AHWATUKEE FOOTHILLS NEWS

How to Create a Rich Retirement and Legacy!

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Last week, I attended a 3-day virtual Cash Flow Expo. Most of the experts specialized in the unique niche of investing in mortgage notes. Their return on investment (ROI) would average 9%. In contrast, the coupon rate on a US 10-Year Treasury bond is 1.13% and 1.88% on a 30-Year bond. The average dividend rate for S&P 500 stocks for the first 20 years since 1/1/2000 has been 2.02% and bank interest is at most 0.50%. Secret #1 is earning 4.5 to 18 times the normal safe investment alternative rates. These cash-flow experts stressed that Secret #2 is having tax-deferred or tax-free compounding.

Scenario 1: Assume a couple is able to save $100,000 at age 35. Using the Rule of 72; take the number 72 and divide by 9% ROI; and it will double every 8 years. This means that their $100,000 becomes $200,000 in 8 years; $400,000 in another 8 years; and then $3,200,000 at the end of 40 years when they are age 75.

Under current law, one does not have to take Required Minimum Distributions until one turns 72; and there are proposals to raise this to age 75. Given this large $3,200,000 amount saved and President Biden's proposals to raise taxes; let's assume they are in a 40% tax rate when they are killed by a drunk driver at age 75. The $3,200,000 is subject to $1,280,000 of income tax, leaving $1,920,000 for their kids and grandkids.

This only occurs if it's in a tax-deferred account such as an IRA or 401(k) and they can actually invest in mortgage notes. Secret #3 is to use a Self-Directed IRA or 401(k) which allows them to use alternative investments such as mortgage notes. In contrast, all traditional IRAs and 401(k)s managed by banks and Wall Street firms restrict you to traditional stocks, bonds, and mutual-fund type investments.

Scenario 2: Suppose one was NOT in a tax-deferred account and was subject to an average 25% combined federal/state income tax rate every year. In year 1, one earns 9% or $9,000 interest on one's $100,000 investment. Then one pays $2,250 in income tax and is left with $6,750 net interest, plus one's original $100,000 principle, for a total of $106,750. In year 2, one earns 9% or $106,750 = 9,607.50 interest, but then has to pay $2,401.88 in income tax. This leaves a net $7,205.63 interest earned, added to the $106,750 principle at the beginning of year 2, for a total of $113,955.63 at the end of year 2. At the end of 40 years, one's $100,000 would have grown to $1,363,689 by age 75.

Scenario 3: The couple was NOT educated in the use of Self-Directed IRA's and alternative investments and earns an average of 2% in dividends or 30-year Treasury bonds for 40 years and not in a tax-deferred account. They pay a 25% tax rate on their income every year. Starting with $100,000, they would have $181,402 at the end of 40 years.

Scenario 4: Secret #4 is to use a Self-Directed Roth IRA so that their $100,000 at age 35 becomes $3,200,000 tax-free at age 75. If they die, the full $3,200,000 becomes tax-free to their heirs and whatever the heirs earn for the next 10 years is totally tax-free.

Conclusion: There's a huge difference between having retirement savings of $181,402, $1,363,689, $1,920,000, or $3,200,000. Understanding the power of alternative investments and innovative tax savings can create $3 million more for your retirement bucket list dreams; or a legacy for heirs. Most can save $100,000; but few can turn it into $3,200,000 tax-free!

Free Information on Retirement Planning, Solar Business Investments, and Tax Savings can be found at www.drharoldwong.com or www.solarbusinessinvestments.com.

To schedule your Free Consultation Contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com to RSVP.

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