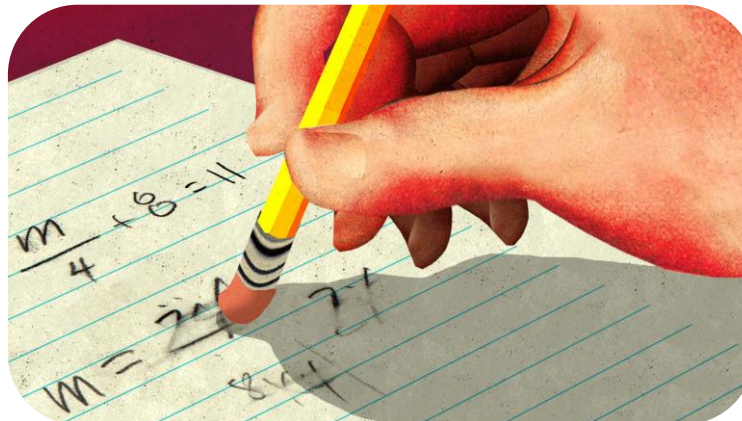
Save a ton of \$ on fees, loads and taxes!



Mistake #11

Not having a plan that gives you GUARANTEED income for life.

You can turn some of your assets into a Guaranteed Income for Life.



Tom Hegna - Best Selling Author

Dont Worry Retire Happy!

It's proven..."Guaranteed income for life helps retirees live longer."

"Lifetime income stream = key to retirement happiness."

Some retirement assets can be turned into a guaranteed income for life.

[Retirees with a Guaranteed Income Are Happier, Live Longer | Kiplinger](#)

A screenshot of a Kiplinger article page. The page features the Kiplinger logo at the top, a navigation menu with links like Home, Investing, Retirement, Taxes, Personal Finance, Your Business, Wealth Creation, and More. The main headline is "Retirees with a Guaranteed Income Are Happier, Live Longer" by Ken Nuss, dated December 24, 2020. Below the headline is a sub-headline: "Everyone with savings can secure a lifetime income, and that goes a long way toward peace of mind in retirement." There is a "Listen to this article or continue reading below" section with a play button icon. A large image shows a man in a baseball cap holding a bat. To the right of the image is a blue advertisement for TIAA with the text "Guaranteed monthly income for life when you retire". A dark blue circular graphic in the bottom right corner of the screenshot contains the text "Savings & Investments".

Avoiding Mistakes & Seek Expert Advice can make the difference between

Rapid and Over-Taxation

and

Lifetime of Income



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Investments