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Here Are Six Reasons Why 401(k)s Are a Scam...

Reason #1: The Tax-Deferral Scam

In our immediate-gratification society, deferring your taxes by funding your 401(k) sounds so good.

But when the tax man eventually comes calling, he won't ask you to pay what your tax liability *would have been* if you'd been paying taxes all along. He'll tell you what your tax liability is *at the time your taxes are due*.

So we ask our clients a question: Can you tell me what your tax rate will be *30 years* from now? Didn't think so.

And 89% of the people surveyed believe **tax rates can only go up over the long term**, due to our country's unsustainable debt and aging demographics.

Unfortunately, if tax rates do go up and you're successful in growing your nest-egg, you'll only be paying *higher* taxes on a *bigger* number.

That destroys the whole "tax-deferral" argument.

Reason #2: The "Free Money" Scam

Who *doesn't* love getting "free money" in the form of the 401(k) employer match? Do you *really* believe your employer is giving you something for nothing?

The Center for Retirement Research did a study based on tax data and found that for every dollar an employer contributes to your 401(k) match, **they pay 90 to 99 cents less salary on average**. Whoa! Doesn't sound like such a good deal now, does it?

Plus, you don't even get all of the employer match during the first 4-6 years you work for the company – you need to be "vested" first. If you leave your job before that, you typically don't get the full match.

And according to the Bureau of Labor Statistics, the average time a person stays on the job is only 4.6 years.

If you accept the employer match, even if you have elected the Roth 401(k) option, the employer match is taxable in the future. What if that match results in your Social Security being taxed, when without it your Social Security would have been tax free? Perhaps a quarter of a million dollar mistake on top of the taxes due on the match distributions! Oops! There goes the employer match "carrot."

Reason #3: Fees that Devour Your Hard-Earned Money

In spite of the rules passed a few years ago requiring better 401(k) fee disclosure, surveys show *most* participants still have NO clue how much they're actually paying.

But according to Brightscope, participants in small plans pay 1.9% in fees annually, and participants in large plans pay 1.08% per year. If those fees sound like "small change" to you, then here's a wake-up call: *Fees of only 1% per year can slash the value of your savings by 28% over the next 35 years*, according to the Department of Labor.

Poof! There goes nearly one-third of your hard-earned dollars. I can assure you *somebody* is getting rich on this, but it's *not* you!

Reason #4: Funding a 401(k) is Like Putting Your Money in Prison

It's like a trade with the devil: Give me all your savings in return for tax-deferral (a scam as we've seen) and an employer match (another scam), and I'll keep it under lock and key for you until you're 59.5 years old.

You have to **beg** for permission to use your *own* money! There are all kinds of restrictions and penalties for accessing your *own* money.

This is one of the biggest reasons people have large credit card balances exceeding 18% interest costs. Hope those 401(k) dollars are earning at least 18% after fees!

Reason #5: The Myth of Market Returns

You're told that over the long term, you can do well in the stock market. But over the *last three decades*, the average equity mutual fund investor has earned **only 3.98% per year**, beating inflation by *only 1.3% per year*, according to the DALBAR studies.

Yet Wall Street has brainwashed us into believing we *have* to risk our money in order to get any kind of decent returns. And so we continue to blindly fund our 401(k)s like lemmings following each other off a cliff.

Our strategies reveal you *don't* have to risk your money to get a decent equivalent return. You *can* reach your financial goals and dreams without taking *any* unnecessary risk.

Reason #6: After *Decades of Being Lab Rats in the Great 401(k) Experiment, Most Pre-Retirees Still Don't Have Enough Saved*

Even the "father" of the 401(k), Ted Benna, has called it an "out of control monster" that should be blown up.

How much more evidence do we need that 401(k)s are *not* the solution they're touted to be? The more accurate name for a 401(k) is a *hope and pray plan*.

So are there any good alternatives to the 401(k)? The answer is YES, but of course you won't hear about it from Wall Street. To learn more about safe money alternatives, schedule a no cost initial consultation:

<http://legacyinsuranceagency.com/contact/consultation>