The Best Option to Invest $1 Million Dollars?!

What does $1 million dollars seem like to you?

For individuals earning a living and making less than $100,000 a year, a million dollars probably sounds like winning the lottery, enough money to last a lifetime, or at least it used to. For a 65 year old today with a million dollars earning 6% per year, that would provide around $75,000 a year for 25 years.

For a billionaire, $1 million dollars may not even be worth his or her time.

Regardless of how much money a person makes, living within their means is a better definition of wealth than the amount of money listed on a tax return. So what is the best way to invest a million dollars?

	To Invest	Must Gross		Tax		Tax Paid	NET
After Tax	$1,000,000.00	$2,000,000.00		50.00%	Paid up front	$1,000,000.00	$1,000,000.00
Pre-tax	$1,000,000.00	$1,000,000.00		50.00%	Deferred	$500,000.00	$500,000.00
Option 3	$1,000,000.00	$1,000,000.00		25.00%	Deferred	$250,000.00	$750,000.00

Certainly purpose and intent play into every investment decision. In comparing investment options, one good option does not make another options bad. Maximizing the benefits of each option, and how those options work for you is most important. For example, participating in a company sponsored 401K plan is a great option for maximizing the benefits of tax deferral, utilizing free money – company matching. While on the other hand, purchasing life insurance with after tax dollars maximizes the dollar as the investment provides multiple benefits both immediate, and long term.

The point of the graph above is to recognize some **key facts**:

- Tax is tax. Whether tax is paid up front or deferred, for high net worth individuals the timing of the payment of the tax is very relevant, however they most likely will pay the highest tax regardless of pre-tax or after tax strategies.
- The challenge with after tax investments is purchasing power, having to gross twice as much as the investment itself which is costly.
- The challenge with pre-tax investments often include the lack of flexibility, not being able to invest as much as desired, or having to wait until age 59 ½ to utilize, or being required to distribute funds at age 70.

Option #3

- **C**ontrol and flexibility of your assets
- **A**ll the pre-tax benefits including deferment, interest on interest, principal and tax
- **P**re-tax assets may purchase other assets
- **T**here are definite boundaries and regulation
- **I**nvolves frictional expenses
- **V**alid business owners or operating companies qualify
- **E**ven payments may be quarterly, semi-annually, or annually
- Converts future tax from Ordinary to long-term capital gains rates

It's not a debate, each option has purpose and value. Individual circumstances should determine how and when each investment is utilized. Diversity is good, maximizing benefits of each investment vehicle is maximizing your dollar. Any time that investment serves multiple purposes, it provides even more value. 1 +1 = 3 or more!

Maximizing your dollars is efficient and creates

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Disclaimer 1 - **These figures are for illustrative purposes only and should not be construed as guarantees of any kind. Furthermore, these mathematical figures do not account for tax ramifications, investment volatility, or fees of any kind. These numbers are not intended to represent any investment perfectly and will only reflect the mathematical equations upon which they are built. Consult your investment advisor before making any investment decisions. Securities offered through RedHawk Wealth Advisors.*

Disclaimer 2 - ** Based on Current Tax rates, simplified and rounded off*

Ordinary income 50% = Fed, 37%, State 5%, AMT 3.8%, Obamacare 3.8% = 49.6

Long Term Cap Gains 25% = 20% + 5% Federal and State

Disclaimer 3 - ** Your tax rate may vary based upon the State in which you reside, corporate structure, employment status, and a long list of additional variables.*

Disclaimer 4 - ** $1 million dollar investment may be less, or significantly more (up to $2.65mm per year).*