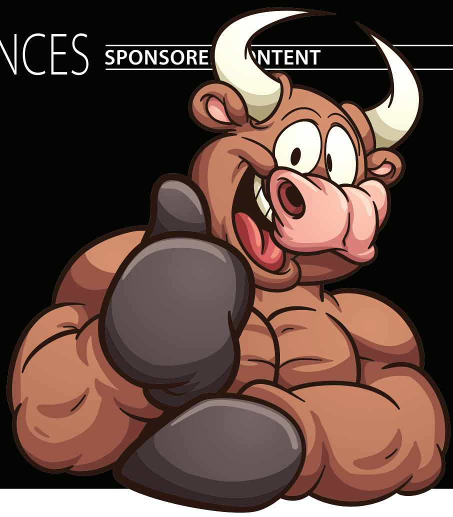
BULLS DON'T SEE RED



There are some things most everyone believes to be true.... but really aren't.

Bulls don't see red. Yes, bulls tend to charge when matadors flap their red capes, but it's the flapping that gets them going not the color red.

Napoleon Bonaparte conquered much of the world, which was no short order, but it had nothing to do with the short man syndrome he is so well known for. In fact, he was above average height at 5'7" for a French man in the 1800s.

Coffee isn't made from beans. They are actually the seeds of the coffee plant, not that you would know that by watching TV ads or product packaging.

401(k) retirement plans aren't necessarily better than the old Defined Benefit pension plans of the past...

It depends upon your perspective of course, but if you're an employee, the defined benefit plan was a great deal since your employer paid for it and you were guaranteed an income for life. Most employees embraced the idea of a 401(k) plan although they had to fund it with their own money (with maybe only a little help from the employer in the form of a matching contribution).

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A 401(k) plan works only if you participate. This year you can contribute up to $19,000 and if you are over age 50 you can contribute a "catchup" amount of $6,000 for a total of $25,000. These are pretax contributions and provide tax deferred growth.

Fact is, the average median savings at age 60 is only $107,000 right now. Obviously, many 401(k) plan participants are not participating, or they are participating minimally. A lot of people would have benefited more from a Defined Benefit pension plan with the employer making the contributions.

It's good to be in control and have the ability to direct the investments in your 401(k) plan. Unfortunately, many plans receive very little in the way of communication or education and the investment allocation is often inappropriate relative to the participants financial goals and risk tolerance. For example, I have seen 30-year-olds invested in bonds and/or money market accounts and 60-year olds invested in all equity growth funds.

The transparency of a 401(k) plan is great. You can check your balance daily. Unfortunately, this lends itself to market timing - trying to buy low and sell high often turns into buying high and selling low.

Also, the ability to see your account every day reminds you that you may be able to withdraw the funds for more immediate and pressing needs rather than retirement. Taking loans and or hardship withdrawals becomes a deterrent to wealth accumulation.

The money in a 401(k) goes in pretax and grows tax-deferred, but it is 100% taxable as it is withdrawn in retirement. And at age 70 ½ the IRS requires you to take a required minimum distribution from your plan. You cannot defer into perpetuity.

The House of Representatives recently passed the Setting Every Community Up for Retirement Enhancement (SECURE) Act.

This bill could affect your ability to save money for retirement and influence how you use the fund overtime if enacted. Kiplinger highlighted proposed changes as mostly taxpayer friendly measurers designed to boost retirement savings. However, one provision is quite onerous and clearly designed to raise tax dollars for the government

The SECURE Act will eliminate the current rules that allow non-spouse IRA beneficiaries to stretch required minimum distributions from an inherited account over their lifetime. Instead, all funds from an inherited IRA generally would have to be distributed to non-spouse beneficiaries within 10 years of the IRA owner's death. There are exceptions, but the SECURE Act will tend to accelerate tax collection from owners of IRAs.

The purpose of this article is not to dissuade you from participating in a 401(k) – quite the contrary. A 401(k) plan is an excellent way to build your retirement savings. It's no longer up to your employer to fund your retirement, it's up to you. Recognition of this fact can make the 401(k) plan something you can believe to be true

If you are looking for straight talk and an advisor you can trust, call H Financial.

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