Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist
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Potential market losses… Increased tax rates… Is your retirement nest egg safe?

You've spent a lot of time, hard work, and dedication saving for retirement. The last thing you want is to lose any of your hard-earned money to market losses or increased tax rates. However, this is what a lot of retirees' face with the accounts they currently use for their retirement savings.

There are benefits to every type of account, of course, so these aren't bad accounts by any means, but you must understand them to figure out if they are best for you.

A lot of people use a 401(k) or IRA for their retirement savings, as this is what they've been taught to do for so long. A 401(k) and IRA are tax-deferred vehicles, which means the money you put in today is not taxed. This money grows on a tax-deferred basis, but you do eventually have to pay taxes on it when you withdraw it in retirement. Now, one big question is, *"do you think tax rates will go up or go down in the future?"*

You are probably thinking that they are going up! The next question is crucial for planning; *"so if you think taxes are going to go up in the future, why are you deferring taxes now while at a lower rate, to then pay higher taxes in the future when you withdraw your money?"*

If you believe you will be in a higher tax bracket when you retire, then wouldn't it be better to pay taxes now, so you don't have to pay taxes at a higher rate in the future?

Remember, retirement is when you are usually no longer working, so most people could benefit from not having to worry about taxes (let alone higher rates that could continue to go up). Along with increased taxes, there should be a plan in place to protect the money in a 401(k) or IRA accounts, or it may be at risk from market losses.

In 2008, the market had a correction of around 40%.

Imagine if someone lost 40% of their account value. If the account had $100,000 and lost 40% in a market crash that would be a loss of $40,000, leaving the retirement account now at $60,000! Imagine withdrawing funds from that $60,000 while having to pay taxes on the money as well.

It is easy to see how these two things alone can drastically change someone's retirement plans. This can mean the difference between someone retiring as planned or having to work far past retirement age.

Almost every expert out there is talking about the next market crash. Will it be this month, this year… or maybe next year? No one knows when the next market downturn will happen. If taxes will be higher in the future, then wouldn't it be great to switch those current accounts from tax-deferred to tax-free accounts?

But it is safe to say that from historical data, there is an overdue market correction coming, which could happen very soon. Wouldn't it be comforting to have money in an account that is protected from market losses?

With these accounts, no matter what happens, money is not lost. What if the market crashed around 40% again like in 2008, or maybe this time it's an even bigger crash… 50%, 60%?

Wouldn’t it be nice not to have to worry about a crash at all, because retirement funds are in an account that guarantees against loss? Money could never go down and will only ever go up. Well, thankfully, these accounts do exist!

There are many ways in which we can help you safely save and build your money for retirement, without the risks of market losses or higher taxes in the future. A trusted, licensed financial professional can help.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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