

5 Simple Steps: Earn an EASY ROTH-IRA Million!!!

Contributed by Tom Levine

So, you wanna earn a million dollars, super-duper easy? How would you like the federal government to give you a big, huge tax break? Wouldn't it feel deliciously good to earn a Million Dollars of income, completely tax free? How would you like to earn a million dollars of income passively, quietly, without lifting a finger? Well, put your seatbelts on, folks, because in a brief nutshell, I'm going to introduce you to the financial vehicle that you've been looking for! Welcome to the wonderful world of investing through a ROTH IRA in 5 simple steps:

1. What is a ROTH IRA?
2. Which way should I go...ROTH IRA or Traditional IRA?
3. When Should I start Investing in a ROTH-IRA?
4. How Long Before I Earn \$1,000,000 – One Million Dollars?
5. A Checklist

Before we proceed, A couple things to please keep in mind. A ROTH IRA, while completely simple and easy for all of us to understand, is not without complexity, and each individual is different. Laws change, so always check with your financial advisors before proceeding to take action. The information contained in this journal are solely the opinions of this writer, so be sure to seek out solid financial advice before making any important decisions. Be sure to do your own research and conduct your own financial assessments prior to changing any investments or making any new financial decisions. While I welcome the opportunity to introduce you to the ROTH IRA in my own words, please make sure that you assess your retirement plans on your own, alongside those financial advisors that you trust and rely upon. With that said, let's proceed!

1. What is a ROTH IRA?

- A ROTH IRA is a wonderful product that came into existence as a result of the Taxpayers Relief Act of 1997. It is a new tax-shelter for the average American, and a new opportunity to take advantage of certain benefits that were previously unavailable.

- A ROTH IRA, in part, reverses the process from that of a regular traditional IRA account. The down side is that there are no tax deduction benefits for your contributions. The plus side is that the contributions you make, are POST-TAX...In other words, you're not using the ROTH-IRA before taxes are taken out of your paycheck. You're using the ROTH-IRA from your Net proceeds of your paycheck, or after taxes are taken out. Why is this absolutely wonderful? Well, I'll get to that in a minute.

- Most of us can add up to \$3000 (as of 2004) per individual into each account per year. Now of course, if you're married, then you can add up to \$6000 per household, combined into two ROTH-IRA accounts, per year! That's enormous. Absorb that for a second. You and your family, can invest \$6,000 additional monies, per year, in a tax-shelter, that will earn revenue TAX-FREE!

- After 5 years, the principal can be distributed, even though the earnings should remain in the account to avoid taxation and penalties. What this means is, that you are not restricted completely from this money. After 5 years, options become available to you. This is nice, because this means that you do not, necessarily, need to wait until retirement, to extract funds, should the need arise. Of course, early withdrawal penalties may exist as they do in many tax-shelters, however, the point is that there is added flexibility in the ROTH-IRA, that was previously unavailable.

2. Which way should I go...ROTH IRA or Traditional IRA?...Perhaps!

- Now whether to go with a ROTH IRA or a traditional IRA account is really up to you and your financial advisors. This is a subjective decision, and each person's needs and requirements are different. Here are a couple things that I keep in mind, however, when I'm examining the ROTH-IRA for my family:

- Do I have a 401k, and a company sponsored Savings or Pension plan, and a Bonus plan, and a variety of other tax-shelters, and retirement programs? If I do, then perhaps I don't necessarily need a traditional IRA account, because I already have investments working to my benefit, pre-tax. Perhaps if I were to sit down and do the math, I would see that all my pre-tax bases are covered. What I need now, is the next step...What I need now, is a way for my family to invest my POST-TAX dollars smartly. What I might need, is a ROTH IRA...Perhaps.

- Am I planning on extracting the EARNINGS of this fund, before I retire? Now, I'm not talking about the Contributions. This is an important distinction that was previously discussed. I'm talking only about the Earnings. Anyway, if the answer is YES, then I may want to look into a regular, typical, standard brokerage account, and forget IRAs altogether. Remember, both the ROTH-IRA and the Standard IRA are designed as tax-shelters that the average American family can use to grow their assets for retirement purposes. If my assets are much larger and robust, then perhaps a ROTH IRA may be small potatoes, too restrictive, and I should just go with a standard taxable account for much greater flexibility...Perhaps.

- Do I have very few company-sponsored retirement choices? Do my earnings place me in a higher-tax bracket, and thus, I might need to seek out the benefits of a tax-deduction? Do I already have a traditional IRA, and thus, I may need to consider whether or not a "conversion" to the ROTH-IRA is a benefit or a penalty? Is the Traditional IRA a better choice for me? Perhaps.

- And of course, there are so many other questions that go into this important decision. However, perhaps the above points will help you get a feel, a direction, an overall understanding, of which choice may be better for you. Personally, I think the ROTH IRA offers the most compelling benefits to the most people. It certainly does for me and my family. So, as you journey forward in examining these two tax-shelter accounts, make sure to ask the important questions, as the ones I've suggested above.

3. When Should I start Investing in a ROTH-IRA?

- The ROTH-IRA is a fabulous "next step" on your journey to cleaning up your financial house, and moving from the reactive you, to the wealth-building active you. Don't start with a ROTH-IRA. Think of it as the icing on the cake.

- Your first steps should always be the basics. Get your finances in order. Pay off your debt, create a budget and develop good spending habits. Work towards exploiting all of the retirement benefits that are available through your employer or business, such as a 401k, a Pension account, company stock options and contributions. You see, the ROTH-IRA becomes important, when you've done all of these other things. Now, you are asking yourself, "What else can I do, to build wealth faster?" That's Excellent! And that's the time, when the ROTH-IRA is the best, obvious next choice!

- Do you own your home yet? If you don't, then might I suggest that you consider this as your most important priority, pre-ROTH-IRA. In 2003, our Real Estate in the Sacramento area, overall, appreciated 15.5%! All you have to do, to enjoy this amazing financial vehicle, is to simply own your own home. Now it may not always be as amazing as 15.5% appreciation, but overall, arguably, there is no faster, easier, and better way to get to wealth, then through home ownership. .

4. How Long Before I Earn \$1,000,000 – One Million Dollars?

One second...Taking out my trusty calculator....

- Assuming 9% investment earnings

- Assuming a monthly investment of \$500...

- I'm making the assumption that you're married, and you're investing into 2 ROTH IRAs, rather than one...Thus, I'm going to calculate on a per family basis...If you're only an individual, you can only calculate for one ROTH IRA, and your

monthly investment would be \$250.

Ready? Here we go...

So it would take the average American family about 30 years to get to One Million Dollars.

I hope you realize how EXCELLENT this is for you. I know 30 years sounds like a long time, but we're talking about PASSIVE wealth building, easy wealth building, painless wealth building, and automated wealth building for your retirement.

You set this up, and all you have to do is go to work every day and live your life. The ROTH-IRA account, alongside all your other investment programs, will be building your wealth in the background, and remember I said this was icing on the cake?

Well, don't forget, you should also have REAL ESTATE, your 401k, your pension, etc. With all of this working in your favor, truthfully, you're not just talking about one million dollars, you're probably talking about working towards a retirement goal of three million dollars or more, all from passive investment programs, like the ROTH-IRA.

5. The ROTH-IRA Checklist

Take one step at a time my friend. Start with passive wealth generation, and then go from there.

Here's a brief recap-checklist to consider:

- Clean up your debt.
- Develop a budget, and practice good spending habits.
- Participate and maximize your employers' 401k program.
- Participate in your employers' Pension, Savings, and Company Contribution programs.
- Own your own home.
- Contribute into your own ROTH-IRA account.
- Develop other avenues beyond passive wealth-building.

We've enjoyed providing this information to you, and we wish you the best of luck in your pursuits. Remember to always seek out good advice from those you trust, and never turn your back on your own common sense.

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