



Opportunity Investigator *Online* & Marketing News

The Publication You Have Come To Trust

Copyright [Kosoma](#) LLC All Rights Reserved

Don't Miss an Issue - [Subscribe](#) to OIO Now!

You now have FREE Redistribution rights to this newsletter! Feel Free To Give This Newsletter Away as a bonus or in a members site etc. However, you MUST NOT change the content at all.

Hello and Welcome to this issue of OI Online. You have either visited our site or have corresponded with us in the past. If you wish to be taken off of our FREE Ezine list simply click on the Remove link at the bottom of every email we send and you won't hear from us again (unless you subscribe again – to do that see link above).

IN THIS ISSUE:

- Tax-Free NOW! Discover the tax-free lifestyle Uncle Sam wants you to have
- Bad Advice Abounds & more

This is the time of year when I really get excited for folks who are interested in getting the Tax-Free lifestyle going. I get excited because it is the BEST time of the year to get started!

My favorite tool for tax-free income is the Roth IRA or Roth 401k. Now, before you run for the hills please hear me out! There is way too much bad advice out there on the Roth. Most financial planners and CPA's don't recommend them. I'll include one of my articles on the below to help you understand why. If you have never looked into the Powerful benefits of having a Roth tax-free account set up, you need to print this issue out, get a cool drink, and kick back and study every word.

If you just get the clock ticking on a Roth, NOW is the time! If you do that before April 15th, then 2010 will count and your first year, and you will only be 4 years away from Tax-Free income possibilities.

The purpose of this issue is not to sell you anything, but to open your eyes up to the power of tax-free income. If you take it to heart, it could change your life, and maybe even your family's financial future for generations to come! I feel that every man, woman, and child in the US should be taking advantage of the power of the Roth. I hope you soon feel that way too. Enjoy!

Doug West

Roth IRAs - Bad Advice Is Abundant

by Doug West

I am constantly amazed at how main stream financial "Experts" miss the value of a Roth IRA or 401k.

Here is an example. A quote from CNNmoney.com about a Roth IRA compared to a traditional IRA:

"Mathematically, there's no difference between getting a tax break at the beginning or end. All else being equal, you end up in the same place whether you pay taxes at the outset or in retirement."

Mathematically there is no difference???? This is the kind of garbage advice that has cost taxpayers untold Billions of dollars they could have otherwise put in their pockets.

We'll take a look at a hypothetical example, and compare the Roth to a traditional IRA.

In our example let's say that Bob puts \$40,000 in a Roth 401k, and then deposits \$40,000 in a traditional 401k account the following year.

Over the years Bob earns \$260,000 on each account. At retirement (age 59 1/2) each account now has \$300,000 in it.

With the traditional IRA, Bob got to deduct \$40,000 from his taxes the year he first opened it up. Let's say Bob was in the 30% tax bracket, so he saved about \$12,000 on taxes that year (disregarding any other tax strategies he may have been using at the time - which surely he would be if he was in that tax bracket).

With the Roth, Bob got no deduction the year he opened the account (although there is a small tax savings you may qualify for with your Roth - we'll just ignore it in this example).

Now, say that Bob needs to raise \$200,000 quickly for some reason at retirement age. He decides to pull \$100,000 from each account. Assume that Bob's business is still running (although with a lot less Bob these days) so that he is still in the 25% tax bracket.

On the 100 grand he pulls out of the Roth, there are no taxes to pay, not one dime! On the other hand, Bob will need to pay Uncle Sam \$25,000 in taxes on the traditional \$100,000.

What if over the years taxes are raised (even though we know Washington would never do that to us) and Bob is now in the 50% tax bracket? Bob would gladly write a check to the IRS for \$50,000 and be so happy that he got the \$12,000 tax break years ago right?

Give me a break! No mathematical difference? You do the math and ignore what some of these so-called "experts" are saying about the Roth.

Retire Tax-Free With a Roth IRA

My favorite retirement and investment vehicle by far is the Roth IRA (or Roth 401k). Many advisors have been telling folks to ignore this valuable tool because you don't get a tax deduction on your contributions.

Think about it, if your tax planner or CPA is expected to get you the best deal on your (or should I say off of your) taxes now, why would they recommend that you contribute to a plan that offers no immediate deduction of income? Many don't. Many more won't.

If this is the advice you have been receiving, you are going to have to make up your mind now. Which is more important to you? Do you want a tax deduction now, or tax-free income for the rest of your life? That really is the question.

If you go the Roth route, you won't get a deduction, but all the growth inside of your account will be Tax-Free when you start pulling money out! If you play your cards right, you can end up with a HUGE account that can serve you well in your golden years. You can even pass this onto your heirs.

You can set up a Roth with your broker or maybe even your bank. Look for the ones that charge the lowest fees. Many won't charge you any fees, and those can be great. Keep in mind that you can have more than one Roth set up. You don't have to put all of your eggs in one basket.

If you are going to trade stocks inside of your Roth, why not take the Scottrade or Etrade

account (or any broker you prefer) with no fees.

However, if you want to do real estate or other not so main stream types of investing inside of your Roth, you are going to need to hire a third party administrator. Again, keep your stocks, ETFs, and anything you can buy from a broker in that fee-free account. The third party or "Custodian" is going to charge you some fees. But, it may well be worth it.

Also, if you are going to be actively trading futures or commodities inside of your account you may have to go with a custodian. (My Index traders love this strategy!)

Can you imagine making a real estate transaction that you earn \$50,000 on, and not having to pay one thin dime in taxes? That sort of thing is being done all the time inside of Roth accounts, even though many CPAs have advised against it.

If the investment is inside of your Roth you don't have to worry about holding it for a year or longer to get to a long-term capital gains situation. It doesn't matter if you hold the investment one year or one minute, you won't pay a dime in taxes with a Roth! Meditate on that and see if it doesn't get your strategies rolling!

Why not take full advantage of the Roth, and take the tax man completely out of your pocket by setting up your account today! Remember, if you start it by April 15th, last year will count as your first year, and you will only be 4 years away from tax-free income strategies. You can also contribute funds before April 15th for last year, and contribute again on April 16th for the next year if you want.

Once your investments inside of your Roth take off, you can pull your original contributions back out if you want (since you already paid taxes on them).

Another great benefit that my clients like is that they don't have to pull anything out of their Roth if they don't wish to.

Roth IRA Verses Traditional

Again I'm on fire about advice from online "Experts" who love to bad mouth the Roth IRA. They continually claim that the Traditional IRA is a better investment because you get to take a tax deduction on your contribution.

I might agree if all you were going to do was park money in the thing and hope it grows, or leave it with your banker or some broker who will guarantee you 3% or less on your money! Granted, that is what a lot of folks do with their IRAs, and if you are not going to learn to get pro-active with it, then sure, park your money in a traditional and squeak by on what Uncle SAM pays you (if he is even paying anymore when you reach retirement) on social security. You'll have a few hundred bucks or so in your IRA that you can pull out when your tax rate is zero - because your life-style is Zero!

What kind of retirement plan is that? Let me share an experience with you from someone who really understands the power of the Roth. This person opened a Roth IRA up with only \$250 in it. They put an option down on a house for \$100 with the trust money (their Roth IRA money). The Roth (well actually the person did this, but technically their Roth made the investment) then flipped the home to a buyer and pocketed over \$10,000 on the deal!

I know of others who have made hundreds of thousands of dollars trading and doing other investments inside of their Roths! The reason you have so many nay sayers out there is because they only look at what they can contribute to the IRA, and not what the potential of the account really is. If they did, how could they possibly think the traditional is better?

Let's see, zero taxes verses taxes (at any tax rate!). You make the call.

Why Would Anyone Want a Roth IRA?

With all the bad press out there about the Roth IRA or Roth 401(k), you may be wondering why anyone in their right mind would want one. That is understandable, and many of the cons seem to outweigh the pros, at least if you read all the articles bad mouthing the Roth.

Many seem to prefer traditional IRAs because they like the immediate tax deduction they can take for contributions or deposits. Let me ask you a question. If you were a

farmer, what would you rather pay tax on, the seed or the crop? The crop is worth a LOT more than the seed right. That's the way you should look at a Roth account too.

With the Roth, the money you take out is all Tax-Free! If you plan on parking your money somewhere that pays you little to nothing on your deposit, then yeah, take the deduction and forget the Roth. BUT, if you are going to try and GROW your retirement investments, you will probably come out way ahead of the game with a Roth. Remember, we want to pay tax on the seed, not the crop!

For more ideas and strategies on tax-free investing, see:

NoTaxNoInterest.com

We hope that you enjoyed this issue of OIO!