Title:
15 Startling Reasons Why Your 401(k) May Be Your Riskiest Investment

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711

Summary:
Contrary to what is taught in popular financial media, 401(k)s and other qualified retirement plans are one of the riskiest investments for most people. Increase your wealth by learning 15 secrets that the media and conventional retirement planners don't want you to know.

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Article Body:
Financial institutions have a distinct genius for marketing. They are able to get millions of Americans to hand over their money with very little thought taken, very little knowledge of the so-called investments offered, and even less control of their investments.

When the evidence is plainly presented, it becomes overwhelmingly clear that putting money into 401(k)s and similar qualified plans is not investing at all--it is one of the riskiest gambles for most individuals. Read the following reasons why I say this, and ask yourself if it's time to reconsider your 401(k).

1. Limited Opportunity For Cash Flow

Qualified retirement plans, such as 401(k)s and IRAs, do not provide immediate cash flow, which means that you cannot benefit from them through velocity and utilization. The theory is that letting the money sit allows it to compound, but for most people this really means that it stagnates. Most people will not choose to utilize these funds even when a particularly compelling opportunity arises that will make them far more than the 401(k) would, even accounting for the penalties. This means that numerous legitimate opportunities are passed by as people stay "in it for the long haul."

2. Lack of Liquidity

The money is tied up with penalties attached for early withdrawal. Although there are a few technicalities that allow penalty-free withdrawals, the restrictions are so numerous that very few know how to get around them.

3. Market Dependency

The performance of the funds is dependent upon market factors that most individuals do not have the knowledge nor the ability to understand or mitigate. This means that your retirement plans are based on unknowable projections, making for a dangerous and uncertain planning environment. Uncertainty causes fear, and fear leads to mistakes, worry, scarcity, and ultimately lost hopes and dreams. Do you want to live your ideal life only if the market cooperates?

4. The Match Myth

"Take the match--it's a guaranteed 100 a year, based on an average return of 8 annually, but that means that some years will be lower, some will be higher. If in one year your fund is down 10%, you're tapping into your principal to take your interest withdrawal. At that point, you have only two choices: 1) start withdrawing principal, or 2) leave the money alone until your funds are up again.

14. No Holistic Plan

I've witnessed on many occasions people whose finances are in shambles and although they have much more pressing needs, they diligently contribute to their 401(k). They've been convinced to do so, of course, because of the match, tax deferral, etc. It's like a person trying to take care of a scraped knee when their wrist is slit. What they really need is a macroeconomic approach to their finances that will help them identify, prioritize, and manage all pieces of their financial puzzle, with all pieces coordinated and working together.

15. Neglect of Stewardship

Ultimately, the most destructive aspect of 401(k)s is that they cause many individuals to abdicate their responsibility, abandon self-reliance, and neglect their stewardship over their own prosperity. People think that if they just throw enough money at the "experts" that somehow, some way, and without their direct involvement they will end up thirty years later with a lot of money. And when things don't turn out that way they think they can blame others--despite the fact that they only have themselves to blame.

Conclusion

Qualified plans are promoted on such a wide scale because those promoting it have vested interests--and their interests don't necessarily coincide with yours.

If you currently contribute to a 401(k), stop and think about it for a minute. What is it really doing for you, now and in the future? The desire to save money for retirement is wise and prudent, but after reading the above, do you think it's possible to find other investment philosophies, products, and strategies that would meet your financial objectives much more quickly and safely than a qualified plan? Are you really comfortable exposing yourself to this much risk? How can you mitigate your risk, increase your returns, and create safe and sustainable investments? How can you create more control and better exit strategies, reduce your tax burden, and increase your cash flow?

Your financial future depends on your answers to these questions.