A PUBLICATION by Kurt Jackson

AN IMPORTANT INTRODUCTION TO

# 7 Ways Your 401k & IRA Will Leave You Short On Income In Retirement

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CHAPTER ONE

# Introduction

# Introduction

If the title of our FREE E-Book left you puzzled about your retirement, nobody could blame you. We've spent our entire lives listening to those on Wall Street and in Washington telling us if we want to have a successful retirement we need to put as much as we can into our employer sponsored 401k, 403b, 457 plans or if your employer doesn't have one to put your money into an IRA.

Our extensive research has shown that these "Qualified Plans" are an abject failure and have been backed up by the likes of 60 Minutes and even Time Magazine! It's doubtful you'll hear about this in the financial magazines because their biggest advertisers are on Wall Street and the last thing Wall Street wants you to find out is that their big cash cow is a failure for you!

## CHAPTER TWO

# The Trap We Fall Into

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## Qualified Plans are Failing

Their argument is quite persuasive.

You put in money before it is taxed so you have more money working for you.

Put this money in the market because that is the only place you have a chance to grow your money enough to overcome the increasing cost to live (Inflation).

Since you'll be putting this money away for a long time, don't worry about market losses because you have plenty of time to build wealth and over time the market is always up.

The money will grow tax-deferred. So your money can grow faster and to a higher balance without the drag of paying taxes every year.

Then when you retire, you pay taxes on that money when you'll be in a much lower tax bracket.

Does that sound familiar? I admit, it sure sounds good. Nobody could blame you for believing this, I mean it has the blessing of the elite in Washington D.C. and we all know they have our best interests at heart, right? NOT!

How about Wall Street? Don't they have our best interests at heart too? NO WAY!

Or, maybe neither of them do. I can tell you this with 100% certainty, if you believe that both of them have YOUR best interests at heart, then you are in the wrong place. If you are on the other side of the equation and believe the neither of them have your best interests at heart, well then we have a lot to discuss.

We've actually found 7 ways your 401k, 403b, 457 and IRAs will leave you struggling in retirement, always worried about money and very likely running out of money in retirement unless you die early.

I don’t know about you, but I don’t want the determining factor of me running out of money in retirement to be whether or not I die young.  Do you?

Okay, let’s get into this.  I’m not going to go into a ton of detail on each of these Seven Ways, it would take way too long and our goal was to make this a fairly quick and easy read.

CHAPTER THREE

# Their Fees...Oh Their Fees

# Their Fees…
# Oh Their Fees

## Fees = Huge Wealth Killer

**The Fees You Pay Every Year Rob You Blind**

One of the biggest lies put upon us by Wall Street and enabled by those in Washington is that Fees are reasonable and low.  We are typically told our fees average around 1.00% or so.  Heck, in the last couple years Washington tried to show you how much they are on your side by making Fees on your retirement plan more "transparent!"

Sounds great in theory, the problem is the government lets Wall Street keep a big portion of their fees hidden. Their rationale is that since they don't know how much those fees would be for sure they needn't disclose them. Why couldn't they take the average of those fees over their history and let you know how much those have been?  Just quoting a range would be a big help.  Here's why.

# How Much Are Fees Hurting You?

Over an estimated 45 year work life a 1% fee structure would siphon off up to 32% or more off your total wealth. Any way you slice it that guaranteed loss of 1% per year, every year whether your account is up or down, is a HUGE amount if it drops your account balance up to 32% or more.

I use the 1% fee because that is what we are told we typically average over time.  The problem is, once you figure in all the costs, including those "hidden fees" the average fee structure in Mutual Funds, which is where just about all of us put our money in our 401k, 403b, 457 and IRA's are about 3.17%.  That is according to studies by Morningstar and Forbes Magazine. You can find information on that by clicking [http://onforb.es/1xXDc3h](http://onforb.es/1xXDc3h).

How expensive is that for you? Well, over that same 45 year work life you could expect a 3% in fees to reduce your wealth by up to 63% or more! HOLY COW that's a lot of money.  How hard do you think it is to build wealth when the fees alone cut your retirement account up to 63%?

# Fees, Fees and More Fees

Does that sound like a good place to put the money you are trying to grow to provide you a lifelong income in retirement?

Please understand, I'm not saying there shouldn't be fees, there needs to be some form of compensation for the companies and people providing these services, but do they need to be so high?  Wouldn't it be smart for us to make sure the fees we are ACTUALLY paying are as low as we can get them?

CHAPTER FOUR

# Market Risk is a Wealth Killer

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**You Can't Afford to Lose Money Due to Market Risk**

The age old adage is that when you're young you can afford to take risks since the market is always up over time so if you lose money, don't worry about it.  Sound familiar?

There are problems with this thinking.  One is, while historically the market has been up over time, it just depends on what your definition of over time is.

For example if you had $100,000 at the beginning of 2000…you remember what happened right after that? The market corrected more than 40% thru 2002 and then the market corrected again from late 2007 thru early 2009 by more than 50%.  What would have happened to your $100,000 if it had been in the S&P 500?

# You Can't Afford Losses-Ever!

Your $100,000 would have grown to just a little more than $125,000. This is a hypothetical example using some real world data. Notice I left out the fees that we covered in #1. The S&P 500 typically pays dividends every year, those average around 2%, if fees average 3% or more, in order to give the benefit of the doubt to the market I just call the fees and the dividends as a wash.

Do you think having your $100,000 being worth $125,000+ after 14 years means you are up after those two horrendous market adjustments? Washington and Wall Street certainly want you to think that. It's all you hear from them now the market highs have exceeded the previous highs in 2007.

Do you know what they are forgetting? We'd be using the money to buy things right? What typically happens to the cost of things we buy year after year? They typically go up, right?

Do you believe the stats and numbers the government publishes each month and year? The government's inflation number is the Consumer Price Index (CPI). They'd have you believe that inflation was about 2% to 2.5% per year over that 14 year period. Guess what the government leaves out of their CPI calculation?

They omit the costs of food, energy and healthcare in their inflation gauge. Do you think the costs of those three things are volatile? Do you think you could stop buying food, gas, electricity and medical care if those costs went up? Wonder why they leave those out?

They go up a lot more, a lot faster and are very volatile. Why is this important? Wouldn't you need that $100,000 to be able to buy as much if not more in 2014 than it did in 2000? So, before someone says we are up after those 14 years shouldn't we factor in inflation?

If inflation was just 3% per year after those 14 years you'd need your $100,000 to be worth more than $151,000. So, if your $100,000 grew to $125,000 and you needed $151,000 just to be able to buy the same things you could in 2000 are you back to even?

Wait, it gets worse. How many years are we talking here? 14 years right? How many years did we estimate your working career would be? About 45 years, right? So you've spent almost 1/3rd of your entire working life and you are still behind. Does that sound like you can afford to lose money due to market risk?

Only, it gets worse. I'm sure you're thinking, well sure, you chose a 14 year period with two huge market crashes, what about the rest of the time. That is true. Are you sure it won't happen again? Were you aware that since 1900 the market has averaged a 47% loss every 11 years? Does that sound like you could suffer significant losses going forward?

Is the market predictable and repeatable?

Does anyone know when the market is going to crash?

Does it sound like a great place to have your money EVEN if you're young?

# In the Market = Too Risky

But, wait, they claim it is the only place you can build enough wealth to fight inflation.  Do you know if that is true or not?  If there was another way that you have a chance to beat inflation that just might be better, would you want to know about it?   If you would check out the video by clicking http://bit.ly/1DkKTDE.

CHAPTER FIVE

# Must Control Taxes

# Must Control Taxes

## Ugh, Taxes

**Losing Control over Taxes**

Here's another area that sounds so good. Using before tax dollars to grow tax-deferred and when you pay taxes you'll be in a lower tax rate. Have you ever run the numbers to see if it was true?

In a hypothetical example, let's say you put away $500 a month for a 45 year work life and you were in the 20% tax bracket. That would mean you saved $1,200 in taxes for 45 years. Not really saved, more like postponed paying taxes. So you would have saved, I mean postponed $54,000 in taxes. Does that sound like a lot to you?

# Minimize Taxes

The claim is that the market is up 8%, 10%, heck Dave Ramsey claims 12% per year. Those all forget the fees, how convenient, so what if we figured the fees left a 7% return. That would mean $500 a month for 540 months earning that 7% return would give you $1,896,297. That's quite a sum of money. No wonder everyone thinks the 401k, 403b, 457 and IRA are such great deals.

Wall Street says you can withdraw 4% of that $1,896,297, adjust it up for inflation each year and have a good chance of not outliving your money. That means you could pull out $75,852 in the first year of retirement and adjust it up each year by inflation. That's pretty good isn't it?

Remember, they say a "lower tax-bracket" in retirement, so let's assume a 15% tax rate. You'd pay $11,377 in taxes on that. But that's probably high. What if it was just $8,500, how many years in retirement would you have to live to eat up that $54,000 that you saved, err I mean postponed while you were working? The breakeven point would be 6.4 years. Do you think you'll live longer than 6.4 years in retirement?

# ...Or Eliminate Taxes

Did you know a male age 65 today has about a 50% chance he'll live past age 85 and it's 88 for a 65 year old woman? So, the chances of you dying in 6.4 years or less isn't very high is it?

What if we paid the taxes up front, so we only were able to put in $400 a month, earning that same 7% we'd have $1,517,038 and at that 4% withdrawal rate we'd be able to pull out $60,682. Well, that's lower than the net income we'd have by paying taxes at a lower rate, so I guess they won that battle and I just wasted a bunch of your time, right?

Well, not necessarily. That was assuming we put the money in the market and followed Wall Street's rules. What if we didn't? Want to know what that might look like? Then check out this video by clicking http://bit.ly/1DkKTDE then if you want to see what your numbers look like then book a No Cost, No Obligation Online Smart Retirement Planning Session http://www.meetme.so/KurtJackson.

*Please notice this is a more in-depth session where we look at numbers for you, if you'd just like a quick estimate request a Smart Retirement Strategy Session.

CHAPTER SIX

# Less Income = Lower Lifestyle

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## More Income > Less Income

**Living on Less Income = Reduced Lifestyle**

Remember in #3 we said that Wall Street says you can pull out 4% of your retirement account and adjust it up for inflation to have a good chance of not running out of money?  Let's go from there.

No matter what your ideal retirement is I know you'll need two things to be able to fully enjoy it. You'll need good health and the second is enough income.  Notice I didn't say enough money?  We need to turn that money into the most income we can spend, right?

What if there were other methods of creating income that would allow a higher withdrawal rate?  Couldn't that create more income for the same money or the same income for less money.

# Income is King!

Hypothetically, if you had $1,000,000 pulling that 4% would allow you $40,000. What if instead you could get a 5.5% withdrawal rate? That would mean $55,000 income or you could create $40,000 from $727,273. That is almost 27% less money. What if that 5.5% was also guaranteed for your entire life no matter how long you lived? (The guarantees are based on the claims paying abilities of the financial companies making them.) Would that be even better?

What if we could reduce or eliminate taxes…would that increase the income or reduce the amount of money it takes to create the same income?

If we follow Wall Street's rules and take just 4% wouldn't we live a lower lifestyle in retirement? If there are no guarantees we won't run out of money wouldn't we be living our retirement as a "just in case" type situation…where we won't spend money "just in case" something bad happens? Would that let you fully enjoy your retirement?

# Income, Income, Income!

What if there was a special way to create an retirement account that because of the way it was structured we might be able to pull out a 7% withdrawal rate and never have to worry about running out of money as long as the market does what it always has…meaning it doesn't go down and then never come back up again. That isn't very likely, but if it did happen where would you be with the money you had in the market? Dead broke, right?

This is really an area you'll better grasp once you've read the entire book and taken us up on our Free Video offer that you can access by clicking http://bit.ly/1DkKTDE.

CHAPTER SEVEN

# Longevity Risk Multiplies Risks

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## Plan on Living Longer

**We're Living Longer So You'll Likely Run Out of Money**

You read earlier that we are living longer. Seems we add about 2 years to our life expectancy about every 10 years so if a 65 year old today would live to 85 or 88 and you're 45 it would be reasonable to expect that by the time you reach age 65 you'd likely have a 50% chance to live past 89 and 93 respectively.

Also recall that Wall Street says you can take out 4% from your retirement portfolio then adjust up for inflation and have a good chance you'll not outlive your money.  From what I've gathered, that was from a study about 20 years ago, it estimated you'd run out of money somewhere between 18% of the time to 30% of the time.

# We're living longer...

I don't know about you, but running out of money almost a 1/3rd of the time doesn't sound like a good plan to me. What do you think?

Interestingly, more recent studies done in the past couple years suggest that with today's low interest rates and the increased market volatility a 4% withdrawal rate would run out of money somewhere between 57% and 99% of the time. Now, I don't even need to ask if that is acceptable or not. I'm sorry, I don't have the sources on those to post here. I just recall reading it in my constant search for information about money and retirement, so you can choose to believe what I say or not, that is entirely up to you.

That more recent study suggested a withdrawal rate that would be considered safe would be about 2.53%. Ouch!

Wait, here's an idea, if you don't spend any of your retirement money you'll never run out of money. I wonder if that is what Wall Street will tell you next?

# Living Longer Multiplies Risk!

Seriously, if people run out of money that often or you have to reduce how much you take out shouldn't we be looking for better alternatives to create our retirement income rather than just taking out less money?  Or maybe that's just me.

Well, we continually look for better ways to create income in retirement and one of the best we found we share a little bit about in this video that you can see by clicking http://bit.ly/1DkKTDE.

CHAPTER EIGHT

# Long-Term Care Big Problem

# Long-Term Care
# Big Problems

## LTC = The Great Unknown

**If You Need Long-Term Care You'll Run Out of Money Even Sooner**

Be prepared to say UGH! Long-Term Care or specialized care which can be done in the home, in an assisted-living facility or a nursing home is something we are seeing more and more of, which makes sense since we are living longer. All the numbers I'm seeing is if you reach age 65 there is a 70% chance you'll need some form of specialized care. That care lasts on average about 2.9 years unless it is Dementia or Alzheimer's then those are likely to last about 8 years.

The costs run from $20,000 to $90,000 for a nursing home to well over $100,000 if you have 24 hour in home care. Any way you cut it you are looking at a lot of money and for most folks following the traditional retirement model they find that they don't have extra money for these expenses.

# Eliminate this Risk…

There is Long-Term Care insurance, but most folks don't like it because of its use it or lose it proposition, plus it is pretty pricey…fortunately, there are other options, options that will provide piles of extra money if you need it and if you don't it either goes to your continued income or passes to your loved ones when you die…depending on the type of coverage you opt for.

What is interesting about these options is they either don't cost anything or the fee for the rider adds a little cost to something that has low to no fees to begin with. It really ends up being a smart way to have additional resources available to you if you needed it. The strategy we share in our video has a lot of extra money available at NO ADDITIONAL COST. While we don't really get into it on the video, rest assured it is there and we can explain it in more detail in a conversation.

CHAPTER NINE

# Leaving a Legacy Of Taxes

# Leaving a Legacy Of Taxes

## Ugh, MORE Taxes

**If there's Anything Left Your Loved One's Pay a Fortune In Taxes**

Wall Street's plan is an exercise in inefficiencies that tend to just benefit Wall Street and the Tax Man. If for some reason you actually had money left over after your death, because of where you have it, your loved ones will be forced to pay taxes on it and it isn't necessarily in a favorable way for them.

Sadly, it could all have been prevented with some prior planning.  Which is the same theme for all of our Seven Reasons your 401k, 403d, 457 and IRA will leave you short on income.  Prior planning or should I say PROPER Prior Planning would have taken care of most if not all of these issues.

# Discover the Alternatives

So, what should you do with this newfound information? Well, first and foremost, if this makes sense to you and you are now more concerned these things might impact you then schedule a No Cost, No Obligation 15 Minute Online Smart Retirement Strategy Session at www.meetme.so/KurtJackson where we'll look at what this might look like for someone in your age range.

Second, share this information with your family, friends, really anyone you care about. Shouldn't they know this information for their situation too?

If you haven't already watched the video that has been mentioned multiple times you can access it by clicking http://bit.ly/1DkKTDE Then take advantage of our No Cost No Obligation 15 Minute Online Smart Retirement Strategy Session.