

# These Financial Times

\*The Stock Market Explained in One Easy Lesson\* by Nance.planetnews8@gmail.com

Once upon a time in a village, a man appeared and announced to the villagers that he would buy monkeys for \$10 each.

The villagers seeing that there were many monkeys around, went out to the forest, and started catching them. The man bought thousands at \$10 and as supply started to diminish, the villagers stopped their effort. He further announced that he would now buy at \$20.

This renewed the efforts of the villagers and they started catching monkeys again. Soon the supply diminished even further and people started going back to their farms.

The offer increased to \$25 each and the supply of monkeys became so little that it was an effort to even see a monkey, let alone catch it! The man now announced that he would buy mon-

keys at \$50! However, since he had to go to the city on some business, his assistant would now buy on his behalf.

In the absence of the man, the assistant told the villagers. "Look at all these monkeys in the big cage that the man has collected. I will sell them to you at \$35 and when the man returns from the city, you can sell them to him for \$50 each."

The villagers rounded up with all their savings and bought all the monkeys. Then they never saw the man nor his assistant ever again, only monkeys everywhere!

Now you have a better understanding of how the stock market works.

Send your name and address to JIFS Inc., Wealth & Wisdom Educators, Charlie and Nancy Jackson, P.O. Box 432, Hillsboro, TX 76645, or call 254-582-1155, and we will send you a free copy of our monthly ELFS (Eliminating Losing Financial Strategies).

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*The following is an excerpt from the book "Sudden Impact" by Leonard A Renier.*

## **Qualified Plans**

Qualified retirement plans remain a mystery even to those who blindly believe in their purpose. It is commonly understood that these plans will create great amounts of money for retirement and, at the same time, save taxes for everyone who participates in them. The government, CPAs, accountants, the news media, financial planners, the banks, investment brokers, benefit managers, and yes, even your parents will tell you that this is true. But the truth today is an elusive commodity. The truth is that a qualified plan (401(k), IRA, SEP, etc.) only does one thing. A qualified plan simply defers the taxes due to a later date, and possibly, just possibly, defers taxes due to a higher tax table. Understanding the demographic shifts and the continuous over-spending of the government and its uncontrolled debt, it is logical to believe that taxes must go up in the future if our country is to survive.

If I could tell you the exact day that your retirement account will suffer its greatest losses, would

you want to know that day? Then, in having that information, if you could do something now to prevent those losses, would you do it? You see, the day you retire and start receiving income from these accounts is the day your retirement accounts will suffer their greatest losses due to taxes.

As a bit of light humor, I ask younger workers who are involved in 401(k)s this simple question: "When you were filling out the paperwork for your 401(k), did you check the 30% or the 40% guaranteed loss box?" They give me a puzzled look. I tell them, "You see, when you retire, this account could be taxed 30% to 40% guaranteed, regardless of whether your account goes up or down in value."

*This topic will be continued in next week's issue of the Lakelander. Send your name and address to JIFS Inc., Wealth & Wisdom Educators, Charlie and Nancy Jackson, P.O. Box 432, Hillsboro, TX 76645, or call 800-583-5865, and we send you a free copy of our monthly ELFS (Eliminating Losing Financial Strategies), or answer any questions that you may have.*

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*The following article, continued from last week's Lakeland, is an excerpt from the book \*Sudden Impact\* by Leonard A. Renier.*

Seriously though, the average 35-year-old worker who has been in the workforce for 10 to 12 years has experienced down or flat markets more than 50% of their working years. These people, in the future, will be confronted with record levels of taxation. For anyone planning on becoming successful in the future, the idea of deferring withdrawals of money to a later date only to have it taxed at a higher rate is crazy. If you are going to retire to a lower tax bracket, then, by all means, use a qualified plan to fund your retirement. You could realize an actual tax savings. The problem is, I believe, everyone's taxes will go up in the future, rich or poor.

Earlier, I gave reasons why qualified plans don't result in real tax savings. I also mentioned why the government is allowing you to put more money into these plans. The government understands very well the demographics shifts and how it will impact

them. They simply need larger pools of money--your money--to tax in the future at whatever rate they can. Here again, the traditional thought is that the government is doing you a favor when in reality they are preparing and protecting themselves.

There are some advantages to using qualified plans. Along with the advantages, there are many more disadvantages that you should also be aware of. For your free list of these advantages and disadvantages, contact Wealth & Wisdom Educators, Charlie and Nancy Jackson, 800-583-5865.

Please join us on the 2nd Tuesday of each month (Jan. 13, 2009/ No Dec. meeting) as a group of like minded individuals discuss the many \*unintended financial consequences\* we all face in "These Financial Times." Absolutely no sales offered. Light dinner and discussion from 6:30 P.M. to 7:50 P.M. Will meet at JIFS Inc. (bcbstexas.com), 205 E. Elm Street, Downtown Hillsboro. RSVP 800-583-5865. Must reserve seat or seats by January 6th, 2009. The cost is free.

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The following article, continued from last week's *Lakelander*, is an excerpt from the book *\*Sudden Impact\** by Leonard A. Renier.

There are some advantages to using qualified plans: deposits are tax deductible, creates a nest egg for retirement, earnings are tax-deferred, creates forced savings, your employer may match contributions, and your plan may contain borrowing provisions.

Along with these advantages, there are many disadvantages that you should also be aware of: deferring taxes to a later date, future tax rates could increase, funds not available until age 59½ (with very few exceptions), early withdrawal penalty, possible loss of Social Security benefits, deposits stop if disabled, usually no death benefit, cannot use assets as collateral, total government control, administration expenses, possible penalties at 70½, loss of capital gains treatment, and ever-changing laws, to name a few.

How does that look? I must be honest though; I do have a qualified plan that I do set aside some money in. But I realized a while back that this should not be the only way to fund my retirement income. It's expensive, risky, and leaves me exposed to future taxation problems. Unfortunately, for many people, this is the only

source for retirement income. Since 100% of this income is taxable, people end up becoming what I call "The Perfect Taxpayer." All of a taxpayer's income being taxable with no deductions makes a happy government. The question is: what will make *\*you\** happy in a future that promises higher taxes and reduced benefits?

So far, as a reader of this book, you have a distinct advantage in preparing for the future. You now know certain events are going to happen that will impact everyone's financial future. If you KNOW something is going to happen, you can better prepare. In the future, to survive financially, your focus should be centered on creating more tax-free elements into your retirement preparation. Remember, qualified plans only do two things. First, they defer taxes (what the public wants), and second, they defer tax calculations (what the government wants).

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