



# Wizard

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Introductory Industry Report

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## Understanding the Retirement Planning Landscape

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Welcome to the Wizard Retirement Guide, a comprehensive resource designed to illuminate the path to a secure and prosperous retirement. In the ever-evolving landscape of financial planning, the choices we make today have profound implications for our future. Whether you're just embarking on your retirement journey or seeking to optimize an existing plan, this guide aims to provide clarity, insight, and actionable strategies to help you navigate the complexities of retirement planning.



In this guide, we delve deep into the world of retirement accounts, demystifying the nuances between Roth and traditional options, and shedding light on the tax implications that can significantly impact your savings. We also explore the foundational assets typically found in a retirement portfolio, from stocks and bonds to ETFs and mutual funds, offering a clear understanding of their roles and potential benefits.

But knowledge is only the first step. At Wizard, we believe in the transformative power of strategic asset allocation. Thus, we'll introduce you to our unique approach, where intentionality meets expertise, ensuring that your investments are not just diversified, but strategically positioned for optimal growth.

Consider this guide as your roadmap, crafted by a team of veteran investors at Wizard, to help you navigate the retirement planning journey with confidence and foresight. We invite you to explore, learn, and harness the insights within these pages to build a retirement plan that stands the test of time.

Let the journey begin.

# Understanding Different Retirement Account Types

## 1. Traditional IRA

- **Overview:** A Traditional IRA allows individuals to make pre-tax contributions, which means the money you contribute reduces your taxable income for the year. The investments grow tax-deferred until retirement.
- **Key Features:**
  - **Tax Deductions:** Contributions may be fully or partially deductible, depending on your income and whether you or your spouse are covered by a retirement plan at work.
  - **Withdrawal Age:** Money can be withdrawn without penalty after age 59½. Early withdrawals may be subject to a 10% penalty unless specific conditions are met.
  - **Required Minimum Distributions (RMDs):** Mandatory withdrawals begin at age 72.
- **Benefits:** Ideal for individuals who expect to be in a lower tax bracket during retirement. It offers immediate tax benefits.

## 2. Roth IRA

- **Overview:** A Roth IRA is funded with post-tax dollars. This means you pay taxes on the money before you contribute, but qualified withdrawals are tax-free.
- **Key Features:**
  - **Tax-Free Growth:** Earnings and principal can be withdrawn tax-free after age 59½, provided the account has been open for at least five years.
  - **No RMDs:** Unlike Traditional IRAs, Roth IRAs have no required minimum distributions during the owner's lifetime.
  - **Flexibility:** Contributions (but not earnings) can be withdrawn tax-free and penalty-free at any time.
- **Benefits:** Best suited for individuals who anticipate being in a higher tax bracket in retirement or those who value tax-free withdrawals.





### 3. Trad + Roth 401(k)s

- **Overview:** These are employer-sponsored retirement plans. The traditional 401(k) is funded with pre-tax dollars, while the Roth 401(k) uses post-tax dollars.
- **Key Features:**
  - **Employer Match:** Many employers match a portion of employee contributions, effectively providing "free money" for retirement.
  - **Higher Contribution Limits:** Compared to IRAs, 401(k) plans often allow for larger annual contributions.
  - **Loan Options:** Some plans allow participants to borrow against their 401(k) balance.
- **Benefits:** Ideal for employees whose companies offer matching contributions. It allows for substantial savings, especially with the added benefit of employer matches.

### 4. SEP + Simple IRAs

- **Overview:** These IRAs cater to the self-employed and small business owners. They offer higher contribution limits than traditional or Roth IRAs.
- **Key Features:**
  - **Higher Contribution Limits:** SEP IRAs allow employers to contribute up to 25% of an employee's wages, up to a certain limit. SIMPLE IRAs have a set contribution limit that's higher than traditional IRAs but offer matching contributions.
  - **Flexibility:** Especially beneficial for businesses with variable profits as the contribution amounts can vary year by year for SEP IRAs.
  - **Employee Participation:** For SIMPLE IRAs, employees can also contribute a portion of their salary, and the employer must make matching contributions.
- **Benefits:** These plans offer flexibility for small businesses and self-employed individuals, allowing them to save more for retirement than traditional retirement accounts.

# The Tax Tale of Retirement Accounts

## *Navigating the Roth and Traditional Landscapes*

### Trad Path.

Traditional retirement accounts, such as the Traditional IRA and 401(k), offer an immediate financial advantage. Contributions made to these accounts are tax-deductible in the year they are made, effectively reducing your taxable income. Over time, the investments within these accounts grow tax-deferred, meaning you won't pay taxes on dividends, interest, or capital gains annually. However, there's a trade-off. When you start withdrawing funds in retirement, those distributions are taxed as ordinary income. Additionally, these accounts come with Required Minimum Distributions (RMDs) starting at age 72, ensuring the government receives its share of taxes.

### Roth Path.

Roth accounts, like the Roth IRA and Roth 401(k), operate on a different principle. Contributions are made with post-tax dollars, meaning there's no immediate tax deduction. However, this initial sacrifice paves the way for a significant benefit in the future. The investments within a Roth account grow tax-free, and when it's time to withdraw in retirement, those distributions are also tax-free. This can be especially advantageous if you anticipate being in a higher tax bracket during retirement. Unlike their traditional counterparts, Roth IRAs do not have RMDs during the owner's lifetime, offering more flexibility in retirement planning.

### How to choose.

The decision between Roth and Traditional often hinges on one's current tax situation versus anticipated future tax rates. If you believe you're in a higher tax bracket now than you will be in retirement, the Traditional route might be appealing for its upfront tax relief. Conversely, if you anticipate higher taxes in retirement or want to hedge against future tax rate uncertainties, the Roth offers long-term tax-free benefits. Both paths have their merits, and the best choice often depends on individual financial circumstances and retirement goals.

# Breaking Down The Elements

## Stocks

These are essentially shares in a company. When you buy a stock, you're buying a piece of that company. Stocks are known for their potential to deliver high returns, especially over the long term. However, they can be volatile, with prices that can dramatically rise or fall based on a myriad of factors. Historically, stocks have outperformed other asset classes, which is why they are often the foundation of growth-focused portfolios.

## Bonds

Think of bonds as IOUs. When you purchase a bond, you're lending money to the issuer, be it a corporation, municipality, or government. In return, the issuer promises to pay you regular interest over the life of the bond and return the principal when the bond matures. Bonds are typically less volatile than stocks and are seen as a more stable investment. However, this stability often comes with lower returns compared to stocks.

## ETFs

ETFs are a hybrid of sorts. They are traded on stock exchanges, much like individual stocks. However, instead of representing ownership in a single company, they track a particular index, commodity, or sector. This means that when you buy an ETF, you're essentially investing in a collection of assets, be it stocks, bonds, or other securities. This provides instant diversification, which can help mitigate risk.

**The foundation of a resilient portfolio lies not just in diversifying across various assets but in the strategic balance of these assets. The essence of asset allocation is to optimize returns for a specific level of risk. By diversifying investments, the potential underperformance of one asset can be counterbalanced by the strong performance of another. For instance, during periods when stocks may be underperforming, bonds might be thriving, and vice versa. The ultimate aim is to curate a mix that offers the highest probability of achieving your financial goals while staying true to your risk appetite.**

**Enter Wizard's unique approach to asset allocation. While diversification forms the bedrock of our strategy, it's the intentionality behind each investment decision that sets us apart. We don't believe in a one-size-fits-all approach or in merely scattering investments across the spectrum. Instead, our team of seasoned investors delves deep into the nuances of different stock sectors, leveraging their expertise to forecast and position your assets in areas with promising growth potential.**

**With Wizard, you're not just diversifying; you're making calculated, strategic moves. We ensure that every piece of your portfolio is positioned not just for the sake of balance, but for optimal performance, both now and in the future.**



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*Where your financial  
future is **NOT** a  
formula.*