

Why Didn't Somebody Tell Me How the Story Ends?

401(k) saver \$12,000 annual contributions for 20 years

401(k) contribution: \$12,000 x 20 years = \$240,000

Assume 25% effective tax rate on taxable income

Effective Tax Rate: 25%

Tax savings on \$12,000 contribution is \$3,000 per year (\$12,000 x 25%)

Annual net cash flow \$9,000 (\$12,000 - \$3,000 tax savings)

Total Tax Savings: \$3,000 x 20 years = \$60,000

Assume 6% average annual rate of return over 20 years

\$12,000 contributions earning 6% over 20 years = \$467,913 Total Savings Amount

Assume 6% average annual rate of return on savings and spend earnings each year

6% x \$467,913 = \$28,075

Assume 25% effective tax rate in retirement (taxes NEVER go up, right?)

Annual taxes on cash flow income: \$28,075 x 25% = \$7,019

Total Tax Cost: \$7,019 x 20 years = \$140,380

Thoughtful Reflection

Is \$21,056 cash flow income enough to fund non-working expenses?

Was \$60,000 tax savings worth \$140,380 tax cost over 20 non-working years?

Whose retirement were you saving for? Yours or IRS?

Save in Roth 401(k) and Fund Sec. 162 Plan!

Want to **Save More & Avoid Income Taxes** on Non-Working Cash Flow Income?

Contact **Thoughtful Advisors** and **Understand What Is Possible!**

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Male - Age 35 5 @ \$20,000	IRC 162 Kai-Zen	IRC 162 Traditional	Taxable Investment	Tax Deferred Investment
Potential Distributions	Tax-Free	Tax-Free	After-Tax	After-Tax
Age 65 – 90	\$63,892	\$34,748	\$25,693	\$31,155
Total Distributions	\$1,661,186	\$903,461	\$668,028	\$810,035
Internal Rate of Return	8.00%	6.34%	4.96%	5.50%
Potential Protections				
Initial Death Benefit	\$1,188,331	\$733,030	No Death Benefit	No Death Benefit
Death Benefit after distributions	\$744,105	\$420,656	No Death Benefit	No Death Benefit

Male - Age 40 5 @ \$25,000	IRC 162 Kai-Zen	IRC 162 Traditional	Taxable Investment	Tax Deferred Investment
Potential Distributions	Tax-Free	Tax-Free	After-Tax	After-Tax
Age 65 – 90	\$56,641	\$29,796	\$24,799	\$29,797
Total Distributions	\$1,472,671	\$774,689	\$644,786	\$774,732
Internal Rate of Return	8.14%	6.18%	4.91%	5.50%
Potential Protections				
Initial Death Benefit	\$1,229,433	\$753,799	No Death Benefit	No Death Benefit
Death Benefit after distributions	\$686,795	\$433,929	No Death Benefit	No Death Benefit

Male - Age 45 5 @ \$30,000	IRC 162 Kai-Zen	IRC 162 Traditional	Taxable Investment	Tax Deferred Investment
Potential Distributions	Tax-Free	Tax-Free	After-Tax	After-Tax
Age 65 – 90	\$48,154	\$27,228	\$23,041	\$27,359
Total Distributions	\$1,252,012	\$707,929	\$599,063	\$711,329
Internal Rate of Return	8.37%	6.23%	4.85%	5.50%
Potential Protections				
Initial Death Benefit	\$1,220,438	\$713,879	No Death Benefit	No Death Benefit
Death Benefit after distributions	\$639,764	\$431,346	No Death Benefit	No Death Benefit

Assumptions for Kai-Zen & Alternative Choices

Growth Rate: 6.00%

Distributions begin age 65 and continue annually through age 90

Long Term Capital Gains: 20% and Income Tax Rate: 37%

Taxable & Tax Deferred Investments include 50 bps [1/2%] asset management fee

IRC 162 policies values include all costs of insurance and fees

IRC 162 distributions are shown using non-reportable and tax-free policy loans