

## Knowledge is Power

### **Do You Hear A Ticking Sound Inside Your Traditional 401(k), 403(b), Or IRA?**

The continual ‘tick’ sound is the typical sound of a bomb about to go off. Fortunately, for most of us, that sound is only heard in the movies. However, this sound may now be a very realistic reality in real life concerning your traditional IRA, 401(k), and 403(b) retirement savings plans. So, what are you going to do?

The money you save in traditional 401(k), 403(b), and IRA accounts is funded with pre-tax dollars. In company-sponsored retirement savings plans, this money is taken out of your paycheck before you receive it. When you receive your W-2 tax statement, the taxable amount is your salary minus your contributions. So, many people simply forget about this and don’t plan for and/or realize that all of this money is fully taxable upon withdrawal.

The following are some factors and issues with this money:

- Every dollar that comes out of these accounts will be taxed to you or your heirs at ordinary income tax rates.

- This money can very easily cause a taxation domino effect to occur, causing your Social Security, dividends, and other incomes and interest to be taxed or to be taxed at higher rates. It could also cause your Medicare Part B premiums to be higher.

- You can’t avoid taking money out of these accounts because Uncle Sam forces withdrawals once you reach a certain age.

- When a surviving spouse inherits this money, it is an immediate tax increase because they now have to file at the highest obligation tax status rate, which is single.

- And to make matters worse, Uncle Sam is in control of the amount of tax owed on this money because he can change tax rates at any time.

And the last factor/issue is the most important and potentially damaging one because it can cause all the other factors to be even worse. With excessive borrowing, out-of-control spending, stimulus packages, and a presidential administration with control of Congress that has promised higher taxes, your pre-taxed retirement plan may very well have become worth much less than it was or what you planned on it being worth.

The bottom line is you do not own all of the money in your traditional retirement savings plan. Uncle Sam owns a portion, and his portion is whatever the tax rates are when the money comes out of the account. So what can you do with your ticking tax bomb money? Join me this weekend on The Retirement Money Matters Show as we explain all of these factors and issues in detail and share with you the tools available to diffuse them. The show airs on Sunday morning at 8 on WWKI (100.5 FM), or anytime online at [www.theretirementmoneymattersshow.com](http://www.theretirementmoneymattersshow.com). You can also obtain this information by reaching out to us at Hayes Advisory Group at 765-452-PLAN (7526), 800-939-1603, or [brian@hayesadvisorygroup.com](mailto:brian@hayesadvisorygroup.com).

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