

FORTUNE

— TAKING CONTROL OF YOUR 401K —



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What do you do with your 401k when you leave your corporate job? What do you do with your 401k when you retire? What happens to your retirement account if the market crashes again? Unfortunately, there is no instruction book that comes with your 401k or IRA. You are on your own.

401ks and IRAs have been one of the most popular retirement vehicles in the past 30 years since the pension went away.

Does anyone tell you about the risk involved? Does anyone tell you about the fees that are involved?

Now is the time to take back some of the control. When you have a corporate job that offers a 401k, it is a smart move to use that 401k to fund your retirement if it has a match to it. (That is free money, so take it if it's available.) If you are funding 15% of your income into your 401k and only getting a 5% match after being vested, then you can make more money and have more control with other products. Invest up to the company's matching allowance, and then put the rest of your monthly savings into an Indexed Universal Life Policy. Using this strategy, you can build your retirement along with playing in the market at little risk.

You can also take out your funds tax-free as a loan knowing that 1) any outstanding balance of the loan reduces the death benefit, and 2) a policy termination causes the loan to be taxable as ordinary income. Most of these products have living benefits in them, which gives you an added layer of security. In my opinion, it is like a Roth IRA on steroids. Although you will have already paid ordinary income taxes on the premiums that you pay into the policy, would you rather pay taxes on the seed or on the harvest? I would rather pay taxes on the seed.

When you leave that corporate job, don't roll it into another 401k. This is your retirement! Put this particular chunk of money into something safer that has little to no market risk. Look at some of the annuity products. Many products on the market now have uncapped strategies and bonuses. One of the benefits of an annuity is that you will rarely lose the principal or interest you have already earned. "Zero can be your hero!" You can always turn it into an income stream when you retire or let it build. If you are still in your wealth building years, you still have the ability to fund your 401k and have some security against market crashes and fees. Although the 401k can give you the ability to save for retirement, you also have the ability to lose it. Safety is a good thing, especially if you are getting close to retirement and don't have many working years left.

When you do retire with that IRA or 401k, what do you do with it? If you put it in an account and start taking money out of it, you will probably run out of money within 10 years, due to taxes and fees. Most

likely, you will also pay ordinary income taxes on your withdrawals each year as these monies have never been taxed.

Although your 401k or IRA is only going to be a portion of your retirement, why not keep that portion as safe as possible? If you take that money and put it into a safe vehicle, like an annuity, you can have an income stream for life. If you combine that with an Indexed Universal Life Policy, another income stream, you have now created your very own pension.

Playing in the market is a rush when you are winning and a headache when you are losing. You can always keep a portion of your retirement in the market to keep that rush going, but you will sleep much better at night if you know your retirement is in a safe place.

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