

# Protecting A Lifetime Of Memories

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*YOU'VE WORKED TOO HARD FOR IT; LET ME HELP YOU PROTECT IT*



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## Taxes on Retirement Income

When planning your retirement there is more to maximizing your income than just having the "highest" rate of return. More than likely, the biggest factor that will affect your income is (everyone's favorite thing!) TAXES! Imagine that, the number one income killer throughout your life is the same one in retirement. There are a number of different tax situations your money can be in and they will determine how 'all' of your income is taxed in retirement...

### How much of your money you will get to spend!

The first kind of income that you will probably have in retirement is 'Tax-Deferred.' This is money you save throughout your life in a 401k, IRA, 403b, etc... (With Restrictions) The money is put in before being taxed and you defer all of the taxes until retirement. By putting off paying the taxes until later, hopefully you will build a larger nest egg. Unfortunately, as you pull money out for income, you will have to pay taxes on ALL of the income.

The next kind of income is 'Interest Gained.' This is money that is gaining interest, and is taxed each year. This money could be in CD's or savings accounts. The taxes are paid "as earned." Each year, you pay taxes on the interest gained in that year. Another, vehicle in this category is non-qualified annuities. You earn interest each year. However, you only pay taxes on the interest as you take it out.

Another type of income is 'Tax Free Income.' This comes from putting your money in 'Tax Free' bonds. You put your money away after income taxes and you generally don't pay taxes on the income.

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## Behind in Savings? What are you going to do about it?

Did you know that 50% of the 78 Million Baby Boomers admit being behind in saving for retirement. Worse than that, there are millions of others who don't even know where they stand. So if you've procrastinated, you are not alone! There is hope! You can catch up! But you must take action now! Here are some tips for catching up, even if you are off to a late start.

1. **"It All Starts With A Plan... It Wasn't Raining When Noah Built that Ark!"** Unless you have figured out how much you'll need to save for retirement, your retirement plans are based on wishful thinking. Creating a Financial Plan or Road Map is the best way to succeed. Call your trusted advisor for help now.
2. **Maximize Retirement Plan Contributions:** A recent study showed Americans contributed an average 6.8% to their 401(k) plan – far less than the maximum allowed by law for most workers. Maximize the value of tax deferral and maximize the value of employer matching contributions by maxing out your 401(k) every year. The same holds true for 457s, 403(b)s, SEP and other retirement plans. It is a no-brainer for anybody saving for retirement – maximize tax deferred contributions.

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## Interesting Facts:

-Tea is said to have been discovered in 2737 BC by a Chinese emperor when some tea leaves accidentally blew into a pot of boiling water.

-Depending on how you define "match," the cigarette lighter was invented before it.

- The wick of a trick candle has small amounts of magnesium in them. When someone tries to blow out the flame, the magnesium inside the wick continues to burn and, in just a split second (or two or three), relights the wick.

-"Rhythms" is the longest English word without a vowel.

## Tired Of Losing Money?

Now you can get stock market type returns without the stock market risks.

Plus, it offers tax deferred interest and tax free income at retirement.

**Call Our Office Today for More Information!**

*Are you unnecessarily paying income taxes on your  
social security call now for your **FREE** report  
"How to Stop the Taxation of Your Social Security Income"  
Call now while supplies last.*

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## **Auld Lang Syne**

You may not recognize the name, but nearly every American knows the song, or at least the tune of Auld Lang Syne.

"Should old acquaintance be  
forgot,  
and never brought to mind?  
Should old acquaintance be  
forgot,  
and old lang syne? ..."

However, there is more to the song than just the one verse and chorus. The song originates from a Scots poem written by Robert Burns in 1788. It is important to note, that Robert collected the poem and wrote it down, he did not fully compose it, although it is believed he composed the latter half.

Auld Lang Syne, translates to "old, long, since," or more idiomatically "old times." The song is sung as a tribute to "old times."

Source:  
[https://en.wikipedia.org/wiki/Auld\\_Lang\\_Syne](https://en.wikipedia.org/wiki/Auld_Lang_Syne)

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## **Taxes on Retirement Income**

The common problem, with each of the incomes mentioned above, is that ALL of these incomes count against you in determining the taxation of your social security income. If you are filing an individual tax return and have over \$25,000 of income, up to 50% of your social security income will be taxed. Over \$34,000, 85% is taxed. (Married filing joint... \$32,000 and \$44,000)

One of the better incomes is what I call, 'Never Taxed Income.' This income can be obtained by using a Roth IRA. Note: This can be in any investment vehicle, (Stocks, CD's, Annuities etc...) This is money you put away after taxes. (With Restrictions) The money grows tax deferred, but when you pull it out it is still not taxed. 'Never Taxed Income' does not count against you for taxation of your social security income.

The last and best kind of income is 'Legally Unreported Income.' It has the best of all worlds. It is similar to 'Never Taxed Income,' in that you don't pay taxes on the income and it doesn't count in determining how much of your social security income will be taxed. However, it has several distinct advantages over all the other retirement income options, as defined in the little known IRS Code 7702.

To find out more about maximizing your spendable retirement income, call my office today!

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## **Behind in Savings? What are you going to do about it?**

- 3. Catch-Up Contributions:** Uncle Sam encourages workers age 50 and older to save more than younger employees by offering catch-up contributions for retirement plans. This can be a big incentive for late savers to get back on track. Consult your accountant or IRS documents for the exact rules and this year's contribution limits as they change frequently.
- 4. Scale Down:** Most people plan to reduce their expenses in retirement and live a simpler life. Here's an idea – try scaling down and get used to living on less right now. If that's impossible, then at least don't increase your expenses when you get a raise – instead, sock the money away for retirement.
- 5. Plan to Work During Your Early Retirement:** It is nice to have the extra income from working part time or intermittently in the early years of retirement. Working is also good for you. People who work part time stay mentally alert and challenged and are better able to maintain a healthy social structure.
- 6. As a Last Resort Postpone Retirement:** The longer you work the fewer years in retirement you must finance from savings. Not only does this lower the savings required, but it gives more years to continue growing your savings while having your employer cover medical insurance and other expenses. This can dramatically close the retirement savings gap.

The choices you make today profoundly impact your tomorrows. If you can't seem to get control of all the pieces that will add up to a successful retirement, turn to professionals for advice. Just as some dieters do better in a diet program than on their own, most people do better when they have a professional guiding them.