FINANCIAL E-BOOK

5 MYTHS ABOUT IRA INVESTING

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Many people in the United States are missing out on one of the best retirement opportunities of opening up an IRA account. Here are 5 Myths that we can clear up so you can better understand how these powerful retirement vehicles can work for you.

MYTH 1 I CAN ONLY INVEST MY IRA WHERE I OPEN THE ACCOUNT

We have often heard people who make a comment such as, "I have a Bank IRA". Many investors believe that they can only invest their IRA at the bank, or better yet only invest their IRA at the financial institution where they opened the account. IRA's can be invested in almost any type of investment including CD's, stocks, bonds, mutual funds, real estate, and much more. Generally you cannot invest in collectibles or life insurance in your IRA. Once you have invested your IRA, you can transfer your IRA account to another financial institution through a direct transfer or a rollover.

MYTH 2 I CAN'T CONTRIBUTE TO MY 401(K) AND AN IRA IN THE SAME YEAR

According to Fidelity Investments, 52% of Americans who do not have an IRA believe that they cannot contribute to both an IRA and workplace savings in the same year. The IRA contributions may or may not be tax deductible based upon your individual situations, but all of the IRA contributions will grow on a tax-deferred basis no matter what level of income you earn.

MYTH 3 I OWN A SMALL BUSINESS, SO I AM NOT ELIGIBLE TO OPEN AN IRA

Most small business owners are unaware of the multitude of retirement plans that are available at their disposal. There are two main types of IRA plans specifically designed for business owners called a SEP-IRA plan or a SIMPLE-IRA plan. Each of these plans has different nuances to them depending on the income in the business, the number of employees, and the objective of the employer. The SEP-IRA could potentially allow a small business owner to put as much as $53,000 in retirement plan contributions in 2016 for those under 50. Catch up provisions still apply to put away more money if you are over 50. Consult your financial advisor or tax specialist before making this decision.

MYTH 4 ONLY PEOPLE WHO ARE OLDER PUT MONEY INTO IRA ACCOUNTS

Since IRA's are tax deferred accounts, the people who can benefit the most are the individuals who start saving the earliest. This is true because of the concepts of the time value of money and compounding interest. The earlier you save, the harder the compounding of money will work for you over the long term. Even if you can only contribute $500 to $1,000 per year into your IRA, you can still fund an IRA even if it is not the maximum contribution.

MYTH 5 I CAN'T ACCESS MY MONEY UNTIL THE AGE OF 59 ½ WITHOUT PAYING A PENALTY

Most people believe that once money is invested in an IRA, if you withdraw the funds before the age of 59 ½ that there will be a 10% penalty imposed by the IRS. However, there is a concept called taking Substantial Equal Periodic Payments (Regulation 72t) which if followed correctly will allow you to take a minimum level of distribution without penalty before the age of 59 ½. You should consult a tax professional before deploying this strategy.