Tax-advantaged investing is very good for most people at most times

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Tax-advantaged investing is very good for most people at most times

Summary: A previous financial article, “The Solution - ONLY follow financial strategies that are scientific, passive, diversified, savings focused, risk controlled, low cost, and tax efficient,” suggested that individual investors are much better off with a well-considered financial planning viewpoint. A stable set of financial planning beliefs can help you to keep focused and on track throughout your life. This follow-up article discusses the value of tax-advantaged investing and how VeriPlan can model personal lifecycle tax payments to improve investment decision making. You should invest in IRA accounts, 401k accounts, and other tax-advantaged accounts, when you are more likely to gain a net long-term after-tax benefit in terms of the value of your asset portfolio across your lifetime. For the majority of people, this will be most of the time. You should understand the specific potential economic benefits of tax-advantaged investing within the context of your particular projected lifecycle financial plan and income tax situation. **How VeriPlan Can Help:**VeriPlan has extensively automated the projection and analysis of your tax-advantaged investment assets across your lifecycle. Giving full control to you, VeriPlan’s projections incorporate a detailed lifecycle model of your family's federal income taxes, state income taxes, and local income taxes. In addition, VeriPlan automatically models your other taxes, such as Social Security taxes, Medicare taxes, real estate taxes, and other property taxes. (See: VeriPlan helps you to decide what your lifetime tax-advantaged and tax-deferred investment strategy should be)**Click here to learn more about VeriPlan -- >> Retirement Savings Calculator**VeriPlan differentiates your projected assets by their taxability status using three account classifications: 1) regular taxable accounts, 2) traditional tax-deferred accounts, and 3) Roth 'never-taxed after contribution' accounts. VeriPlan enables you to control automatically how much of your future earned income and of your employer contributions would be deposited into your taxable and tax-advantaged accounts, including traditional IRAs and 401ks, Roth IRAs and 401ks, and other tax-advantaged plans. (See: Traditional versus Roth tax-advantaged plan contributions)VeriPlan automatically applies capital gains taxes on asset distributions and withdrawals, as appropriate, depending upon whether your assets are subject to current taxation, future taxation, or no taxation. In addition, VeriPlan automatically projects asset withdrawals from your tax-advantaged asset accounts in retirement to meet your projected living expenses and to conform to tax rules regarding mandatory withdrawals from traditional tax-deferred accounts.Because VeriPlan instantly develops for you projections that incorporate a customized personal tax model, you can use it to compare the lifecycle economic impacts of different tax avoidance strategies. For an example of a tax-related decision that you cannot make without such a robust model of your lifecycle financial affairs, see this discussion of the factors that influence your decision whether to make current contributions to Roth or traditional tax-advantaged accounts: Factors that tend to favor Roth tax-advantaged plan contributions (Part 1 of 2) and Factors that tend to favor Roth tax-advantaged plan contributions (Part 2 of 2).

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