

For Immediate Release

For an interview with James Lange
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Six Tax-Savvy Ways to Pay Uncle Sam Later and . . . Retire Secure!

A new book by nationally recognized IRA, 401(k), and retirement plan distribution expert James Lange offers some rock-solid strategies for retiring secure—and putting off the taxman for as long as possible.

Hoboken, NJ (August 2006)—Retirement is a subject that weighs heavily on the American mind. Some 30 million of us are contributing to our 401(k) plans, and 45 million American households have a total of \$3.5 trillion dollars invested in IRAs. And yet, despite these record accumulations, studies say the number one fear consuming many aging Americans is outliving their retirement savings. According to CPA and attorney James Lange, it's a fear that's definitely grounded in reality.

“Traditional pension plans are becoming extinct,” says Lange, author of *Retire Secure! Pay Taxes Later: The Key to Making Your Money Last as Long as You Do* (Wiley, 2006, ISBN: 0-470-04354-7, \$24.95). “Even financial powerhouses like IBM, General Motors, and Hewlett-Packard have eliminated or frozen their traditional retirement plans. The future of social security is uncertain. And, just as our economic security is shrinking, our lifespan is expanding. It's a threatening combination!”

The bottom line, says Lange, is that you are on your own: neither Big Brother Company nor Uncle Sam will protect you from outliving your money.

“Fortunately, there is a solution,” he adds. “It's not a get-rich-quick scheme to make a fortune in real estate or business. In *Retire Secure!*, I offer a set of time-tested tax-savvy financial recommendations that do not cost money and may result in an additional \$2 million over a lifetime.”

Lange's book lays out those recommendations in a convincingly detailed yet surprisingly easy-to-follow fashion. *Retire Secure!* hammers home the fact that the longer you *legitimately* delay paying income tax on your retirement assets (with several notable exceptions) the better

your odds of not running out of money before you die. Figures in the book provide a dramatic illustration of the difference between how long funds last depending on whether or not you adhere to the strategy of paying taxes later. Its straightforward “tax procrastination” theme applies to all three stages of your financial life: as you are saving for retirement, during your retirement, and throughout the estate planning process. **(NOTE TO EDITOR: See tipsheet for a point-by-point summary of the whole process.)**

“This advice works for every hardworking American, not just the super-rich,” notes Lange. “Even for retirees, making the right decisions about which funds to spend first at age 65 can mean the difference between enjoying a comfortable retirement and having to go back to work. Generally speaking, the ‘pay taxes later’ philosophy ensures that you and your family will be better off—potentially by millions.”

Here are a few of his tips:

- **Know the optimal order for spending your funds during retirement.** Contrary to what you might instinctively think, you should withdraw from your “after-tax” money (not the IRA funds) first. This will immediately reduce your taxes. If you make withdrawals from your IRA or retirement plan before you have to, the extra taxes you pay on the withdrawal will not be available for continued growth, dividends, and interest. Many financial advisors disagree, but Lange proves his argument with a compelling yet simple analysis.

- **Help your beneficiaries defer taxes by planning a “stretch IRA.”** A stretch IRA is an IRA that allows your beneficiaries to continue to put off or defer the taxes on the inherited IRA distribution. “Your spouse and/or your children could continue to defer income taxes for many years after your death, as long as no one does anything really stupid,” notes Lange. “Unfortunately, both IRA owners and beneficiaries do really stupid things all the time and it costs them millions. In order to get a stretch IRA, you must have appropriate planning both before and after your death.”

- **Make sure your executor or administrator knows how to title an inherited IRA correctly.** Lange says he cannot stress enough the importance of exact language after the IRA owner dies when the transfer is made to the beneficiary. In *Retire Secure!* he tells the following horror story:

I received a call from a planner in California. He said, “Jim, my client died with more than a million dollars in an IRA. He left it to his son. When my secretary saw that the son was the beneficiary, she took the money and transferred it to the son’s account. Is that okay?” Oh, no! She just accelerated the income tax on one million dollars. He said to me, “Oh, Jim, I’m sure the IRS will understand that it was just my secretary and she didn’t mean to do it.” No. The IRS won’t. The client’s son had to pay tax on \$1 million instead of stretching that million out over the course of his life. Boom! Income tax on the whole thing. So instead of having a million, the son now has only \$600,000. Over time, the difference between accelerating the income versus appropriate titling amounts to \$1 million to the son.

• **While working, contribute to your Roth IRA and take advantage of the new Roth 401(k) or Roth 403(b) plans.** If you fall within the income limits and can afford it, contribute the maximum to your Roth IRA and your spouse's Roth IRA. Regardless of your income and if you have access to the new Roth 401(k) or Roth 403(b) plan, which took effect on January 1, 2006, Lange recommends that you contribute both to the Roth IRA and the new Roth 401(k) or 403(b). "The new Roth 401(k) and Roth 403(b) plan is really a hybrid between the traditional 401(k) or 403(b) and the Roth IRA," he writes in his book. "That is, an employer that now offers a 401(k) plan or a 403(b) plan could choose to expand the options it gives its employees to include a Roth 401(k) or Roth 403(b) contribution that will be taxed like a Roth IRA."

This change provides an unprecedented ability for employees to expand or, in some cases, begin their tax-free investments. The Roth 401(k) and Roth 403(b) employee contribution limit is \$15,000 (or \$20,000 if you are 50 or older) per year with no income cap. This far exceeds the contribution limit on the Roth IRAs of \$4,000, or \$5,000 if you are 50 or older. People who take advantage of this will be millions of dollars better off. Because there are no income limitations, as there is with the Roth IRA, many taxpayers will have their first opportunity to enjoy tax-free growth.

Now, you may notice that the author's support of "tax me now" Roth plans seems counter to his overarching "pay taxes later" mantra. It *is* a contradiction, admits Lange, but one founded in the long-term advantage of tax-free growth. If, as Lange suspects, taxes will be higher down the road, the Roth 401(k), Roth 403(b), and Roth IRA conversions that his book covers will be exceptionally valuable for families. "Perhaps it would have been more accurate, though less appealing, to have the subtitle read *Pay Taxes Later, Except for a Roth*," he notes.

• **Don't miss out on the greatest tax break ever . . . Now, Roth IRA conversions are open to everyone!** On May 17, 2006, President Bush signed a major tax bill that presents wealthy Americans with an outstanding lifetime-and-beyond tax break. The *Tax Increase Prevention and Reconciliation Act* (TIPRA) extends the favorable capital gains rate and dividends rate of 15 percent from 2008 through 2010. It also gives 15.3 million taxpayers a break on the alternative minimum tax. Plus, the golden opportunity for many readers lies in a change regarding eligibility for Roth IRA conversions. In 2010, wealthy Americans will be granted a unique opportunity—they will, for the first time, qualify for a Roth IRA conversion regardless of their income. High-income IRA owners (taxpayers with modified adjusted gross incomes of more than \$100,000) can enjoy a huge windfall by making a Roth IRA conversion in 2010.

When you make a Roth IRA conversion, you pay income tax on the amount you choose to convert. When both middle class and extremely wealthy taxpayers take advantage of this provision, they will pay income taxes "now" on all or a portion of their traditional IRA. While each case will benefit from an individualized analysis on the merits of the conversion, the critical feature of the Roth is that, once the initial taxes are paid on the conversion, income taxes will never be due on the growth, capital gains, dividends, interest, etc. This will be particularly advantageous to readers with a long-term outlook, both for themselves, their children, and their grandchildren.

“Of course, you don’t have to be wealthy to benefit from a Roth IRA conversion,” says Lange. “Just be careful: if you convert an amount in excess of the top of your current marginal income tax bracket, you will have to pay income taxes at the higher rate. I often recommend making small annual Roth IRA conversions that are calculated by taking the top of your existing tax bracket and subtracting your current taxable income without the Roth IRA conversion.”

• **The “I Trust My Spouse” Plan—a.k.a. Lange’s Cascading Beneficiary Plan™—is the most effective way to pass down your IRA as well as the rest of your estate.** The editors of some of the top financial journals consider LCBP™ Lange’s greatest contribution to the safety, security, and prosperity of the heirs of IRA and retirement plan owners. It offers maximum security *and* maximum flexibility. His comprehensive disclaimer strategy preserves the safety net for the natural heir of the IRA owner (i.e., the surviving spouse) by allowing complete discretion for the surviving spouse to keep funds for him/herself, but it also allows the natural heir to disclaim to children, or to trusts for grandchildren. The decision of whether and how much to claim can be made within nine months after the date of death.

“LCBP™ accommodates the surviving spouse’s need to take stock of his or her financial situation before deciding whether or not to disclaim,” writes Lange. “If he or she does decide to disclaim, the next question is: how much? Relevant facts to consider include finances at the time of the first death, the future financial picture, tax laws at the date of the first death, family needs, and perhaps most importantly, the needs of the surviving spouse. LCBP™ gives the spouse both the time to make the decisions and the power to act on them. Traditional families—that is, families without the complications of second marriages and stepchildren—would be wise to consider incorporating LCBP™ with disclaimer options into their estate plans.”

Incidentally, the real beauty of Lange’s Cascading Beneficiary Plan™ is that it is sound no matter what happens to the federal estate tax laws.

“My advice regarding what type of will, revocable trust, or even beneficiary designation you should have for your IRA and retirement plan would be the same,” says Lange. “That is, even in the event there is a full repeal of the federal estate tax, I would still advocate LCBP™ for most readers. This plan offers a unique opportunity—you don’t have to engage in ‘second guessing’ to decide the best way to divide up the estate. It gives you the flexibility to make the decision based on the laws and the needs of the family *at the time of the first death*. So let the powers that be do what they will—just do what you need to do to protect the people you love.”

Readers will be able to email or call James Lange’s office and request a 60-minute CD—“The Secrets to a Secure Retirement”—to be sent to them at no cost or obligation. The CD is filled with financial gems that will be especially useful to readers who want to cut their taxes and retire securely.

Lange also offers a series of FREE REPORTS, mentioned throughout *Retire Secure!*, that can be ordered from his website. Topics include:

- ✓ **Should You Make a Roth IRA Conversion?**
 - ✓ **Distribution Planning for TIAA-CREF Participants**
 - ✓ **Save \$20,000/Year Tax-Free Using the New Roth 401(k)**
- And for financial professionals . . .**
- ✓ **How to Develop IRA Rollover Business**

Visit www.paytaxeslater.com or call 412-521-8007 to order or to receive more information.

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About the Author:

James Lange, CPA/Attorney, is a nationally recognized IRA, 401(k), and retirement plan distribution expert. With over 27 years of experience, Jim offers unbeatable recommendations when he tackles the number one fear facing most retirees: running out of money. Jim has also developed “Lange’s Cascading Beneficiary Plan™,” which is widely regarded as the “gold standard” of estate planning for IRA and retirement plan owners.

Jim’s recommendations have appeared 24 times in *The Wall Street Journal*. Jane Bryant Quinn introduced the country to Jim’s mantra, “Pay taxes later,” in *Newsweek*. Jim has been quoted in or written articles for *The New York Times*, *Journal of Retirement Planning*, *Financial Planning*, *The Tax Adviser (AICPA)*, and other top financial, legal, and tax journals.

Jim has a CPA practice, a law practice, and is a registered investment advisor. Jim’s practices have 1,568 clients. Jim has presented 148 workshops for taxpayers and financial professionals throughout the country. He is also one of the country’s most informed voices on Roth IRAs. In 1998, Jim wrote the definitive article on Roth IRA conversions for *The Tax Adviser*, the peer-reviewed journal of the American Institute of Certified Public Accountants. That article is one of the few articles where the pros and cons of a Roth IRA conversion are analyzed in excruciating detail *and* his analysis was reviewed by the toughest peer reviewers in the country. Jim’s website, www.rothira-advisor.com, is consistently in the top 10 sites when you Google “Roth IRA.”

Not one to miss an opportunity to keep his loyal readers and clients up-to-date on matters of importance, Jim also maintains four Web sites. His flagship site is www.paytaxeslater.com. His sites now have over 32,374,000 hits. He also sends out an email newsletter to 10,000 opt-in subscribers.

Jim lives in Pittsburgh, in the home he grew up in, with his wife, Cindy, and their daughter, Erica. When Jim is not devising new strategies for retirees to save taxes and accumulate wealth (which is most of the time), he enjoys bicycling, skiing, traveling with his family, and playing chess and bridge with his friends and online.

About the Book:

Retire Secure! Pay Taxes Later: The Key to Making Your Money Last as Long as You Do (Wiley, 2006, ISBN: 0-470-04354-7, \$24.95) is available at bookstores nationwide and from all major online booksellers.

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