

Financial Pentagon

5 Key Areas To An Abundant Retirement

Tax Reduction Planning

By Dan Hagler

As we review and “Assess” your current situation in phase II of *The Protected Retirement Process*®, in this step we conduct an MRI and stress test your Tax plan.

Fourth area is income taxes. And most people look at their income tax from the standpoint of looking in the rear view mirror. In other words, at the end of the year, they just record the amount of income they have and the amount of tax. And so it’s like driving – imagine driving down the highway looking in the rear view mirror.

What you really want to do is look forward and decide.

- Is there anything I can do?
- Am I taking advantage of the 76,392 pages of the Tax Code?
- How do I avoid be penalized on my 401k or IRA?
- How do I reduce or eliminate the taxes on my IRA? Or is this a ticking tax bomb?
- So how do taxes affect you?

Most people think about taxes on their income but what about capital. Let’s review the three kinds of taxes;

- income taxes, taxes paid on wages and earned income
- capital gain taxes, taxes on growth of capital

- and if you have accumulated enough money you will eventually pay estate taxes.

Taxes in this country are confiscatory. Now you might be sitting there saying I already know this and you would be right and we understand that, but the fact is this in 1980 the top 10% of earners paid in 49% of all taxes collected and over the years it climbed to 55%, then 66% and now its 71% of the tax burden is shouldered buy people just like you. In 2010 American's paid an estimated \$5.8 Billion dollars in penalties on their retirement accounts. So as you can see there are traps inside the tax code that can trip us up.