

When Will Your Tax Freedom Day® Be This Year?

Based on 365 working days per year, Tax Freedom Day in 2007 was April 30th. This means that in 2007; Americans worked 43 DAYS for individual income taxes, 30 DAYS for social insurance taxes, 16 DAYS for sales and excise taxes, 12 DAYS for property taxes, 14 DAYS for corporate income taxes, 4 DAYS for other taxes, and 1 DAY for estate and gift taxes for a total of 120 DAYS. (That's 1/3 of a year!)

Yes, you read that correctly, 120 days were spent working just for taxes (Federal-79; State and Local-41). You see, this includes hundreds of taxes people don't even know about. Did you know that every loaf of bread has 72 different taxes hidden in its price? As one IRS auditor stated, "The trick is to stop thinking of it as your money."

So what if you were to legally reduce your income taxes? This would mean you work less for the government and have more money for wealth creation for yourself and your family.

Many politicians would have us believe that middle- and low-income brackets pay all the taxes while the rich pay none. Though the idea is great for votes, the facts are different. In reality, the top 10% of taxpayers pay 61% of all income tax and the top 22% of taxpayers pay 42% of all income tax. The sad truth is that the bottom 40% of taxpayers pay less than 1% of all income tax, yet require the bulk of all federal, state, and local expenditures.

One of the MOST IMPORTANT WAYS to reduce your income tax is with pension plans. You notice this is plural. Max out as many of them as allowed. A 401(k) is a great tool to reduce income taxes AND help with your own wealth creation. Why is this?

FIRST—A 401(k) equals 100% return year after year. Just think, if you're married, both work and contribute to a 401(k) this would add to your wealth creation even faster.

SECOND—All contributions you make (up to \$15,500 per year) are tax deferred. You pay income tax on your income AFTER that amount has been deducted. (ie. If your yearly income is \$50,000 and you contribute \$15,500 to your 401(k) then you only pay income tax on \$34,500—a significant income tax savings).

THIRD—The earnings are tax deferred, you only pay taxes when the money is withdrawn at age 59 1/2 or older.

FOURTH—Any money your employer matches and contributes is FREE money for you.. Find an employer who matches 50% of your contribution and you have \$7,525 added each year to your wealth creation.

A very interesting online calculator I just found is www.bloomberg.com/invest/calculators/401k.html. Have fun inputting different scenarios and remember to view the report. It shows the numbers used for the calculations. The interesting part is where it talks about the totals; the total you contribute, the total your employer contributes, the total value at the age you input, and the total without the employer



"This book is probably the best book on financial planning in existence today! It takes the theory of finance and makes it easy to understand and follow with achievable results."

George O. Ogum, Ph.D.
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match. It's an awesome way to quickly see how a 401(k) is great way to become a millionaire. I especially like where it shows the totals with and without the employer match. That difference is FREE money for your wealth creation.

Here's another easy way to legally lower your taxes. And generally speaking, anyone can become a millionaire just with this one item—keep your money and invest for yourself.

The average yearly tax refund for 80% of taxpayers is \$2,500. Instead of giving the IRS an interest free loan, add the money to your paycheck and invest your money for yourself. Go to your Human Resources Department and increase your dependents on a new W-4 form to increase your take-home pay by \$2,400 a year. A \$100 refund will avoid an underpayment penalty.

So let's invest your "refund." \$2,400 divided by 52 weeks = \$46.15 (rounded to 2 decimals). Invest \$46.15 weekly at 15% compounded annually.

15%! Are you nuts? Who earns 15%?

Well lots of people achieve this rate of return and more. I've earned an annual average of 15% for over 50 years. So to continue with this example . . . In 20 years you have \$48,000 invested and your investment return is \$304,902. In 30 years you have \$72,000 invested and your investment return is \$1,422,102. Isn't that a bit better than receiving just a refund?

Please, take care of your own financial future. Empower yourself and make the choice to become a millionaire or a multimillionaire.

PLEASE NOTE: These calculations are from interactive online calculators and are not intended to provide investment advice. Taxes and inflation were not considered for obvious reasons.

*Remember that Wealth is a Matter of Choice—Yours Alone.
Choose today to become a millionaire, to focus on your wealth creation,
to create a life you love for you and your loved ones.*

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Paul Damazo

80 Proven Ways to Become a Millionaire was published in May 2007. It is an Award-Winning Finalist in Personal Finance category of the National Best Books 2007 Awards by USA Book News. Included are Paul's proven investment strategies that earned him an annual average return of 15% or more for the past 50 years. Flip to any easy-to-glean page and find neatly divided charts, actual results, and action lists that can be implemented today. It is a "brain dump" of what he taught for over 20 years at his Wealth Creation and Wealth Preservation seminars. He loves to help people, especially young people, to have a more rewarding, happy life as they make better financial decisions. He wants to improve the financial literacy of each person in this country.

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