

SOME PRACTICAL ADVICE ON INVESTING IRA, 401K AND 403B MONEY

While it makes sense for many people to take the money out of these accounts and pay the taxes now, there are people that have no choice but to leave money in these plans into the future.

So how do you make the best out of this situation?

1. First of all, know your options.

Many 401k plans are required by law to allow “in service distributions,” meaning that

you can move money out of your 401k plan into an IRA account without penalties.

Typically, 403b plans allow participants to do this as a matter of course.

Once money is in an IRA account, a different set of rules apply. You have much more control over how the money is invested and what can be done with it.

2. Secondly, be careful about adding fuel to the fire. If your qualified plan is going to create a tax mess later on, it probably doesn’t make sense to do more than the amount of contribution required to get the full company match. If there is no company match, there probably should be no contribution at all.

3. Lastly, don’t take too much risk even though the returns on risk free investment options today are quite low. Patience is a virtue.

I had a big reminder this month how Fixed Index Annuities can be very helpful in helping people successfully invest IRA money.

Yes, I am human! I spend 97% of my time engrossed in BOY planning and sometimes need reminders. 😊

Fixed Index Annuities allow you to eliminate downside risks while participating in the positive returns that can happen in the stock market indexes.

You can also diversify among different indexes and even a fixed return option. You can switch around what you are doing with your money once per year or have money in several different pots. The catch is that the money must be left in the account for a period of time without incurring a penalty for early withdrawal.

Last week, I got an email from a client asking about what I thought of using FIA's for his dad, who has IRA's invested in traditional accounts and wanted to do something to avoid possible future market problems. After we talked about his situation it was obvious that his dad was a great candidate for FIA's and was getting great advice from his financial advisor.

It hit me like a ton of bricks that this could be the best solution possible for many other people, too.

Those of you who have already started FIA's for your IRA's through me already know the secret.

Over the past few years I have received some very nice emails and letters from you thanking me for helping you avoid all the stock market problems in 2008 and how nicely your accounts have grown recently.

Feel free to contact me if you are wondering if FIA's could work for you, too. I will be happy to talk with you about your situation and give you my two cents, just like the client who emailed me.

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