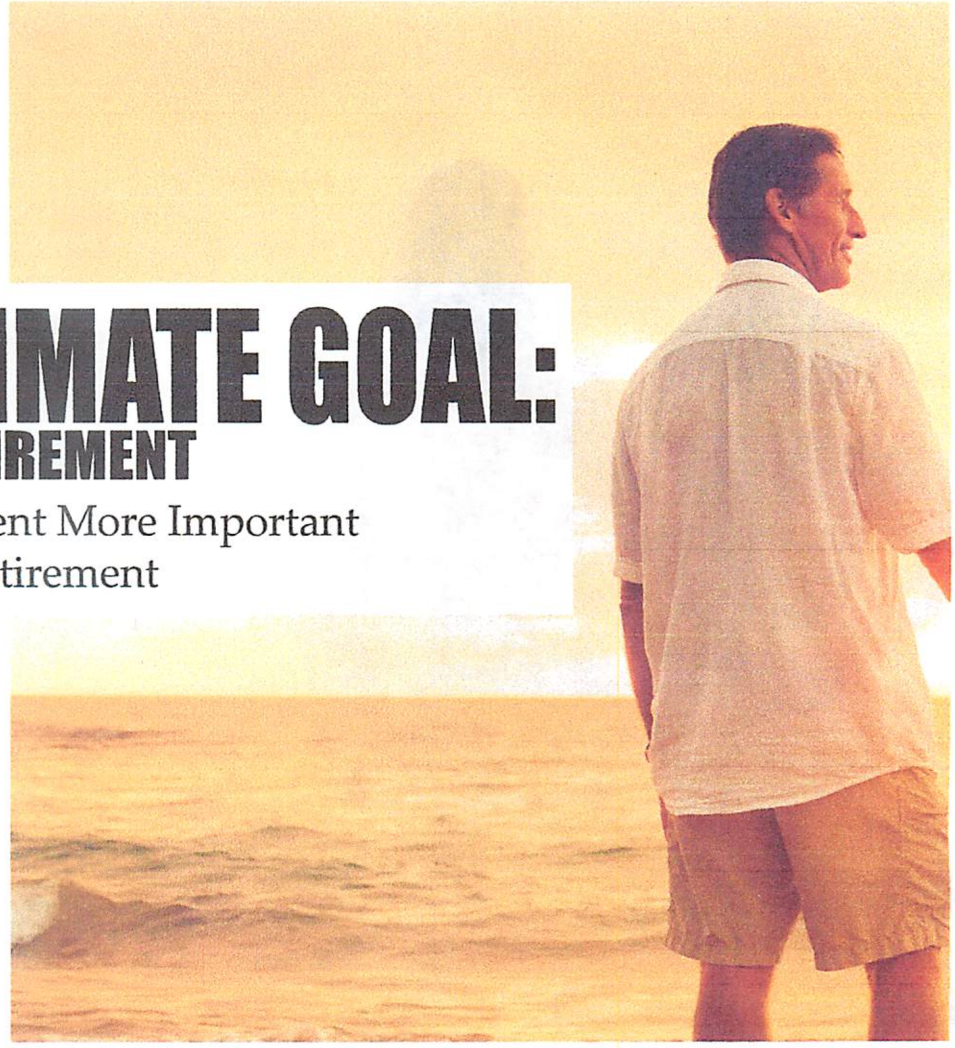
BY JANE MEGGITT



THE ULTIMATE GOAL:
A ZERO-TAX RETIREMENT

Planning in Retirement More Important than Planning for Retirement

There are only two certainties in life, but Bill Mullen, the managing member of Park City, Utah-based Mullennium Finance LLC, wants to reduce the odds of one of them. He is the author of the book, "The Tax Ticking Time Bomb: How to Recognize and Manage Tax Traps in Retirement," and it helps readers reposition money so taxes won't ruin their retirement. "A dollar spent on taxes is a dollar not spent on living the life most people plan for in retirement," he said.

Mullen, who has been a Certified Financial Planner® since 1992, says he's surprised that more people don't take retirement as seriously as they should. In the past, people retired with a pension and Social Security, and tended to die 10 years later. Today, it's necessary to plan for 20 to 35 years in retirement, but pensions are gone for most people and Social Security won't cut it by itself. If clients have all their money in tax-deferred accounts, such as 401(k)s and traditional IRAs, the tax bill comes due every year once they start making required minimum distributions (RMD), which are mandatory beginning at age 70.5.

"The ultimate goal is a zero tax retirement," he said. "You can't get there with a pension, but if you can start planning 10 to 15 years prior to retirement, and open up a Roth IRA," the goal is within reach. He adds clients don't have the opportunity at age 85 to make these changes.

That's why he encourages clients to move money from their 401(k)s while they are still employed and have options as a worker. They must pay taxes on the distribution if over age 59.5, but at that age the IRS doesn't levy penalties. Besides Roth IRAs, cash value life insurance policies do not have RMDs. The money in the policy can be taken out in retirement with no tax consequences, and the policyholder can borrow against it.

Reverse mortgages are another possibility for some people. Mullen notes the new tax law offers some opportunities, because tax brackets for married couples have widened. There is the ability to move money out of tax-

deferred accounts, move them into Roth IRAs, and "concentrate on getting rid of as many taxes in retirement as you can." Since clients must also address potential long-term care needs, Mullen recommends purchasing life insurance policies with long-term care riders. If needed, the life insurance policy kicks in.

Mullen's approach to retirement planning addresses four concerns: taxes, inflation, retiring at a bad time, and living costs for those in their 80s and 90s.

Taxes can be reduced by starting to reposition funds seven to 15 years prior to retirement, while he recommends addressing inflation by placing money not needed for the next five to 15 years in a globally diversified portfolio, then retargeting when the portfolio is out of balance.

Mullen defines "retiring at a bad time" as when there's a poor portfolio return for the first few years of retirement.

"We don't know what the market will return in any year, but if it's down in the first couple of years, the problem of running out of money becomes a concern," he says. Money needed in the first few years of retirement should not be invested in the market.

Overall, Mullen has found that planning in retirement is more important than planning for retirement. While the stock market is intimidating for retirees because of its ups and down, it has historically given the best return for the investor who must keep up their purchasing power.

"The biggest problem any investor has is emotional," he said.

Dalbar, an independent financial market research company, evaluates what the average investor with a $100,000 portfolio will receive in returns over 20-year periods.

"The study always comes out the same," says Mullen. "The average investor has a return of 3 to 7 percentage points lower than market, and the reason is obvious."

That reason is because the average investor is only in the market less than four years. Markets drop, and they bail. Then they watch the market until it comes back up, and re-enter.

"That's selling low and buying high, a formula for disaster," he says.

When asked about investor options such as robo-advisors, Mullen replies that a robo-advisor can't educate a client and walk them off the precipice in such situations. Staying invested in down markets is part of the key to investing success, but he admits it's hard trying to convince people not to pull out when the market drops.

Fees also affect retirement portfolios, but Mullen urges concentrating on the things that make a good investor, and then watching fees after that. There's no point in having a bad portfolio with low fees.

"Investing is a journey, it's not a 40 yard dash. If you don't keep up with inflation, you lose purchasing power, and I don't know a better place than the stock market to make the money for a long retirement" he says.

Mullen keeps up with his clients via Infusionsoft where he creates campaigns and sends his blogs out to his mailing list every week. He also has a series of whiteboard videos that come out twice monthly. His goals include automating more of his business, but his true focus is spreading the word that close to zero taxes is a real retirement possibility.

For more information, visit SavingInvestors.com