

After Tax Returns

The impact of taxes can be a substantial drag on investment performance. \$100,000 growing at 10% for 20 years will grow to \$611,590 however if the net return after taxes is only 7% then \$100,000 will only grow to \$361,652. This is why investment vehicles that grow tax free can be so powerful.

Roth IRAs are fantastic vehicles for long-term investments because not only do they grow tax deferred they grow tax free. Unfortunately, the income limitations can be problematic. If you are married and filing jointly if you make more than \$240,000 you cannot contribute to a ROTH. However, you can contribute to a traditional IRA which grows tax deferred but not tax free. The good news is that there are no income limits on converting to a ROTH IRA.

Therefore, even high-income earners can contribute to a ROTH by simply converting their traditional IRA to a ROTH even 1 day after making the tax-deductible contribution. Upon conversion the account owner will realize the income on the amount of the conversion, however that will be offset by the deduction for contributing to the traditional IRA.

For business owners, it can be smart to hire their children and pay them enough to make them eligible for a ROTH IRA contribution. This will provide a tax deduction to the business owner and allow their kids to accumulate assets tax free for the rest of their lives.

Although the benefits of ROTH IRAs can be substantial, the contribution limits are relatively small at \$7,500 for those over 50 in 2023. Beyond ROTH IRA's there is another way to grow unlimited amounts of money in a nontaxable world. Wealthy families have been using 7702 accounts to shelter their investments from the erosive effects of taxes. 7702 is the IRS code which provides that cash value of life insurance contracts grow tax free. By wrapping investment accounts with either a new or existing life insurance contract, investors can legally avoid paying taxes on their investments for the rest of their lives.

Singer Wealth Advisors is an SEC registered investment advisory firm. Registration with the SEC does not imply a certain level of skill or training. Discuss with your financial/tax professionals before investing. Past performance does not guarantee future results. Material provided for informational purposes only.