



FINANCIAL
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Financial Myths and Mysteries

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In this week's episode, we will cover:

- **The five most significant retirement myths**
- **What's so magical about the Roth IRA**
- **Changes to expect after the election**
- **The two reasons why you would want life insurance**
- **The one wrong choice during distribution that can wreck your retirement**

Retirement Myths

1. I'm too young to think about retirement.
2. As long as you put back 10% a year, you'll have enough for retirement.
3. I can depend on social security for my retirement income.
4. I have to pay for my kid's college first.
5. I'm too old to get started.

Always focus on retirement and understand that the job is to replace your standard of living. As you age and progress, your job is to save and accumulate more money. However, when you look at retirement, the more money you're saving, the less money you're spending. Your happiness will depend on replacing your standard of living, not income.

The Magical Roth IRA

The Roth IRA is magical because most people want Roth IRA money. If you believe your tax rate will increase over time and that your asset base will increase over time, you'll want to have that Roth IRA money. Some people have been told they make too much money to contribute to a Roth; that's simply not true. Things change! The Roth IRA was created in 1997, where you had a limit on how much you could contribute based on income. People thought they could only put in \$2,000 a year. Around 2007, they changed to an unlimited amount of income for the conversion. Then came the Backdoor Roth IRA; it's acceptable, and anybody can choose to do it. A contribution is based on earned income this year. A conversion is based on having an IRA this year or the previous year. Either way, you can get money into a Roth IRA.

Changes After The Election

Based on the recent election, there are some changes that we can expect. A divided house in congress makes Wall Street the happiest. Why? Because there will be less change. Wall Street doesn't like surprises. The way congress is shaped up right now, there will be fewer changes than we expected. It's doubtful that the president

could make tax code changes that the congress and senate would agree to. You are not going to see anything but a movement to the middle.

Insurance May Have You Throwing Money Out The Window

Are you cash poor and premium rich? You might be spending too much money on insurance premiums. There are a lot of myths and mysteries surrounding insurance. Sometimes with insurance, people can be over-insured—the higher your income, the more life insurance you're allowed to have. You can clearly be premium poor and insurance rich. However, too much insurance might be a stretch. Most people will not die with an insurance policy. Joe will buy term insurance policies that last for ten years.

What's the difference between term and whole life? All insurance will cover you for a year; it's called an annual renewable term (ART). Everything else is called packaging. You can have expensive packages or cheap packages. Term is when you buy ART every year you get older; thus, your life insurance cost goes up gradually. Ten-year is what Joe buys. For the first ten years, your price will remain consistent. Companies want to sell you cash-value type things. The granddaddy is whole life – it has a cash element attached to it.

When does it make sense to reduce your life insurance? When life changes. There are two reasons why you need life insurance: to replace income or liquidity. As state tax codes change, the amount of life insurance that you need may go down.

One Wrong Choice During Distribution Can Wreck Your Retirement

Is it better to liquidate one retirement account before dipping into another? Some people will have seven or eight different accounts. Then, they will take a little from each account. Everything starts and ends with your tax return. When you don't pay attention to your return, you miss how some if it looks. Income will drive up your tax rates. Then, you have tax-deferred money that you will pull out at some point. You will want to take out enough money to get you to the top of the tax bracket. Then, use the Roth IRA or trust account to supplement the rest.

Secrets That Wall Street Doesn't Want You To Know

How does Wall Street really get paid? Wall Street is where the transactions are conducted on the New York Stock Exchange. They buy and sell shares of stock. Everything Wall Street does has to do with increasing volume. People try to derive information from data that is already old about what will happen in the future. We let short-term media cycles affect how we invest. Instead, find a registered investment advisor and make sure you are getting statements about your account.

Financial Tidbits

- *"There's no taxation on the growth in a Roth IRA."* -Joe
- *"Most people will not die with an insurance policy."* -Joe
- *"All life insurance is based on what's called annual renewable term (ART)."* -Joe
- *"The more information we have, the better decisions we can make; that's not always true."* -Joe

In This Episode:

- [2:15] Five retirement myths
- [4:50] About the magical Roth IRA
- [14:35] Changes to expect after the election
- [17:45] Insurance may have you throwing money out the window
- [30:25] One wrong choice during distribution can wreck your retirement

- [43:55] Secrets that Wall Street doesn't want you to know

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