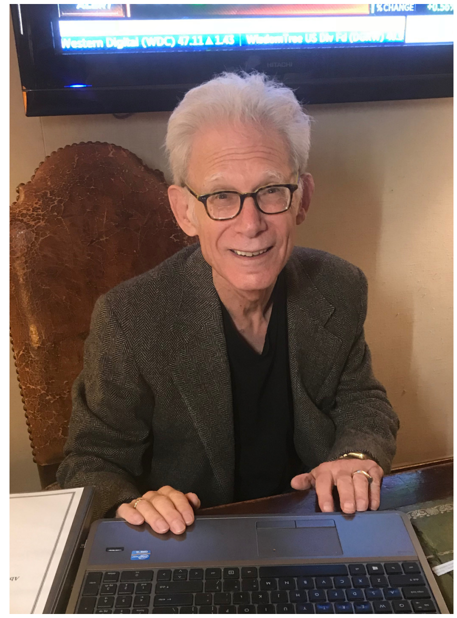
PSYCHOLOGISTS WHO PROCRASTINATE: YOUR MONEY CAN'T WAIT



By: Steve Abramowitz, Ph.D.

Procrastinators get a bad press, and it's not all fake news. Psychologists are not immune. We are notorious for delaying deposit of our own checks and staring down those obnoxious insurance forms. But if procrastinators can overcome their inclination this one time, they have an opportunity to redeem themselves and thwart IRS before the April 15 filing deadline. If you open and fund a traditional IRA retirement account in the next few days, you can deduct the contribution on your 2018 return. And all of your earnings--interest, dividends and capital gains---will not be taxed until the time they are withdrawn.

So what's the catch? Well, the allowable limit is $5,500 ($6,500 if you're over 50). In addition, all your money—contributions, interest, dividends and capital gains—is taxed at your ordinary rate in the year it is withdrawn. The game then is for you to make the bulk of your withdrawals in years in which your income and therefore tax rate are low. An alternative retirement plan known as a Roth IRA would not tax those withdrawals. But contributions to it are not deductible. So where to go?

Method To the Madness

Hustle over to Charles Schwab (or Fidelity Investments). Why them? Because they're the biggest, they have access to the most mutual funds, they're very inexpensive and they have no initial investment minimum. What's inexpensive? Well, let's say you throw $5,500 ($6,500 if over 50) into the Schwab Total Market Index Fund. There is no commission and the annual management fee is a microscopic .03%. Not 3%, not .30%, but just .03%. Even if Intro to Statistics was a stretch, you can see that your $5,500 contribution multiplied by the .03% fee computes to an annual fee of $1.65 (not a typo). This figure is confirmed in a cost analysis performed by Morningstar, the leading mutual fund advisory service. That's right, you can invest $5,500 (or any smaller amount) and deduct it on your return for under $2.00! This is not like one of those so-called promotions from Comcast that usually last for 6 months before you get bumped by a rate increase. It remains throughout your investment in the fund. In case you need one more incentive, you will incur no sales charge when you withdraw. What's with these guys? How can they do this? Simple. It's a marketing ploy. They are inviting you under their umbrella so they can be your one-stop financial marketplace and peddle more lucrative products like insurance and pricier (even if unspectacular) funds. If your representative recommends a different (almost guaranteed more expensive) fund, you can remind her that the Schwab Total Stock Market Index Fund gets a rating of A from Morningstar.

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Dynamics of the Initial Session

You will not be the only procrastinator converging on Schwab this late in the game. As April 15 approaches, fellow procrastinators stampede to their brokers to make their retirement contribution and claim their deduction. You may be the prey of a kind of triaging where you are advised to fill out the necessary forms yourself at www.schwab.com. Unless you are an experienced investor, I would decline. The new account forms are not daunting, but they could be a challenge for some and too anxiety-provoking for many of you to go it alone. Better to make an appointment and connect with a representative you like and trust. After all, you may need to call after your knees buckle at seeing all those red numbers on the evening news. Don't be intimidated. You're a psychologist, so use what you know. If a prospective representative is too aggressive and especially if he recommends substituting one of those costly (but hardly superior) funds for the Schwab Total Stock Market Index Fund, run like hell. There's more than one rep in a brokerage house.

Be forearmed and forewarned. You will not be devoured by the Wolves of Wall Street. Think of entering the Schwab branch as if you were on your way to making a deposit at your bank. Mutual fund money management companies are disproportionately dependent for their profits on the amount of assets they manage. They need your money as much as you need their expertise.

You still have a few days to mull things over. For the uninitiated all this may come off as a pitch from HSN or AT&T. It isn't. I've done this kind of thing for almost 50 years. This is not a magic trick. Nor is the quality of your retirement.

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