Retirement Lifestyle Advocates

RADIO PROGRAM

Expert Interview Series

Guest Expert: Dennis Tubbergen (Special Edition)
Retirement Lifestyle Advocates

Date Aired: April 19, 2021

Produced by:

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Dennis Tubbergen:

This is the Retirement Lifestyle Advocates Radio Program; I'm Dennis Tubbergen, glad you decided to tune in today. Hey, I have a show today that is going to be unique, I'm going to talk about a single topic, and I thought it'd be appropriate to talk about this single topic, given that in Washington now, there's a lot of talk going on about changing the tax code.

Dennis Tubbergen:

Now, this isn't unusual; these changes do happen from time to time. But these changes can sometimes, even significantly, but they'll always affect those that have an IRA, or a 401(k), or some type of a tax-qualified plan that they use to save for retirement. So, I'm going to talk about that exclusively on today's program.

Dennis Tubbergen:

So, if you have an IRA, or a 401(k), you'll want to stay tuned because I'm going to share some things with you that will hopefully give you not only a different perspective but also what I would consider to be a proper perspective when it comes to looking at IRAs and 401(k)s as a way to save for retirement.

Dennis Tubbergen:

Now, before I do that, all this month, we are offering a free report titled Are We Rocketing Toward Reset? That report takes a look at current valuation levels of many asset classes and concludes that we may be nearing the point at which a reset could begin. The report also offers strategies for you to consider for your own individual financial situation. If you go to requestyourreportnow.com, you can request your copy of this free report. The website, again, is requestyourreportnow.com, and we'd be glad to send you a complimentary copy of that report.

www.RequestYourReportNow.com

Dennis Tubbergen:

So, let's talk about IRAs and 401(k)s. To do this in a proper context, we really have to go all the way back to 1974, because it was in 1974 that Congress passed a law known as ERISA. Now, ERISA is an acronym for the Employee Retirement Income Security Act. Now, this law was passed really as a reaction to a number of companies that were shuttering up, and a number of workers who have been promised pensions had lost their pensions.

Dennis Tubbergen:

But included with this legislation was a brand new idea; it was something called an IRA or an Individual Retirement Account. Under the initial law, and it remains this way today, any employee who contributed to an IRA or now a 401(k) could reduce their income by the amount of the contribution to the IRA or 401(k) on their tax return.

Dennis Tubbergen:

Now, many people referred to this reduction in income as a tax deduction, but the first thing I want to share with you today is that this is not really a tax deduction at all; I'll explain that in just a second. But before I do, let me have you go back and think about when you started to contribute to your IRA or 401(k).

Dennis Tubbergen:

I would bet you the biggest steak in Texas you were told three things. You were told one put your money into an IRA or a 401(k), and you can take the amount of the contribution as a deduction on your income taxes. Secondly, you can invest that money whatever you want to, and it will grow on a tax-deferred basis. Then, third, when you take the money out at retirement, you'll be in a lower tax bracket.

Dennis Tubbergen:

Now, at the time ERISA was passed, Social Security benefits weren't taxable. However, nine years later, Social Security benefits became taxable, and now, if you took withdrawals from an IRA, and these withdrawals are large enough, and it increased your income enough, it could cause your Social Security to be taxed at a higher level. So, my point is, as I'll talk about on today's program, the tax rules changed as well.

Dennis Tubbergen:

Now, let's drill down on this idea of a tax deduction because the idea of getting a tax deduction and saving money on your taxes sounds, on the surface, like a good idea. But for many of you, as I'll explain now, this is not a good idea. This could be a bad idea for many people. See, tax deductions are good. We all love tax deductions. But when you take a so-called tax deduction for contributing to a retirement account, you need to remember; these deductions are not actually deductions.

Dennis Tubbergen:

You're essentially taking a loan from the IRS, and the IRS will make sure this loan gets paid back when you retire, plus, depending on your tax situation, potentially massive amounts of interest. My point is, don't get fooled into thinking this is a real tax deduction because a real tax deduction doesn't have to be paid back. There are no strings attached.

Dennis Tubbergen:

Let's just assume for a moment that you make a gift to your church or to a charity. And let's assume that you itemize your tax deductions. Just, for example, let's say you make $50,000 a year and you contribute $5,000 to your church, provided you're eligible to itemize your deductions, but just for simplicity's sake, your $50,000 income is reduced by the amount of the deduction, which was $5,000 in this example. So, your tax deduction for contributing to your church reduces your income from $50,000 to $45,000. That's an oversimplification, but, in essence, that's how it works.

Dennis Tubbergen:

Now, once you take that tax deduction, that's the end of the story. There's no string attached. There are no stipulations on the church or charity using the money a certain way. You make the contribution, the church or charity accepts the contribution, you get the tax deduction, and the books are closed on that transaction forever.

Dennis Tubbergen:

That's not true of a deduction taken for a contribution to an IRA or a 401(k). When deducting your contribution to an IRA or 401(k) on your tax return, which works a lot like that contribution to charity, there are plenty underlining the word plenty, of strings attached. See, this tax deduction for a contribution to an IRA or 401(k) has the IRS immediately placing a lien on your retirement account. This lien is, in one sense, kind of like the lien the banker might place on your house when you take out a mortgage. In that, the IRA or 401(k) account is collateral for the loan.

Dennis Tubbergen:

Now, let me have you imagine a situation for a moment. Imagine that you are purchasing a home. And you are taking out a mortgage to finance that home, and you get to the closing table, and you're sitting across the table from the lender, and the lender slides the loan documents across the table to you, and the interest rate blank on the mortgage form is left blank. The amount that you're required to pay back to the lender is left blank. And you say to the lender, "Shouldn't this information be disclosed on the mortgage form?"

Dennis Tubbergen:

What would you do if the lender said, "Don't worry about it, we'll figure that out later. We're just going to put a lien on your house, and we'll let you know what the payback terms are at some later day." How many of you would sign those loan documents? I'm guessing zero. See, that's the loan that you're taking from the IRS. When you make this contribution to an IRA or a 401(k), you get a tax deduction, but the terms of paying back this loan at a later date are unknown.

Dennis Tubbergen:

See, these loan payback terms or provisions can be changed at any time if the Washington politicians decide to change the tax rules as they are kicking around now. Now, I talk about this in the newly released revised version of my book; the book is titled Can You Divorce Yourself from the IRS? And I'd like to offer you a free copy if you go to divorcetheirsbook.com; we'll send you that this month and that book will outline this in detail and give you some strategies to consider. But we talk about this in detail.

www.DivorceTheIRSBook.com

Dennis Tubbergen:

So, the whole notion that the payback terms of this loan that you receive from the IRS when you make a contribution to an IRA or 401(k) can change when the tax rules change should be unsettling, should be unnerving to you, and you should ask yourself a simple question, "What are the odds that future income tax rates are higher than they are today?" See, if you said that future income tax rates are likely going to be higher than today at some point in the future, then the payback terms of this loan become less favorable to you, and they become more favorable to the IRS.

Dennis Tubbergen:

See, this lien that the IRS places on your account when you reduce the income reported on your income tax return by the amount of the contribution that you make; it entitles the IRS to a portion of every withdrawal on that account for the rest of your life. Now, if you're not paying taxes, if your income is low enough that you can take money out of an IRA and not pay income taxes, then this can be a really good deal for you.

Dennis Tubbergen:

But what if that's not you? What if as you take distributions out of this retirement account, you're not only paying tax on that distribution, but you're also paying tax on your Social Security at a higher rate? And what if it's potentially moving you into a higher tax bracket? Or what if the tax rules

change and the tax rates are less favorable at some future point than they are today?

Dennis Tubbergen:

See, the brutal truth is that when you have an IRA or a 401(k), the IRS is now a joint investing partner with you in your retirement account. The amount that you end up paying back to the IRS will increase as your account grows. So, instead of paying back principal plus interest to the IRS as you would on a mortgage loan, you actually forfeit a percentage of your account to the IRS for the rest of your life in many circumstances. When the IRA or 401(k) account is eventually passed to your heirs, the IRS, or your investing partner in the account, will once again be there to take their share. And as I noted, if tax rates go up, the IRS gets more, and you get less.

Dennis Tubbergen:

Now, before I go to the break, let's look at an example. Let's take the example of a 30-year-old taxpayer who's in a combined tax bracket of 20%; this is a hypothetical example. Let's say this 30-year-old taxpayer contributes $5,000 per year to a retirement account for 10 years, and let's say the account grows at a 5% annual growth rate till age 70. Well, tax savings from this deduction, but we all know now that is really a loan that you take from the IRS, is 20% of the contribution, that's $1,000 a year for 10 years, that's $10,000.

Dennis Tubbergen:

So, she has saved $10,000 in taxes but has now taken on the IRS as a joint investing partner in the account. Now, at retirement, assuming no change in tax rates, assuming the same 20% tax bracket, assuming only required minimum distributions are taken out of this account, which now starts at age 72, if the taxpayer dies at age 90, total taxes paid on the retirement account will be $101,562, tax savings of $10,000, taxes paid of $101,562. Is that a good deal? Well, a tenfold loan repayment cost is significant.

Dennis Tubbergen:

Now, that assumes the same tax rate when the taxpayer makes the contributions to the retirement account and when they take the distributions out. That may or may not be the case for you. All these concepts and ideas are outlined in the book, Can You Divorce Yourself from the IRS? If you'd like to get a copy of the book, just go to divorcetheirsbook.com, divorcetheirsbook.com, and I will be very glad to send you a copy. I'll be back with more after these words.

Dennis Tubbergen:

Welcome back; you're listening to RLA Radio. I'm your host Dennis Tubbergen. Glad you decided to listen in today. Hey, we're talking about IRAs and 401(k)s, and I'm offering a different perspective for you to consider today. If you're just joining me, in the first segment, I talked about the fact that when you put money in an IRA or 401(k), many people refer to the reduction in income that results from making this contribution to a tax deduction. They call it a tax deduction when it's really a loan.

Dennis Tubbergen:

When you put money in a traditional IRA or 401(k), and reduce your income by the amount of the contribution, the IRS is now your joint investing partner in the account. And when you take money out of that account, it will be subject to the tax rates in effect at that time. Now, I'm going to talk about how to potentially divorce yourself from the IRS in your IRA in the next segment. But in order to really think about this properly, I would encourage you to avoid thinking like the herd. I would call it avoiding herd mentality.

Dennis Tubbergen:

You have to think about this differently. Just to dive into herd mentality for a minute, I would define it as adopting the same behavior as the people around you without pausing to think through that behavior to see if it really makes sense. Herd mentality really means you're just adhering to the status quo; you're doing what everybody else is doing without looking at other perspectives to see if these other perspectives might make some sense.

Dennis Tubbergen:

Now, this last year has been a case study in herd mentality. Now, when you study herd mentality, you find that often the herd is eventually wrong, and I'll give you a couple of examples. You might be old enough to remember the dot-com tech-stock bubble of the late 1990s. Remember what happened to tech stocks and the rest of the stock market from 2000 to 2002? A decline of nearly 50% in the value of stocks.

Dennis Tubbergen:

Now, if we go back and revisit that timeframe of the late '90s, during this time, the herd thought it made sense to invest in companies that had technological promise but had never made a profit. As the technology craze intensified, the idea of investing in a stock of companies that had never made a profit ended up seeming normal to the herd.

Dennis Tubbergen:

Just a few years prior to the tech stock bubble building, most in the herd would have never, ever considered investing in a company that was losing money. See, if you had said, "Here's this company that's got potential, but it's never made a profit, would you like to invest?" Most in the herd would say, "That is a downright dumb idea." Now, however, during this timeframe, herd mentality shifted, and the perspective of the herd changed by a full 180 degrees.

Dennis Tubbergen:

Now, no one thought it was crazy, or many people, I should say, thought it was crazy not to invest in these same companies; look at the prices going up, even though there was no reason behind those prices increasing. Now, as the perspective of the herd changed and this technology bubble continued to inflate, media reinforced the changing viewpoint of the herd. I can't underestimate that statement enough. We're seeing the same thing now with cryptocurrencies.

Dennis Tubbergen:

Now, let me give you a specific example; maybe you remember during this timeframe, there was a company, Pets.com, they are no longer in existence. The company aired television commercials of a talking sock dog that tied to convince pet owners to buy their pet supplies online. The company was founded in 1998; they went public in 2000 as the tech stock bubble was building, I should say peaking, and it took $300 million in investment capital in on its initial public offering and that same year went bankrupt.

Dennis Tubbergen:

Now, look at the numbers of this company. They spent $12 million on advertising to generate sales of $619,000. Doesn't that strike you as crazy? I mean, they spent $19 in advertising to generate $1 in sales. That shouldn't be too hard to do, but you certainly would not invest in that company, would you? Well, the herd did. Here we are, after the bubble has burst, and we're sitting back saying, "What were they thinking?" But, at the time, it made all the sense in the world to many in the herd.

Dennis Tubbergen:

When the company went public, investors bid shares of Pets.com up to $14, even though they had never made a profit. This company may have set a record for the fastest collapse in stock market history, although I don't know that to be the case. At liquidation, the company stock had dropped to $0.19 per share, proving my point that the herd is often wrong.

Dennis Tubbergen:

I could tell you the story of tulip mania that occurred in the 1600s in the Netherlands. You would think now, if I told you, that tulip bulbs, one single solitary tulip bulb was selling for the average salary of a skilled laborer, you would think I was crazy. But at the time, the herd thought it made a lot of sense.

Dennis Tubbergen:

Leo Tolstoy said this, "Wrong does not cease to be wrong because the majority share in it." And Mark Twain said, "Whenever you find yourself on the side of the majority, it's time to pause and reflect." I believe this is also true when it comes to using retirement plans to save for retirement. If you are of the opinion that tax rates in the future, for you, will be higher, it might make sense for you to consider paying off that loan that you have with the IRS presently, and you can do that a couple of different ways, and I'll talk about it in the next segment.

Dennis Tubbergen:

But we talk about this in detail in the book, Can You Divorce Yourself from the IRS? If you'd like to get a copy of the book, just visit divorcetheirsbook.com, and I'll be glad to send you a complimentary copy of the book. The website, again, divorcetheirsbook.com will get you a copy of the book. And I'd like to remind you; we also have our free report available for the month of April titled Are We Rocketing Toward Reset? That looks at current values in asset prices like stocks, and real estate, and bonds. They are all overvalued now, more than they have been at any time in history, and gives you some strategies to consider to protect yourself potentially from a price reset, which appears to be on the horizon.

Dennis Tubbergen:

Now, again, that report is available by visiting requestyourreportnow.com; the website again is requestyourreportnow.com. And the Divorce Yourself from the IRS book is available at divorcetheirsbook.com, divorcetheirsbook.com. I'll be back after these words.

www.RequestYourReportNow.com

www.DivorceTheIRSBook.com

Dennis Tubbergen:

This is RLA Radio; I'm Dennis Tubbergen, glad you're listening in today. We're talking this week about IRAs and 401(k)s in what is a show that varies from the normal format here. In this segment, I want to continue to break from herd thinking, as I talked about in the last segment, and look at 401(k) plans and IRA accounts for what they really are and look at the reality of what these plans may cost you.

Dennis Tubbergen:

Now, as I have discussed, but I'll repeat for those who may be joining us, the deduction that you receive for putting money in a retirement account isn't really a deduction at all. As I've noted, tax deductions are reductions to income that occur from a financial transaction. If you make a cash donation to your church or a qualified charity, you get to reduce your income by the amount of the cash donation, and there are no strings attached.

Dennis Tubbergen:

That is simply not true when it comes to the deduction that you take for contributing to an IRA or 401(k). These are not deductions; these are actually loans. At some future point, when you begin to take withdrawals from the IRA or 401(k) account, the IRS will require that you begin to make payments back to them on that loan.

Dennis Tubbergen:

Now, the repayment terms can change when tax laws change. So, at the whim of a Congress, maybe the president one, maybe a future one, at the whim of a new president, you could find the repayment terms on this IRA or 401(k) loan can change. And if you think taxes for you will be higher in the future than they are now, that means the repayment terms will be less favorable. Now, this has already happened. I mean, back in 1974, it was the ERISA law, the Employment Retirement Income Security Act, that actually invented the whole notion of an IRA.

Dennis Tubbergen:

In that initial IRA legislation, it was very clear that if you made a contribution to an IRA, you could take a tax deduction for whatever your contribution amount was. But at that time, there was no tax on Social Security benefits. Nine years later, in 1983, Social Security benefits first became taxable. Then, in 1993, the taxes on Social Security increased after the president and the oval office at the time promised no new taxes. So, things change.

Dennis Tubbergen:

Now, when you dig in and look at Social Security taxation and see how it's taxed, you'll quickly realize that if you're taking distributions from your IRA in many cases, those IRA distributions or 401(k) distributions could mean that your Social Security benefits are taxed at a higher level. Now, given that the radio is not a great format to get super technical, let me just talk big picture here.

Dennis Tubbergen:

See, back in 1983, when Social Security benefits first became taxable, you had to use a formula to determine how much your combined income was. And the formula was pretty simple, you just took half of your Social Security benefits, and to that, you added the rest of your income, pension income, interest income, tax-free interest income, IRA withdrawals, capital gain income, earned income, business income, rental income. So, basically, half your Social Security plus all your other income.

Dennis Tubbergen:

Now, in 1983, if you were a single taxpayer, and this number came to more than $25,000, you would pay tax on some of your Social Security benefits. In 1993, an additional threshold was added for single taxpayers, $34,000, and if it exceeded $34,000, then 85% of your benefits could be taxable. For a married taxpayer, the initial threshold was $32,000, the threshold added for the 85% of benefits taxed in 1993 was $44,000.

Dennis Tubbergen:

Now, you don't really need to remember all that. My point is simply this. In 1983, the initial threshold for a single taxpayer for Social Security taxation was $25,000. That was half the Social Security plus all other income. For a married taxpayer, $32,000 was the threshold. Now, 1983 was 38 years ago. Those thresholds have not changed; they have not been indexed for inflation. So, if you're listening to this today, and you're a single taxpayer, and you take half of your Social Security plus all your other income, including tax-free interest income, and that number exceeds $25,000, you're going to pay tax on some of your Social Security. And if you're a married taxpayer, you go through the same calculation, and if that number exceeds $32,000, you are going to pay tax on some of your Social Security.

Dennis Tubbergen:

Now, there is some good news here because there is a certain type of retirement account income that does not adversely affect your Social Security, and that is a distribution from a Roth IRA. Now, for those of you that are not familiar with the difference between a traditional IRA and a Roth

IRA, and I think many listeners are. But for those of you that aren't familiar, let me just explain briefly.

Dennis Tubbergen:

When you put money in a Roth, there is no tax deduction. The IRS doesn't take any share of a Roth distribution at retirement either. So, on a traditional IRA, you get the tax deduction, the IRS gives you a loan, and at retirement, you have to pay back that loan. In a Roth, you put money in, there is no tax benefit on the front-end, the IRS does not give you a loan on the front-end, and on the backend, no loan payment is required. So, a Roth IRA is tax-free, and distributions from a Roth IRA are not counted in this Social Security tax calculation formula. That can be a big benefit to many people.

Dennis Tubbergen:

Now, the interesting news is this, there used to be restrictions on who could convert from a traditional IRA to a Roth IRA. So, when we're talking about Roth IRAs, there are two types of accounts. There is a contributory Roth, you make a contribution to a Roth, and there's a limit. But there's also something called a Roth conversion. If you have a traditional IRA, or a 401(k), and you're over 59 and a half, this involves a little bit more detail, but you can convert from a traditional IRA to a Roth IRA; all you have to do is pay tax on the conversion amount.

Dennis Tubbergen:

So, essentially, what you're doing when you convert this traditional IRA to a Roth IRA is you're paying back the loan to the IRS. You're divorcing yourself from the IRS. Now, doing a Roth conversion and having 100% conversion in one year probably doesn't make sense for many people. In the book, Can You Divorce Yourself from the IRS, we talk about different strategies, incremental Roth conversion strategies; we incorporate the new law that went into effect last year into strategies that you could consider.

Dennis Tubbergen:

However, here is another very important point. I can't tell you where tax law is going to be a year from now. It appears there are some changes brewing on the horizon. However, under current law, if nothing changes, individual income tax rates are poised to increase in 2026. So, does it make sense for you to consider doing Roth conversion on some or all of your retirement accounts between now and 2026 or between now and whenever income tax rates maybe increase?

Dennis Tubbergen:

Well, that depends on your own individual financial situation. We do talk about it in detail in the Can You Divorce Yourself from the IRS book. You can get a free copy of the book today if you visit the website divorcetheirsbook.com. The website, again, is divorcetheirsbook.com. In the book, we explain how Roth conversions work, we explain reasons that you might want to consider it, reasons you might not want to consider it, and it is a recently updated resource that we're making available to you at no charge. So, if you would like to get a copy of the book, again, the website is divorcetheirsbook.com.

www.DivorceTheIRSBook.com

Dennis Tubbergen:

And we also have available this month our April report titled Are We Rocketing Toward Reset? And if you have not received your copy of that report, you can go to requestyourreportnow.com and request your free copy. Requestyourreportnow.com is the website. I'll be back after these words.

Dennis Tubbergen:

This is RLA Radio; I'm your host, Dennis Tubbergen. Glad you're listening in today. We're talking today about your IRA and 401(k). If you're just tuning in, I talked about the fact that the tax deduction you get from making a contribution to an IRA or 401(k) is not really a tax deduction at all. It's actually a loan that the IRS makes to you. And the loan is paid back when you begin to take money out of the retirement account. And should tax laws change to be not as favorable to you at some future point, the loan payback terms can become less favorable to you, which makes them more favorable to the IRS.

Dennis Tubbergen:

So, in the last segment, I talked to you about a strategy that some of you should consider that would have you convert a traditional IRA to a Roth IRA. However, before you do so, be sure to understand all the pitfalls that could cause a problem for you, both tax-wise, as it relates to your Social Security, your Medicare Part B premium if you're on Medicare, there's a lot to consider.

Dennis Tubbergen:

We have a book that might help you get started, it's titled Can You Divorce Yourself from the IRS? And you can get the book by visiting divorcetheirsbook.com, and we'll be glad to send it to you. Now, the main

question that I want to consider in this last segment is, do you think future tax rates are going to be higher or lower for you?

Dennis Tubbergen:

Another way to ask the question would be, do you trust the Washington politicians not to change the IRA and 401(k) rules in their favor? That is a very important question. Now, the reality is that politicians have a near-perfect record when it comes to tinkering with the tax code. So much so is the only thing we know for sure is that change will likely happen. Occasionally, these changes can benefit the taxpayer, but often they do not.

Dennis Tubbergen:

Don't think that because a particular tax rule has been in effect for a long time that it can't change. There have been many times in US history as well as in other countries when long-standing tax rules have been suddenly and even radically changed. Did you know that at one time in US history, the income tax was declared to be unconstitutional and was outlawed? I call those the good old days. But what happened over time, as you might expect, is the Washington politicians managed to figure out how to get the majority of the population paying income taxes. It didn't happen suddenly. It wasn't abrupt. It happened over time.

Dennis Tubbergen:

It's an interesting story. First, the politicians began to discuss an idea. They float a proverbial trial balloon. We're seeing this now with all the talk of a wealth tax. Next, the idea is implemented, but the politicians promise that only a small group will be affected, usually the wealthy, because the class warfare card is an easy one to play. The political rhetoric surrounding this action of taxing only the rich is nothing new; the rhetoric has been around since at least the Roman Empire.

Dennis Tubbergen:

So, this initial change may affect only the wealthy, but over time this change eventually affects nearly everyone. This is exactly what happened with the income tax. The income tax began in 1862, when Abraham Lincoln enacted an emergency income tax to finance the Civil War. A minimum tax rate of 3% was the law. The income tax was a national fixture until 1872, when the income tax law lapsed. Then, in 1894, the income tax was reintroduced. The rate was 2%.

Dennis Tubbergen:

But the very next year, the Supreme Court of the United States declared that the income tax was unconstitutional. If you're a history buff, you probably already know that. But in 1909, the 16th Amendment to the US Constitution was proposed that would allow Congress to [inaudible 00:38:54] an income tax, and it took four years for the 16th Amendment to be ratified, and the income tax once again became a reality for Americans.

Dennis Tubbergen:

As has happened almost always historically, initially, this income tax affected only a very small group of wealthier citizens. The initial income tax rate was 1%, and only one in 217 people was affected by the tax. But that didn't last very long. By 1939, one in 32 citizens paid income tax at a rate of 4%. By 1943, one in three wage earners were paying the income tax, and payroll tax withholding began. This idea of withholding taxes from paychecks was the golden key that allowed income tax rates to increase significantly because now a worker didn't have to write a check for his or her taxes, they were just withheld from the paycheck.

Dennis Tubbergen:

Now, my point in bringing this up is this, as it relates to your IRA and 401(k), and other retirement accounts, these accounts have existed since 1974, as we have discussed. There have already been many changes to the rules, and there will be many more to come. Many of you may not be aware that, in the '90s, there was an excise tax on IRAs. If you had accumulated too much money in an IRA, you would not only pay tax on your distribution but a 10% excise tax. That's gone.

Dennis Tubbergen:

But just look at the facts; moving ahead, do you think the laws regarding taxation of retirement plan assets will be more favorable or less favorable? Well, let me give you a fact, the Investment Company Institute, at the end of the fourth quarter of 2020, so just three months ago, told us that total retirement plan assets totaled $34.9 trillion. $35 trillion in retirement accounts. Now, the total official national debt is now in excess of $28 trillion. $35 trillion in retirement plan assets, $28 trillion in national debt. Interesting how close those numbers are.

Dennis Tubbergen:

But the fiscal issues, I should say the fiscal problems of the United States don't end with the debt. According to the Social Security program's Trustee Report, Social Security needs $43 trillion to shore it up. Medicare, according to a speech given a couple of years ago by Richard Fisher, $84 trillion. So,

add those numbers together, and we're approaching $150 trillion in national debt and unfunded liabilities for Social Security and Medicare. Those numbers are simply staggering.

Dennis Tubbergen:

So, the question is this, given those numbers, will future tax rates be higher or lower? And understand that to capture a greater percentage of retirement plan assets, the Washington politicians can just increase income tax rates or change the rules in some other way. Could an excise tax come back? I don't know, but it's existed in the past. My point is this, if the rules change, the payback terms of the loan you got from the IRS when you contributed to the IRA or 401(k) could be a lot less favorable as well.

Dennis Tubbergen:

I'd like to invite you to get a free resource, our recently revised book, Can You Divorce Yourself from the IRS? That book is available by visiting the website divorcetheirsbook.com. The website, again, is divorcetheirsbook.com. Be very glad to send you a complimentary copy. And we also have available during the month of April our April special report, Are We Rocketing Toward Reset? You can get your copy of that report by visiting the website requestyourreportnow.com, requestyourreportnow.com is that site. Again, the Can You Divorce Yourself from the IRS book is available at divorcetheirsbook.com. I'd encourage you to check it out. It is free. There is no obligation.

Dennis Tubbergen:

Hope you enjoyed this special format of RLA Radio. I'll be back again next week.

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