

401(K)

A GOOD INVESTMENT?



KNOWLEDGE IS POWER



PHIL BODINE
WEALTH STRATEGIST

*401K IS A COLLECTIVE TITLE FOR ALL GOVERNMENT SPONSORED
QUALIFIED PLANS LIKE 403(B), 457, SEPS, TRADITIONAL IRAS, ETC.

...OR A BAD EGG?



America’s Greatest Retirement Mistake

We spend all of our working life turning earned **income** into accumulated **assets**.

But have you ever stopped and thought,

“When I reach my Golden Years, how am I going to turn those hard-earned **assets** into retirement **income**, in the most optimal and efficient way possible?”

This special report is to inform you of the risks, the costs, and the consequences of following ‘Conventional Wisdom’.

The 5-Way Test of Making Wise and Prudent Savings Decisions

1. Is it Liquid?
2. Does it offer Safety?
3. What is the Rate of Return?
4. Are there any Tax Benefits?
5. Does it provide an Exit Strategy?

Unfortunately, the 401(k) Government Sponsored Plan FAILS all 5 aspects of the Wise and Prudent Savings Test.

Introduction	4
<hr/>	
The Myths & Misinformation Around 401(k)'s	5
<hr/>	
Past, Present, Future	8
<hr/>	
Meet Phil Bodine	10

The best way to save for retirement is to diligently sock away dollars, starting with your very first paycheck, and stopping only once the champagne is served at your retirement party. Too bad, it doesn't always work out that way.

On the road to a comfortable retirement, many folks hit detours: Job loss, divorce, illness, disability, your children's educational expenses – there are a myriad of reasons why distant goals like retirement are often put on hold, while important ones, like paying the mortgage, take precedence.



“Market volatility and the ‘do-it-yourself’ aspect of the 401(k) has failed many Americans. If I were starting from scratch today with what we now know, I’d blow up the existing structure and focus on how money is allocated.”

*- Ted Benna, 78
The ‘Father’ of 401(k) - who continues to work because of what he lost in 2000 and 2008.*

IF YOU SAW THIS ADVERTISEMENT, WOULD YOU INVEST...?



One thing is for sure. When your retirement time comes, it's not going to be your parents' retirement – rewarded with a guaranteed pension and health insurance for life. Earlier generations of workers could rely on employer-provided pensions, but now most workers will need to rely on their own work-related and personal savings, plus Social Security benefits. These savings have to last longer because Americans are living longer, often into their 80's, 90's, and yes, even 100 plus.

THESE ARE ALL FEATURES OF THE TRADITIONAL 401(K), 403(B), 457 PLANS, SEPs AND IRAs,,,YOUR GOVERNMENT SPONSORED PLAN.

The Myths and Misinformation Around 401(k)'s...

Tax Deferral Misinformation

In our immediate-gratification society, deferring your taxes by funding your 401(k) sounds good. But when the tax man comes calling in your non-earning years, he'll tell you what your tax liability is as soon as you begin taking withdrawals.

Many people believe tax rates will only go up over the long term, due to our country's unsustainable debt and aging demographics. What do you believe your tax rate will be in 10, 20, or 30 years' time? If higher, then why shovel as much money as possible into your 401(k) and delay your tax liability at an unknown rate, while currently Taxes Are On Sale?



It doesn't make mathematical or logical sense!

'Free Money' Myth

We love the idea of getting 'free money' in the form of the 401(k) employer match, however, do you think companies really pay you something for nothing? The Center for Retirement Research did a study based on tax

data and showed that for every dollar an employer (on average) contributes to a 401(k) match, they pay 99 cents less in salary.² As the Inn Keeper in *Les Misérables* sang, "Nothing gets you nothing, everything has got a little price!".



"The 401(k) is a rotten repository for retirement reserves."

TIME Magazine
'Why It's Time to Retire the 401(k)'
October 2009 ³

In addition, employers don't always give you all the money at once. They can spread it out over 4-6 years vesting. If you leave before the six years, you often don't get the match. So, employers actually save money in the long run by installing a 401(k) plan. How many employees stay at their jobs for six years? Not that many. The average is 4.6 years according to the Bureau of Labor Statistics.⁴

Money Jail

Transferring funds to your 401(k), is like sentencing your money to a prolonged period behind bars.

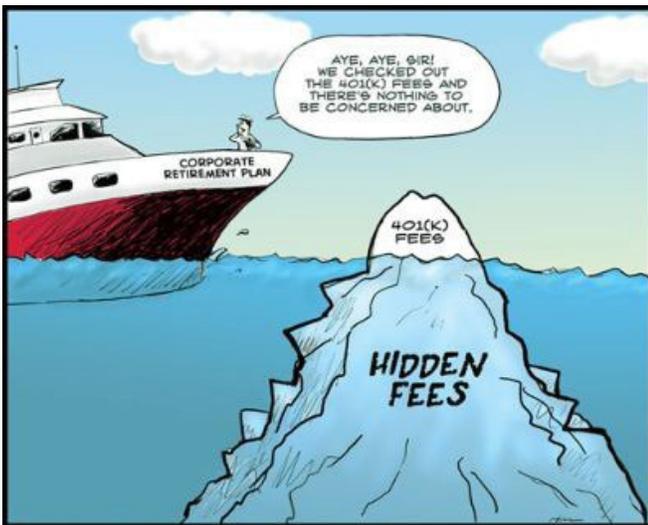
You have this money in your hand for a moment, then it is whisked away into the retirement prison cell that cannot be accessed prior to 59.5 yrs., without paying a severe penalty. With the inevitable ups and downs in life, are you satisfied having your \$'s inaccessible?!

The Hidden Killer Fees

You worked hard for your money: Why let Wall Street devour it?

Many participants don't have the first clue how much they are paying in Mutual Fund fees. There are Legal fees, Transfer fees, Transactional fees, Stewardship fees, Book-keeping fees, Finders' fees, etc. In fact, a research report from Demos shows that 401(k) nest eggs end up nearly 30% LOWER over a lifetime of savings thanks to fees alone. 5

That's nearly one third of your pre-tax assets, eaten up by Wall Street.



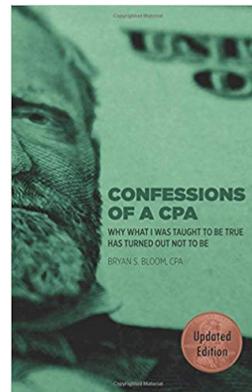
Market Volatility

So, you've lost control of taxation, you've lost control of access, you've lost control of the fees you're paying... Well, Market Factors and Timing also control your final balance.

These include:

- *Decisions, policies and elections within our Government and Foreign Governments*
- *Currency and Commodity prices*
- *Terrorism and geo-political unrest around the World*

- *Mega-crimes like Madoff and Enron schemes to Big Bank price fixing scandals*
- *Disruptive technologies that make yesterday's successes obsolete – Blockbuster, Borders, Nokia vs. Netflix, Amazon, Smart Phones*
- *The weather and natural disasters, from forest fires to floods to earthquakes...the list goes on and on.*



“Where your money resides, is far more important than what it earns.”

- Bryan S. Bloom, CPA
Book: “Confessions of A CPA”

Results of any savings plan depend heavily on when you withdraw the money. You could earn the same money, save just as much for just as long as your neighbor, but if you reached retirement in the depth of a Bear market and he reached it during a Bull – he'd be going on cruises, and you'd be eating cat food. An equitable retirement system should not be a retirement lottery based on your age and factors beyond your control.

Depending on timing, your 401(k) could potentially become your 201(k). How do you feel about that?

The Myth of Market Returns

You're told that over the long term, you can do well in the stock market. However, over the last three decades, the typical equity mutual fund investor has earned only 3.98% per year, beating inflation by just 1.3% per year, according to DALBAR studies. ⁶ We have been sold a bill of goods, stating we must take more risk to acquire more returns. But who taught us that? Answer: Wall Street. Remember, when you invest it's not your advisor, or financial institution, or Government, or Wall Street taking the risk. It's **YOU!**

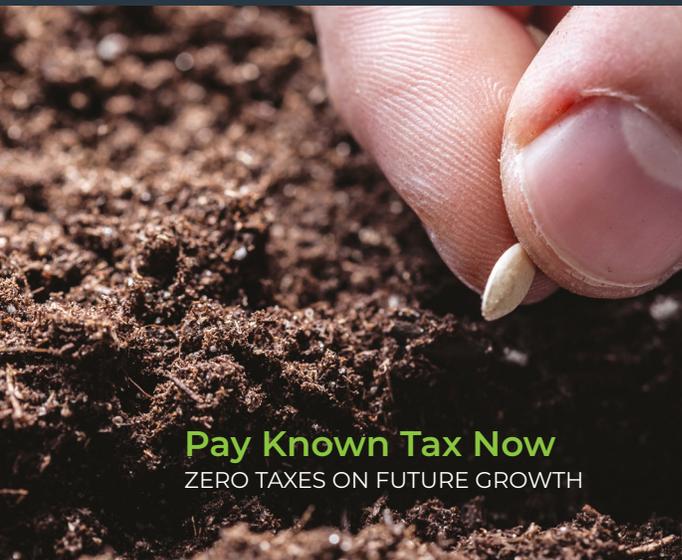
In summary, your 401(k) may let you down when it comes to the income on which you're relying for retirement. Conventional wisdom has led us down a path where we've read that the 401(k) is enough. Ironically, these so-called 'qualified plans' are in reality very well-designed future streams of income – for the Treasury Department – not you!

“It's time to declare the 401(k) a **failure**. As the default retirement plan of America, it just doesn't measure up...too much RISK...if risk can be insured away, it ought to be done.”

*- Eric Schurenberg, Editor-In-Chief
CBS Moneywatch.com | May 2016 ⁷*

The Seed or the Harvest?

When would be the most prudent time to pay taxes?



Pay Known Tax Now
ZERO TAXES ON FUTURE GROWTH



Pay Unknown Tax on the Future Total
ZERO TAXES NOW

A Deferred Tax is nothing more than a compound tax at an uncertain rate in the future.

Past, Present, Future...

Do you believe future taxes will be Higher, Lower, or Stay The Same?

To understand the future of taxation on your 401(k), it is important to have an appreciation of the past.

What was the *AVERAGE* Top Marginal Rate from 1913 - 2013? 30%, 40%, 50%?

It was in fact, **58%**...and that was the *AVERAGE!* The high was over 90% in the 1940's-1960's...we are currently at historic lows.

Presently, **Taxes Are On Sale**. We have the lowest tax bands in living memory, but that is not going to last long. There is a 'sunset provision' that will raise taxes back to pre-2017 levels, in 2026. ⁸

The Future: It is not a huge leap to believe taxes will be higher in the future. 140 million Baby Boomers and Generation X-ers will be turning 65 over the next 25 years. With little savings, people living longer, and the National Debt continuing to grow with rising Social Security and Medicare costs, will the IRS need more revenue? Yes or No? It's simple MATH! If interest rates increase to 5%, interest payments on that debt will increase to almost \$2 trillion. That is HALF of our current national budget. ⁹ Where will the Government get the money to fund these requirements?

Wage Statistics For 2018

Of 340 million Americans, 167,669,326 paid Social Security taxes – the working population. ¹⁰

40.1% had net compensation less than or equal to \$25,000.

67.4% had net compensation less than or equal to \$50,000.

82.3% had net compensation less than or equal to \$75,000.

90.0% had net compensation less than or equal to \$100,000.

The Critical Questions: *If you are married with two children and make \$100,000 per year or less, are you rich?*

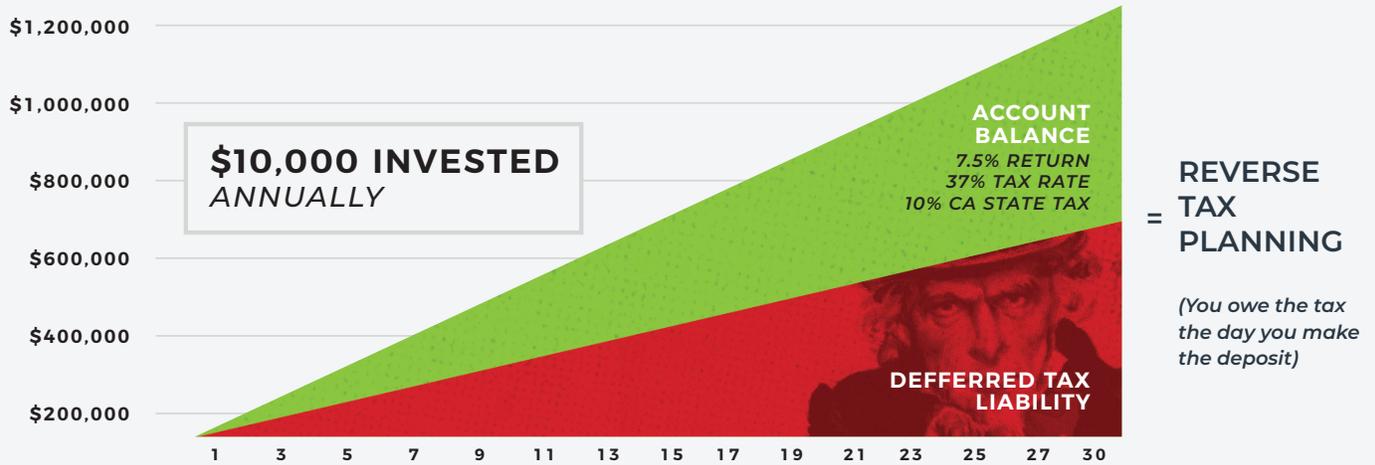
Of the 10% who do make more than \$100,000, when the Government needs more revenue in the future, will they generate that revenue from the 90% who really don't have enough, or will they generate that revenue from the 10% who do? Is that YOU?

Are you Uncle Sam's low hanging fruit?

As the 90% have the votes to change tax laws in their favor, do you think it's fair that the 10% who were responsible, built their savings, did what they had to do, will be the first people the IRS and Government will call on – to take care of the 90% who were unable/unwilling to act in the same responsible manner?



401(k), IRA, SEP, 457, 403(b) Government Sponsored Plans



So, it begs the question...

Should you build a tremendous pile of taxable money for the Government to access in the future or should you build a legal, moral and ethical pile of money for yourself, your family, your business, and your charitable interests, that the Government and IRS will never have access to again?

FOREVER TAXED

Government Plan

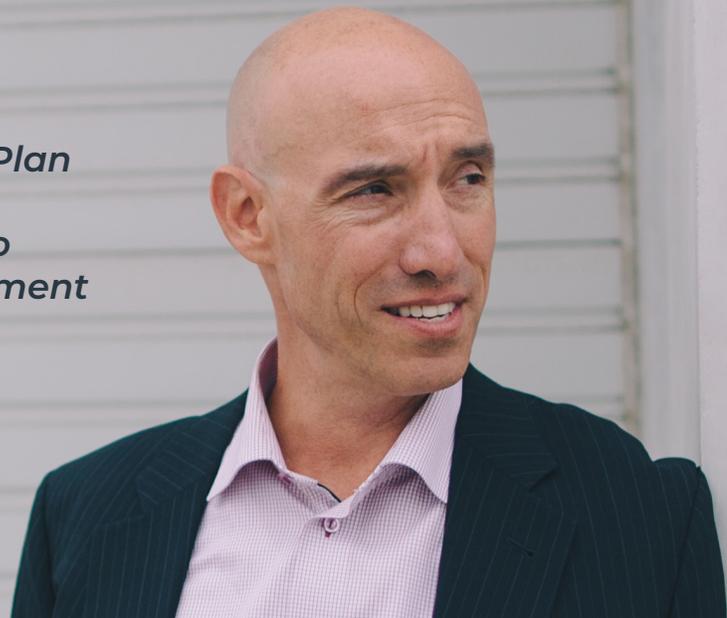
- or -

NEVER TAXED

Your Plan

“You don’t need a Retirement Plan to retire. You just need a more productive and efficient way to access money, with no Government strings attached.”

- Phil Bodine





B | PHIL BODINE

GET THE MOST FROM YOUR MONEY.

**It's Yours.
Not The IRS.**

What separates Phil from other financial advisors is he invests quality time to gain a thorough understanding of his clients' character, needs, and future vision. He does this by asking good questions...and then listening intently to their answers.

Based on over 30 years' experience within the industry, he explores and analyzes the complicated intricacies of each individual's and business' financial situation, then presents them with a list of Risks, Costs and Consequences they'd face if they were to continue on their current path. For those who decide they wish to fix their situation, Phil delivers simple strategies to accomplish their financial desires more quickly, and with less anxiety or fear of mistakes. Going forward, he builds a financial blueprint with the client to better determine a detailed financial plan of action that allows them to become informed and knowledgeable stewards of their wealth.

These intellectual strategies effectively help reduce taxes, reduce risk, increase portfolio efficiency, and augment the preservation with certainty of wealth legacy for his clients.

We Believe...

We believe that everyone we encounter has a greater wealth potential than what they are currently on track to achieve.

We also believe there are forces and eroding factors in the economy that actually prevent people from achieving their optimum potential.

We exist to help our clients overcome those obstacles and make progress towards their full wealth building and retirement income potential, while preserving the financial integrity of the family.

Endnotes

1 "Empire Of The Fund" by William Birdthistle, 2016, Chapter 1 and

<https://www.barrons.com/articles/the-inventor-of-the-401-k-thinks-it-has-gone-awry-1542413142>

2 <http://business.time.com/2012/01/12/how-401ks-make-many-americans-poorer/>

3 <https://content.time.com/time/subscriber/article/0,33009,1929233-1,00.html>

4 <https://www.bls.gov/news.release/tenure.nr0.htm>

5 <https://www.demos.org/media/takeaway-401k-fees-reduce-savings-30-percent>

6 <https://www.marketwatch.com/story/americans-are-still-terrible-at-investing-annual-study-once-again-shows-2017-10-19>

7 <https://www.youtube.com/watch?v=FNdBW9qXddk>

8 <https://www.mlrpc.com/articles/tax-cuts-jobs-act-overview-provisions-sunset-expire/>

<https://taxfoundation.org/look-ahead-expiring-tax-provisions/>

9 <https://www.powerofzero.com/movie>

10 <https://www.ssa.gov/cgi-bin/netcomp.cgi?year=2018>

11 Roth accounts, Muni Bonds, properly structured High Cash Value Life Insurance

The 401(k) Rescue

There are other little-known provisions in the IRS Tax Code that give you the legal ability to harvest penalty-free monies from your 401(k)...even if you are younger than 59.5 years old. Don't let your employer hold your retirement assets hostage.

*You cannot go back and change the beginning,
...But...you can start where you are, and create a
better ending.*

*Contact your advisor to find out if you qualify to
take control of your nest egg today.*

THERE IS HOPE!



PHIL BODINE
WEALTH STRATEGIST

Phil Bodine Financial & Insurance Services, Inc.

4168 Douglas Blvd., #200,
Granite Bay, CA 95746

(916) 878-1045
phil@philbodine.com

Phil Bodine is an Investment Advisor Representative, California Insurance License #0D25770.
Advisory services offered through Sowell Management Services, a registered investment advisor.
Copyright © Phil Bodine. All Rights Reserved.