

13 Reasons Why Your 401(k) Is Your Riskiest “Investment”

by Garrett B. Gunderson

As a financial advocate to dentists, I've worked with hundreds of dentists, most of whom diligently save in a 401(k). But when I teach them the following concepts, they're eager for alternatives. Consider these 13 dangers of 401(k)s:

1. No Cash Flow

The theory is that the money compounds, but this really means it stagnates. Most people will not choose to utilize these funds even when a compelling opportunity will make them far more money than the 401(k) would, even accounting for the penalties. Numerous legitimate opportunities are passed by as people stay “in it for the long haul.”

2. Lack of Liquidity

The money is tied up with penalties attached for early withdrawal—unless you know how to safely navigate specific, obscure IRS codes for penalty-free withdrawals.

3. Market Dependency

The performance of the funds is dependent upon uncontrollable market factors. Therefore, your retirement plans are based on unknowable projections. Do you want to live your ideal life only if the market cooperates?

4. Lack of Knowledge

How much do you really know about your 401(k)? Do you know the funds in which you're invested? Do you know the details of the companies inside those funds? Do you know the fund manager's philosophy, history, and performance?

How can you expect to gain a return from something you know so little about? And how can this be called investing? It's not investing—it's gambling.

5. Administrative Fees

The funds are subject to various (and usually hidden)

administrative fees in addition to expense ratios and 12-B1 fees—a fact ignored by most contributors and advisors.

6. Under-Utilization Because of Tax Deferral

If you don't like paying taxes today, why would you want to pay them any more in the future? The tax deferral aspect, which is touted as a great boon, is actually a primary factor contributing to under-utilization. Most retirees let the money sit for fear of triggering tax consequences.

7. Higher Tax Brackets Upon Withdrawal

It's ironic that people project healthy returns on their qualified plan while also projecting they'll be in a lower tax bracket at retirement. If you have achieved any measure of success, you should actually be in a higher tax bracket at retirement, although most advisors assume the opposite. Do you think taxes will be higher or lower in the future?

Deferring your taxes results in a far greater tax burden than would be incurred using different products and strategies.

8. Estate Taxes

401(k)s are sitting ducks for estate taxes. Much 401(k) money is never utilized because contributors don't make withdrawals in fear of paying taxes. Yet when the money is passed on to the next generation, there is not only a likely income tax, but also an estate tax.

9. No Exit Strategy

Getting into a 401(k) seems simple enough. But how are you going to get out of it? Do you understand the penalties and tax consequences?

10. Subject to Government Control and Change

Your 401(k) does not even technically belong to you. Read the fine print and you will find “FBO” (For Benefit Of). It's

technically owned by the government, but provided for your benefit. It's essentially a tax code.

Judging by history, 401(k)s are in great jeopardy. What will keep them from changing the rules and taking your hard-earned money?

11. Disinvesting

Suppose you've retired and begin taking interest payments from your 401(k). You project you can withdraw 6 percent a year, based on an average annual return of 8 percent. But what happens to your principal when the market is volatile?

If in one year your fund is down 10 percent, you're tapping into your principal to take your interest withdrawal. At that point, you have only two choices: 1) start withdrawing principal, or 2) leave the money alone until your account is up again.

12. No Holistic Plan

I've witnessed many people whose finances are in shambles, yet they diligently contribute to their 401(k). It's like a person trying to take care of a scraped knee when their

wrist is slit. They urgently need a macroeconomic plan that identifies, prioritizes, and manages all pieces of their financial puzzle, with all pieces coordinated and working together.

13. Neglect of Stewardship

401(k)s cause contributors to abdicate their responsibility. They think they can just throw enough money at the "experts" and somehow they'll end up thirty years later with lots of money. And when things don't turn out that way they blame others.

Interestingly, traditional media is finally realizing what I've been warning investors about for more than 10 years. For example, see the *60 Minute* special, "Retirement Dreams Disappear With 401(k)s" and the *Time Magazine* article, "Why It's Time to Retire the 401(k)."

Saving for retirement is wise and prudent, but there are other investment philosophies, products, and strategies that would meet your financial objectives much more quickly and safely than a 401(k).

Garrett Gunderson is a financial advocate and the author of the New York Times, Wall Street Journal, USA Today, and Amazon bestseller Killing Sacred Cows: Overcoming the Financial Myths that are Destroying Your Prosperity. Get a free hardcover copy of his book at www.FreeBookForDocs.com or by calling (877) 235-8324.

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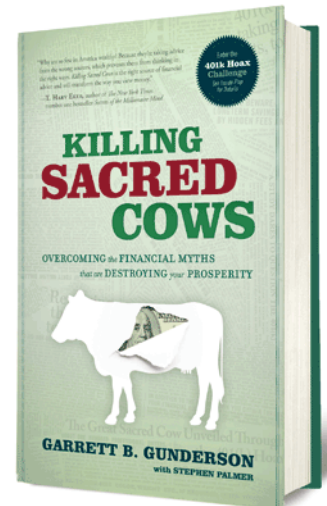
Garrett Gunderson,
Financial Advocate to Dentists

Doc, there are much wiser investments for you, which I detail in my *New York Times* bestseller, *Killing Sacred Cows: Overcoming the Financial Myths that are Destroying Your Prosperity*.

While supplies last, I'm giving away **free hardcover copies exclusively to doctors**. Order yours to learn:

- The hidden yet destructive myths about 401(k)s.
- How to safely unlock the cash stuck in your plan.
- How to reduce your plan expenses and access better investment options.

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