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VOLUME 18, ISSUE 4

Safe Money News and Facts You Should Know!

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Hank's Thoughts – A reality Check for Your Retirement Funds

Now, I don't have a crystal ball, and there is no question that I am a little more conservative than many brokers and financial advisors. Maybe it's because I have seen so many people hurt over the years with bad investment advice, from well-meaning friends, family and advisors. I was personally hit hard in the year 2000 dotcom market crash.

Because of the economic times, I want to share some things you may have seen in my financial e-newsletters, along with some 3rd party research.

Please understand, I am trying to help you make the best choices, for the short and long term. Right now, I feel that the hold, wait, hoping and praying philosophy may not be the best option for most people.

Accordingly, I have done a lot of research and reviewed lots of articles from well-respected syndicated investment columnists, financial analysts, and advisors, in order to provide you with some insights and current investment perspectives.

I came across this (Yr 2000 to 2017) S&P 500 chart from last year, which got me thinking… particularly since we may have rolled past the top of a cyclical pattern again.

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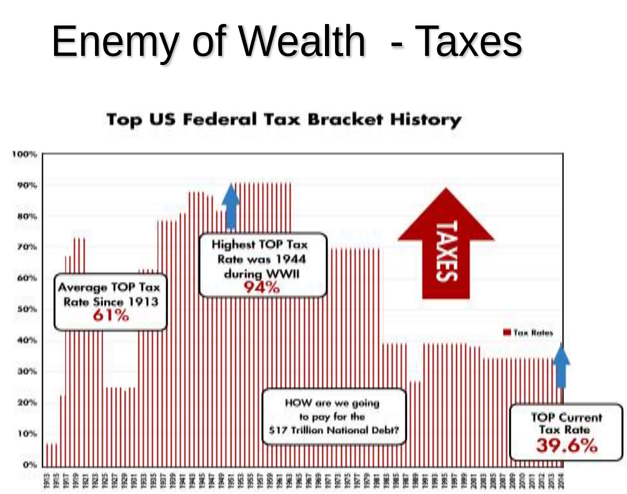
Do You Know What Will Happen with Taxes?

Most people have the majority of their assets in some sort of tax-advantaged plan like a 401(k) or a traditional retirement account (IRA) where contributions are made pre-tax and any gains are tax deferred. Sounds good so far, but some people are not aware **all distributions are taxed as ordinary income.**

Many people think they will be in a lower tax bracket when they retire. Turns out that's usually not the case unless you want to drastically reduce your lifestyle and leave a large legacy to your heirs. Of course, even that may not be possible since the Government forces you to start taking income, called Required Minimum Distributions (RMDs) at age 70 ½.

Many people think taxes are too high now, however our current top tax bracket of 37% is one of the lowest in the last 100 years… as you can see from the following chart.



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More Interesting Facts *you* Should Know!

Hank's Thoughts (Continued from page 1)

As a side note, notice there are more up years than down years. If you had a short-term objective and you were a proficient investor or had the right professional help, you could capture some above average returns and buy that car or whatever your goal was.

How well does this Wall Street roller coaster ride work for a long-term retirement plan… which might be about 60 years?

Consider a 30-year accumulation phase, assuming you start saving early enough with the right contribution amount… and a 30-year distribution phase where you might be semi-retired but at some point, fully retired.

In your working years while you are earning an income, you might think you can afford the down years and catch-up years. Afterall, that's what we have been taught by Wall Street financial advisors and the media. However, this money is lost forever! You're now working with new money and lower growth on your reduced account during a multi-year catch-up phase. *What happens when your job or business income stops, and you must take income from your retirement funds?*

Suppose you could capture returns in the up years and avoid the losses in the down years?

I pulled my calculator out to do a reality check on annualized returns over time. First, to bring this chart up to date, the following is a 2018 screen capture from my real time software program:

This pattern is very different than 2017, which was the best year in a long time… up 19.4% with low volatility. This growth pattern continued through January 2018 only to fall sharply 8.2% early February. Some were hoping this was the long overdue correction we have been expecting. As you see from the first chart and past history, market crashes occur on an average 7 year cycle… and it's been about 10 years since the 2008 crash which was 56.7% according to the first S&P chart.

Most investors felt better as the market started to climb again… this time with much volatility, The S&P reached a high of 2,925 on October 3rd. Since then it has dropped sharply 17.4%... now showing a loss of 2.8% for 2018.

If we look back about 18 years to the March 24, 2000 peak of 1,527 (beginning of the first chart) the S&P has an approximate 3.2% annualized return over this much longer period. *You might want to check my calculations, since you probably don't like this answer.*

Since this is an average, your results will be higher or lower depending on your portfolio mix and investment decisions.

Some high paid professional financial managers beat the S&P occasionally, but none beat the S&P every year. When you subtract fees, your long-term annualized growth is less than that of the S&P 500.

A 2014 Forbes/Dalbar study analyzing actual data shows that the average investor in a blend of equities and fixed income mutual funds garnered a 2.5% annualized return over the previous 20 years, while the 30-year annualized rate was just 1.9%.

How do you feel building a long-term retirement plan with these kinds of returns?

Is there any doubt why 95 out of 100 people turning 65 do not have enough income to retire the way they imagined when they started to save and invest money for their retirement years?

How important is it for you to be in the 5% club?

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This news is all about you...

Monthly Quiz

1 - Which actor starred in: What Lies Beneath, Six Days and Seven Nights, and Air Force One?

2 - Who is the all-time leading point scorer in NBA history?

3 - Who interrupted Taylor Swift's acceptance speech at the 2009 Video Music Awards?

(Answers found on page 4)

Thoughts of the Month

"Strength doesn't come from what you can do. It comes from overcoming the things you once thought you couldn't."
... Rikki Rogers

"Whatever happens, take responsibility."
... Tony Robbins

"Don't tell people how to do things; tell them what to do and let them surprise you with their results."
... George S. Patton

Did You Know?

- ► **Americas top selling ice cream flavor is vanilla**
- ► **Oak trees don't produce acorns until they are 50 years old**
- ► **Most fatal car accidents occur on Saturdays**
- ► **The doorbell was invented in 1831**

Do You Know What Will Happen With Taxes?

(Continued from page1)

On January 11, 2011, former Comptroller General of the United States and head of the Government Accountability Office, David M. Walker appeared on national radio and made a grim prediction: "Based on the current fiscal path, future tax rates will have to double or our country could go bankrupt."

Mr. Walker said this was not based on any single factor like the national debt, wars or demographics… but just math. In short, he was the CPA of the USA, and the nation's chief auditor. He knows more about our country's fiscal state than perhaps anyone else on the planet.

Since his resignation in 2008, he has been speaking out and discussing sensible solutions, such as modify Social Security, with anyone who will listen… a warning cry and wake-up call to reality.

Our government will soon need huge cash infusions to meet its commitments, and it will have no choice but to raise taxes on those of us who have worked hard, sacrificed, saved and played by the rules. If you have a Government qualified plan like an IRA, you are in partnership with the government where they can change the rules at any time.

How would it impact your lifestyle if tax rates were to double?

Do you have a plan to solve this problem?

You can see from the above chart, we have had tax rates exceeding 90%. In fact, from 1936 to 1981, the top federal tax rate had never gone below 70%. Higher tax rates mean less spendable income.

There is hope if you want to keep more of your hard-earned money. There are two things you can do.

1. Slowly start converting your 401k/IRA type plans to Roth plans while the tax rates are still low.

2. For new money, take advantage of IRS Section 7702, buried in specific life insurance plans indexed to the markets. If designed properly, you can take advantage of potential gains in an index like the S&P 500 and eliminate the risk of market losses. This private plan will potentially produce more spendable income over your life time than traditional investments when used as a long-term retirement type plan.

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Helping You Think About Your Money ... And Make Smart Choices To Protect Your Hard Earned Assets.

Hank's Thoughts (Continued from page 2)

Last year we had a pretty good year in the market. Hopefully it will keep going up… ***But what if it continues to follow the downward pattern we've seen since the beginning of October?***

How much of your money are you willing to lose?

How would that affect your retirement income?

How much would it impact you if the market were to dip for the next couple years?

If you could lock in your returns and position yourself so you would not lose any more of the money you can't afford to lose, but still reap the upside potential of the market… Would it be worth 30 minutes of your time to talk about it?

Call or email me and let's carve out some time in our busy schedules.

Answers to Quiz

1 - Harrison Ford

2 - Kareem Abdul-Jabar

3 - Kanye West

Thank You for Your Referrals

There's no question I have the BEST customers on the entire planet.

I want to thank those who have enough confidence in me to recommend my services to help their family and friends. If you can just introduce one client per year to become part of our inner circle, it would help everybody immensely.

Although we focus on protecting and optimizing your retirement cash flow, I want to give a special THANK YOU to those who have recommended me to help your family and friends with their Medicare options.

There are 10,000 Baby Boomers turning 65 every day who are more confused about Medicare than their retirement plan. Because of its importance in your overall retirement picture, we want to help them cut through the smoke and make the right choices to protect the nest egg they have already earned!

I'm happy to assist you or anyone in your circle of family and friends with education and getting enrolled in the financial or Medicare plan that's optimum for them. Just have them call me.

Thank you soooo much!

Disclosure - *Information provided in this article does not constitute legal, taxation, or investment advice.* Please check with a qualified tax advisor when making financial decisions.

Enlarged Charts

Enemy of Wealth - Taxes