NOVEMBER 2022

THE METROPOLIS MONTHLY

VOLUME 1
ISSUE 11

MODERN DAY MONEY STORIES TO HELP YOU STAY AHEAD OF THE CURVE

THE 401k

HOW AMERICANS USE THEM?

WHAT THEY WERE ORIGINALLY DESIGNED FOR?

How the 401(k) was originally designed

What is a 401K Plan? Many consider it the mainstream retirement savings vehicle. Provided by an employer to an employee, it enables workers to save a portion of their earnings and invest it without having taxes deducted beforehand. Instead, taxes are put off until the employee is 59.5 years old or older and withdraws the money from the account.

The 401(k) plan was initially created so that both employees and companies could avoid a small portion of their salaries from being taxed. Additionally, they were designed to enable companies to make modest contributions, matching all or a portion of employee payments. Despite these modest advantages, it's crucial to remember that any distributions, including your gains, are taxed income when you retire.

Many of us were instructed to contribute to a 401(k) retirement plan as children by our parents and peers. We were told that 401(k) plans were the mainstay of our "kind employers," who would match our contributions to help us build a nest egg for retirement... but does a 401(k) plan make sense in the current economy? In today's financial climate, more and more Americans are beginning to think that a 401(k) is unwise for various reasons, but it's vital to start at the beginning to comprehend why.

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The Revenue Act of 1978, passed by Congress, contained a provision known as Section 401(k) that provided employees with a tax-deferred method of receiving bonuses or stock options. The law became operative on January 1st, 1980. However, the IRS started permitting employees to make salary deductions for 401(k) plan contributions in the early 1980s. The country-wide transition away from pension plans and toward 401(k) plans as a retirement strategy was brought about by this transformation.

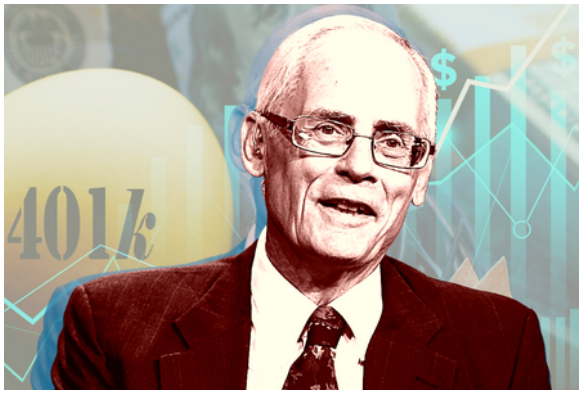

Image Source: CNBC TED BENNA "FATHER OF 401K"

Once the government realized that the 401K provision caused a colossal tax loss, it tried to eliminate it twice. The name "401K" comes from a part of the IRS tax code. This part was added in 1978, but no one paid much attention to it for the first few years until Benna, a smart consultant, created the first 401k savings plan by creating a creative way to read that clause. In 1981, Ted Benna, a retirement benefits consultant, developed the idea for 401K plans as we know them today. He made the plan for a client, but the client didn't use it because he feared that the 401k provision would be taken away if the government found out the project could cause tax loss. Benna then got his own company to use it after the client said no. This was the start of the first 401K savings plan.

Originally designed as a tax write off for employers, there is now about $3 trillion being held across the country in these accounts. Ted Benna, the creator of the 401k, has recently stated, “It was never intended to be the primary vehicle for saving for retirement. It was a little fluky thing stuck in an end of year tax bill.”

A 401K is a retirement plan that lets you put money away without paying taxes. The name comes from a section of the Internal Revenue Code that enables an employer to set up a retirement plan in which employees can put money before taxes are taken out. This section also lets the employer match contributions made by employees with tax-deductible donations made by the company. In a tax-deferred trust, earnings from all contributions can build up.

Retirement: What The Future Holds For Employees With A 401(k)

The future of employees who have a 401(k) plan, in terms of their retirement savings, is uncertain.

With the recent collapse of the stock market, many Americans are concerned about the security of their 401(k) plans. The older generation, who are nearing retirement age and rely on their 401(k) plans to provide for them, may be particularly worried about how much money they'll have to live off when they stop working.

The younger generation, who are just starting out in their careers, may not even have started saving yet. They're worried that they might not be able to save enough before they retire and that they'll have to work until they die in order to make ends meet.

Many Americans are seeking alternatives to traditional retirement planning methods because they don't trust those methods anymore. Some people are turning toward cryptocurrencies as an alternative investment vehicle; others are switching over to self-directed IRAs (which means they're responsible for managing their own investments).

401(k) plans also have some risks that you should be aware of. If you leave your job before you retire, you might not be able to keep your money in your 401(k) plan. This can happen if your company goes out of business or if it decides to change its 401(k) provider.

Another risk is that your investments may not perform as well as you'd hoped. If this happens, you may need to make up the difference between what you've saved and what it costs to live in retirement. This can be especially difficult if you don't have other savings options available.

It's also important to remember that there are fees associated with 401(k) accounts—fees that could reduce your account balance over time if they're not managed properly by your employer or invest-ment company.

If you are looking for an instrument to save for retirement that earns respectable interest, tax free, there are specially designed whole life insurance savings accounts that work as a very beneficial vehicle to carry long term savings over the decades. Designing these accounts is a specialty for the writer of the Metropolis Monthly.

If you are interested in further info on this subject, go to
https://www.milliondollarnestegg.com/bnb

Image Source: CNBC

Should You continue down the 401k path after leaving an employer?

If you're contributing to a 401(k) plan, you're probably doing it for the long-term benefits and the financial security it can bring. Unfortunately, your money may be going differently than you think it is.

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Grow your Retirement and Beat Inflation with the GOLDEN PRIVATE VAULT Strategy

In 1971, the USA stopped redeeming its dollars in gold. Excessive government debt and money printing had caused the gold price to rise way above the fixed redemption price. The United States dollar was backed by gold up to that point. Most other countries around the world had already abandoned their own gold standards and instead pegged their currencies to the United States dollar. To maintain demand, the U.S. persuaded Saudi Arabia to change pricing Petroleum to dollars instead of gold.
The financial turmoil and debt problems in recent years have reinvigorated the debate about returning to a gold standard, particularly as gold prices have risen sharply.

contact Chad for the Golden Private Vault Retirement Strategy

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If you've changed jobs, you may have noticed that your 401(k) account often gets left behind with your former employer. And that's where the problems begin.

When you leave a company, there are two main ways to handle your 401(k): leave it with the company or transfer it to another plan. Forced transfers are when employers require employees to transfer their old 401(k)s into a new one.

The problem with forced transfers is they often result in lower investment gains than if you had stayed invested with your original provider or rolled over on your own. Because of this, many people lose money by transferring their accounts when they change jobs — especially if they're younger workers who haven't had time to build up a lot of savings in their accounts yet.

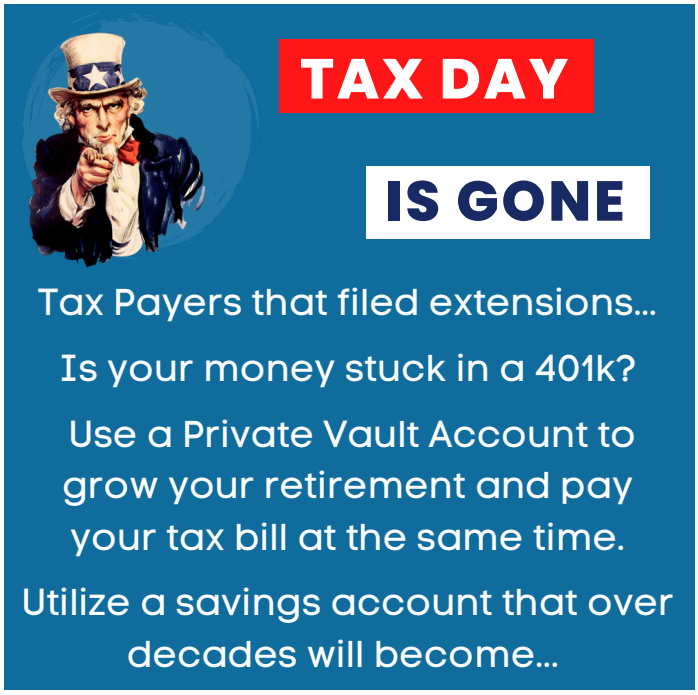
How big is the housing shortage? Are we becoming a nation of renters?

As interest rates and inflation rise, home purchases decline, but the need for affordable housing still grows.

Over the next five years, we will be building 1,000 houses near Reno. We have room for a few more partners. If interested contact Chad.

Paying your taxes and building a Million Dollar Nest Egg with a Private Vault Account

ALTERNATIVE: A Private Vault Account... you can save after tax money into a specially designed life insurance policy. This is strategy often used by the wealthy and allows you to save and grow your "after tax" money at over 5% a year... and unlike a 401k, you can borrow money out of it while your retirement continues to earn compound interest, even if it takes you years to pay back your loan. The bonus... it grows tax exempt.



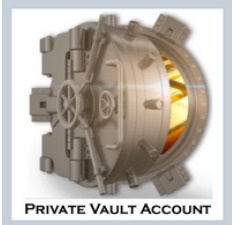
a tax exempt

MILLION DOLLAR NEST EGG

for retirement

for a short video on how it works, go to:

MillionDollarNestEgg.com



Saving in 2022 doesn't look like it did in 1992. A Private Vault Account might be a good fit for you.

Image Source: CNET

5 Reasons to Find an Alternative for a 401(k)

1. You Must Be 59.5 Years Old to Access Your Money

A significant issue is that you can only access your money from a 401(k) once you're 59.5 or older without being forced to pay a penalty.

2. The Employer Match Myth

Your employer is not providing you with free money. Companies might offer higher compensation if they don't match 401k contributions. According to research by the Center for Retirement Research using tax information, "for a dollar an employer (on average) gives to a 401k match, they pay 99 less in compensation." Simply put, the employer match is a reallocation of your current compensation package to what the business can pay you based on your skill set.

3. Possible Delayed Matching and Vesting Schedules

According to a vesting schedule, the employer may demand a particular number of years of employment before the matching contributions become the employee's property.

Your employer can recoup some or all of its matching payments, depending on the conditions of your 401k plan and if it has a vesting timeline. In other words, if you quit your work too soon, it will take your money back.

4. Limited Options for Investment

The fact that 401(k) plans limit your investing alternatives to a minimal number is another issue I have with them. A 401(k) plan usually does not allow you to invest in particular stocks or bonds. You may have to select from a list of authorized mutual funds and exchange-traded funds. Additionally, you cannot directly invest in real estate, which is one of the all-time most effective methods for accumulating money.

Rolling your plan into an IRA and using the proceeds is the closest you can get to investing in real estate with your 401(k) assets. Although you cannot directly manage real estate owned within an IRA, you would still need to employ a real estate management firm.

Additionally, it is challenging to engage directly in private placements, initial public offers (IPOs), and other investment vehicles that may offer you higher returns using a 401(k).

Most 401(k) plans also forbid participants from making direct investments in pricey items, such as buying gold or silver bullion or coins. Simply put, you'll only have access to investments that have been "whitewashed" and approved for general consumption. Consequently, you will receive, at most average outcomes. Do you desire that for your financial situation?

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5. Paper-only Assets (No Hard Assets)

As previously mentioned, 401(k) plans severely restrict your investment options, usually limiting you to target-date funds, exchange-traded funds, and mutual funds. (No real estate or favorable terms for you!)

Sadly, none of these are hard assets; instead, they are all paper assets. Paper assets do not have genuine value inherent like hard assets do. Which one is most likely to remain stable during economic downturns and recessions? Would you take a dozen chickens and an apple orchard if there was a severe recession in America and you were having trouble feeding your family? Or would you rather own a document that stated you were entitled to a dozen chickens and an apple orchard?

Which scenarios would carry a more considerable inherent risk, especially during a recession?

Is a 401k Worth It?

As you now know, 401(k)s are one of the poorest resources for accumulating money.

When you finally reach the age of 59.5, a 401k will, at best, give you a modest retirement nest egg. This strategy is fragile, as suggested by the name "nest egg."

Wall Street pushes the 401(k) because there are 55 million employees contributing to the plans, which have assets worth more than $5 trillion. That is $5 billion with TWELVE zeros.

Why do the vast majority of Americans still struggle to make ends meet if our 401(k) system works for these hardworking people?

If the 401(k) plan is a fantastic retirement tool, why do 40% of Americans not have $400 in savings for emergencies? For the majority of Americans, the 401k is a horrible investing option.

Metropolis

me·trop·o·lis

/mə'träp(ə)ləs/

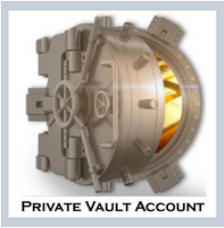
noun

the capital or chief city of a country or region.

By definition, a Metropolis is a large city, and there are over 384 metropolitan areas in the United States according to Census.gov. While they all have different shapes, sizes, and locations, the one thing they all share, along with rural areas, is that we all use money to navigate through it.

While some might think "Money" is a dirty word or just a piece of paper we use to buy material objects, it is really just storage for our most precious and limited commodity... time. Since many of us spend the majority of our time each week earning money, shouldn't we spend at least a small portion of our time learning how to wisely save and maximize it?

Interested in an inflation buster?



Some economists estimate the current inflation rate to be higher than reported and over 9% per year. Holding your savings within a mutual company might be a better alternative than traditional savings account. Contact Chad for details.

AN INTRODUCTION TO THE NEWSLETTER

Hello, my name is Chad Mitchell, and I would like to welcome you to the very first issue of my monthly news letter, The Metropolis Monthly. I designed it to share new updates and ideas on our constantly evolving economy and to spark a sense of financial interest in my fellow Americans, especially the middle class.

Like most of us, I started from small beginnings. Back in 1993, at age 16, I worked a $4.25 per hour minimum wage job to save money for my first car, which cost me $600 (or over 142 hours at that earning rate).

While hard work might teach us the value of a dollar, it does not teach us the best way to save, spend, and maximize that dollar.

Adult financial freedom isn't just for the mega-rich; anyone can learn and benefit. From inflation to interest rate changes to cryptocurrency, we are going to explore all of those topics and many more in the months ahead.

Do you have an idea for a topic you would like us to discuss in a future issue?

text or email your idea to

CMitchell@Metropolis-Equity.com

323-401-9177

Mitchell's Monthly Rant

The best time to plant a tree was 20 years ago. The second best time to plant a tree is today.

Like most of us, I would love to go back five years in time with what I know now, especially since I have acquired two different finance licenses since then and can now offer most "average Joe's" many different savings and lending programs that I did not know existed a half decade ago when I was flipping houses.

If you would like to discuss my generational wealth building savings accounts or a loan program, I am happy to do so, but this letter is not meant to be a sales pitch, nor is it intended to be financial advice.

Adult financial freedom isn't just for the mega-rich; and when our neighbors and family members don't take interest in learning, it eventually affects us all as a country.

Humanity has gone from trading chickens on the barter system, to using tulips as a store of value (shout out to the 17th century Dutchmen), to using gold, to using paper notes, and now to digital currency. This is the most exciting and confusing time in the history of mankind using money in a society. And with the government printing so much money during the pandemic, the mighty US dollar might not remain the global currency forever. Learning about new financial programs is for everyone. Let's learn together.

Thanks for reading the maiden voyage of this newsletter, and I look forward to hearing from anyone that actually made it all the way through it.

CTM.