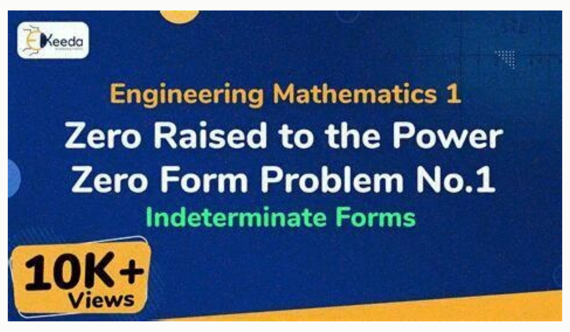
The power of zero summary. The power of zero book.

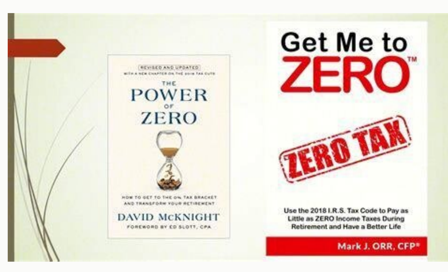
The looming threat of higher taxes looms large over the average American investor, with the government struggling to keep up with promises made for programs like Social Security and Medicare. Experts warn that tax rates could double just to stay afloat, leaving retirement savings in jeopardy.



The key to this approach lies in avoiding the perils of higher taxes altogether, rather than simply trying to minimize them. By taking control of one's financial situation and making strategic decisions about investments, savings, and taxes, individuals can secure a future free from the threat of double-digit tax rates. The day of reckoning may be approaching, but with the right plan in place, investors can rest assured that their hard-earned savings will remain intact. The article discusses the benefits of paying taxes now rather than later to avoid higher rates in the future. It highlights the importance of understanding tax rates and how they can affect retirement savings plans.

The author suggests using Roth IRAs/401(k)s as a way to pay zero taxes upon retirement, which is beneficial considering current tax rates are at historical lows. The article also touches on the pros and cons of David's strategies, including his use of outrageous examples to induce an emotional response in the reader and some funky math. Additionally, it criticizes his dubious tax examples surrounding capital gains and dividends, as well as his promotion of Life Insurance Retirement Plans (LIRPs) without addressing their criticisms. In conclusion, the article presents a balanced view of David's ideas, highlighting both their benefits and drawbacks. While some points are harder to swallow due to assumptions that may or may not come to fruition, others remain curious to entertain. The book's main problem statement is relatable, as tax rates may rise in the future. It's wise to consider investors' tax planning ahead of time. The offered solution revolves around buying life insurance policies with "additional features" that allow for investments and borrowing without repayment. However, the author provides limited details, making it difficult to evaluate the product. Instead, readers are left with no choice but to visit their local insurance broker. The book's value lies in its initial problem description forecasting increasing taxes. The reminder that such life insurance products exist is also useful knowledge.

On the other hand, some readers might find the solution unappealing due to limited details and potential drawbacks. The book focuses on strategies for shifting taxable income into tax-free income, given historically low tax brackets and government deficits. Two recommended strategies include rolling traditional IRAs/401ks into ROTH IRAs using a "backdoor rollover" method and utilizing insurance annuities. However, the author's enthusiasm for the latter is not shared by this reader, mainly due to today's low interest rates making the "guaranteed" aspect less valuable. In contrast, the information on ROTH IRAs was helpful, and readers may want to discuss their situation with a retirement specialist. Unfortunately, the book missed an opportunity to address a better way to land in the 0% tax bracket, which could have been achieved through capital gains and dividends instead of relying on LRIPs. Overall, this book might not be as effective in convincing readers of its solution's effectiveness due to glossing over important points. A more informative source like Go Curry Cracker may offer better insights. I was disappointed when I found out that Ed Slott's name is associated with this book. My State Farm agent gave me the book to read before our annual meeting, and while I did learn some things about retirement funds, I didn't think it was particularly useful for my situation.



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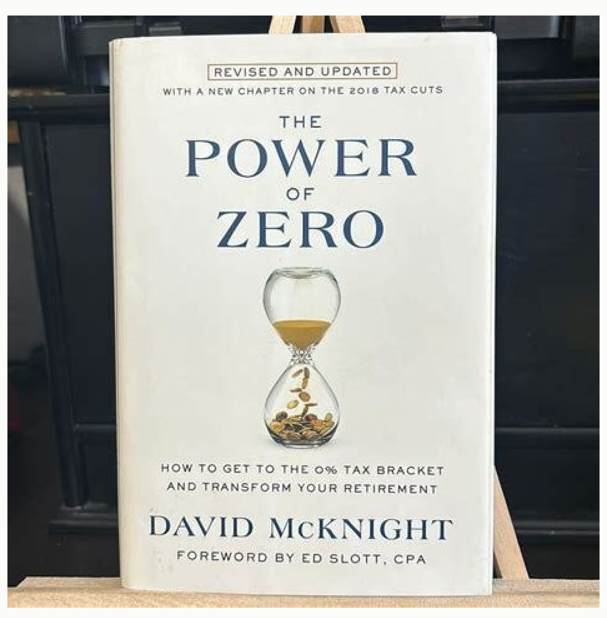

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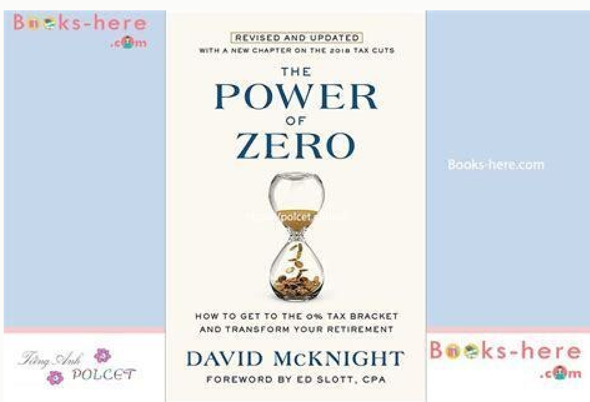

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This could lead to costly mistakes. It's essential to consider all the facts before making investment decisions. For instance, as of 2024, single individuals under 50/55 can make $7,000 backdoor Roth contributions without pro-rated taxes if they don't have a traditional IRA. Additionally, pre-tax Traditional IRAs can be rolled over into 401Ks, avoiding pro-rata taxes for Roth conversions. Health Savings Accounts (HSAs) are another valuable option, offering tax deductions and tax-free withdrawals. By paying medical expenses out of pocket during working years, keeping receipts, and investing HSA contributions, individuals can withdraw the amounts they previously paid out of pocket tax-free in retirement. A comprehensive understanding of the US retirement landscape is necessary to make informed decisions and avoid costly mistakes. Here's a rewritten version of the text: I'd like to emphasize that it's crucial to explore "after-tax contribution" options, which can be converted into a Roth IRA overnight. This approach is beneficial because taxes are minimized since conversions occur quickly. Check with your employer to see if they offer both options and advocate for them if they're not currently available. As of 2024, the total 401K contribution limit is $69,000, according to the IRS. Let's assume an employer match of $10,000. This leaves a Roth space of $23,000 from 401K, plus an after-tax portion of $36,000 ($69,000 - $10,000 employer match - $23,000 401K limit). For my friend, we confirmed that approximately $59,000 per year in Roth space can be achieved solely through the 401K vehicle. This brings the total 2024 Roth space to $70,150 if you combine (1), (2), and (3) above. I consider it a significant achievement if a family can fill up this Roth space, receive the pre-tax employer match, and make debt payments/investments/savings/fun activities.

However, not everyone will have access to this much Roth space, or they may earn a high income, leaving them with extra money to invest. This leads me to the taxable advice portion of this book, which I find concerning. A key point is that it's essential to distinguish between different types of income and their tax implications. Some sources of income, such as employment, interest, and short-term capital gains, are taxed at the marginal rate, while qualified dividend income and long-term capital gains are taxed at a preferential rate of 0%, 15%, or 20%.

By failing to acknowledge these tax differences, an elderly couple with only CDs in taxable accounts was used to create fear and anxiety about minimizing taxable investments. Instead, I propose minimizing interest income in taxable by keeping only 6-12 months' worth of expenses in cash, bonds, or CDs and having the rest invested in assets that generate dividend income and capital gains. Please avoid short-term trading and consider saving excess cash/bonds in tax-deferred retirement accounts. You're essentially trading one financial burden for another by opting for LIRP fees instead of taxes. The single parent is worried about estate taxes and thinks LIRP can help pass money to their child while minimizing lifetime tax payments due to gift tax concerns. I'd like to clarify that in the US, there's a lifetime gift tax limit of $13.61 million, and you don't pay taxes on the first $13.61 million. Additionally, you can give up to $17,000 per person per year without it counting against the lifetime limit, requiring only a simple IRS form filing. Roth conversions can be done more aggressively after retirement but before the RMD date. This alternative was never presented in the book, instead focusing on a scenario where the couple would have no deductions upon retirement, neglecting to mention they'd also lack employment income.

72(t) isn't an ideal solution most of the time due to imprecision compared to Roth conversions. People typically do Roth conversions near the end of the year after knowing their income. It's illogical to assume taxes might rise and LIRP will be unaffected by a grandfather provision, as all assets and tax schemes could be affected in the future. The US tax code is complex, but generally progressive, making it unlikely to pay zero taxes without costs unless you're extremely poor or willing to live on a small income. The book neglects important topics like IIRMA and Affordable Care Act subsidies, presenting biased information. It's crucial to research the US tax structure before following the author's advice. Since each situation is unique, it's essential to create various tax scenarios using your preferred software rather than blindly dismantling investments for a LIRP salesperson without thorough research.

I didn't take away actionable advice on improving my finances, apart from considering Life Insurance Retirement Plans (LIRP). The author argues that aiming for a 0% tax bracket in retirement is crucial to protect savings from inflation and taxes. He proposes LIRPs as a way to achieve this. The book's main value lies in clarifying concepts from the author's previous book on tax-free income. It also provides information on recent US tax changes, which may rise significantly in the near future. Some readers might find the idea of using life insurance for long-term care interesting. In contrast, most people are advised to max out their 401(k) without considering the impact on Social Security and retirement years.

The book suggests that only funding a deferred account with the company match is sufficient, as excessive taxation can destroy retirement savings. Insurance companies offer permanent insurance, while Roth IRA's provide tax-free income in retirement. This book highlights the importance of paying income tax now to avoid higher taxes later. It also presents a hypothetical example on restructuring finances to follow this plan. Some negative reviews might stem from readers who received the book from a life insurance agent, which could introduce bias. I, too, had a similar experience when I received this book from an agent who used to sell insurance. Two years ago, they gave it to me, and only later did I start reading it and find some valuable advice. The key takeaway is that this isn't a tax book; it's a finance book. That's why it might not cover certain topics mentioned in the reviews, but it's still a great read. If you're new to personal finance, it provides an overview at a high level, with some useful information. Don't be fooled by the numbers – they're meant to explain concepts, not provide precise details.

It's more of a book for someone who wants to sell something and give it to a prospect as a starting point.

While it's not bad for that purpose, it's not meant to be used alone to determine what's best for you. It's meant to be discussed with the person who gave it to you, serving as a guide rather than a comprehensive resource. Some readers have criticized the book for being an insurance sales pitch in disguise. They argue that it's biased towards promoting cash value life insurance and assumes you want to maximize your wealth while minimizing taxes. However, some people find it interesting and appreciate its points about avoiding taxes on social security.

Others have noted that the author fails to discuss certain important topics, such as Roth 401ks, income and capital gains taxes, or the potential risks associated with LIRP products. Not everyone is a fan of this book, feeling that it omits crucial information to make its points.

Despite some criticisms, many readers find this book helpful in planning for retirement and avoiding taxes. It's simple to understand and can be read quickly. Some reviewers highly recommend it for those looking to retire with little or no tax burden. These insights were truly enlightening. A glance at the first 30 out of a total of 178 customer reviews reveals that the design itself is noteworthy.