

Building Wealth With an IRA or 401(k)

In this research report you will learn:

- **Using Self-Directed IRAs and 401(k)s to Build Your Future**
- **How To Secure a Lifetime of Tax-Free Income**
- **A Surefire Way to Make Every Gain Tax-Free**
- **An Incredibly Simple Way to Beat Low Interest Rates**
- **9 Critical 401(k) Questions to Ask if You Own a Business**

Channel Capital Research Institute, LLC
621 Shrewsbury Avenue
Shrewsbury, NJ 07702
(732) 842-5700
www.channelcapitalresearch.com

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In this special report we will take a close look at how you can build your wealth with the strategic yet simple use of a self directed IRA or 401(k). The concept of self-direction is sanctioned by the Internal Revenue Code. In fact, the Code gives us a strategy that allows for tax-free wealth accumulation in our own lifetime, and even for our heirs, provided we know how to use it.

Most of us, even financial professionals, do not realize the full power of this strategy. Self-direction of the investments in retirement plans is not new. It was part of the government's plan in the 1970's to help us save for our increasingly long and expensive retirement years.

The self-directed strategy requires that we have an independent custodian and administrator for our IRA or other acceptable plan. Unlike banks, brokerage houses and other institutions that act as non-self directed custodians, this self-directed custodian must not offer investments. The purpose of the self-directed plan custodian is facilitator of our investment choices.

This hands-off requirement poses two problems for the investor, both of which are solved for you with the Follow the Fed® strategies.

Problem #1: Most investment institutions or financial professionals will not encourage you or facilitate your opening a self directed account, as they do not make money unless they sell you an investment.

Solution: At the Channel Capital Research Institute we know that our strategy can build “off the charts wealth” when used in a tax-deferred account or, better yet, in a self-directed tax-free Roth IRA account.

Problem #2: Self-direction requires you to choose the type of plan you want and the investments you put in them. You need to be a savvy investor.

Solution: The Channel Capital Research Institute provides you with a turn-key investment strategy that makes all the difference to your future wealth, and performs best over time with tax advantaged accounts. With the information in this special report you will have the know-how to marry the benefits of self-direction with a Follow the Fed winning strategy.

You will find that there is a great deal of eye opening information in the pages of this report. We suggest you get a pencil and paper and take notes as you read. We also know that personal financial decisions are often made together with a spouse, so whether you read this report separately or together, discuss it and take advantage of the information you'll be getting from us.

Wealth Principle #1 - Self direction of your retirement plan is essential as pension plans and the “security” of Social Security fade, and we enjoy greater longevity.

According to Hugh Bromma, the Founder of Entrust (one of the largest administrators of self directed plans), of the over \$14 trillion in Retirement Plans today, more than \$560 billion is invested through Self-Directed IRAs and 401(k)s. This means that individuals and employers have decided to invest in those assets that they believe will give them the returns, diversity and allocation they choose.

Many factors today warrant a more complete understanding of self-directed investments by all investors and professionals. The number of plans and participants covered by defined benefit pension plans has been decreasing steadily. Covered participants declined from 687,000 in 2000 to 636,000 in 2004 (Source: National Compensation Survey: Employee Benefits In Private Industry, March 2006, U.S. Department of Labor, U.S. Bureau of Labor Statistics). Many newspaper headlines have called attention to major US companies that have eliminated the employee pension benefit. In fact, in the 90 days prior to January 17, 2006, the Wall Street Journal, New York Times and Dow Jones Newswire listed over 500 articles about pension plans.

The number of Social Security beneficiaries will continue to rise as the funding necessary for their support continues to be at risk. In 1990, there were 39.8 million Americans collecting Social Security, and by 2006 that number rose to 49 million (Source: How Not to Go Broke at 102: Achieving Everlasting Wealth, John Wiley & Sons 2008). Terms like “Social Insecurity” and the “Social Security Tsunami” are recognizable jargon in the news and blogs.

The phrase Social Security Tsunami was coined for the first of the Baby Boom Generation who began collecting their benefits. This is only a warning of the tidal waves to come. Additionally, Baby Boomers are unprepared to fund their retirements, especially considering the increase in health care services and drugs they’ll need as their life expectancies have also risen. The latest statistic from the Center for Disease Control’s National Center for Health Statistics reported that current life expectancy is 77.9 years nationwide across all gender and ethnic demographics. This is a steady rise from 75.8 years in 1995 and 69.6 years in 1955 (Source: Center for Disease Control Health Statistics 2004).

Wealth Principle #2 - Make maximum contributions for maximum wealth.

Contributions to IRAs add up, and allowable contributions are on the rise. Remember, there are no small IRAs, only small investment thinkers.

If you have more than one IRA, the limit applies to the total contributions made on your behalf to all your IRAs for the year. You can possibly even make a contribution for a non-working spouse. And if you are over the age of 50 you may contribute an amount in excess of the basic annual contribution. This excess amount is presently \$1,000 for 2008 and 2009.

Contributions can be made to your Traditional IRA at any time during the year or by the due date for filing your return for that year, not including extensions. For most people, this means that contributions must be made no later than April 15 of the subsequent tax year.

Contributions are not required, and you may always skip a year.

Comparison of contribution levels among plans

Summary of Maximum Allowable Contributions

| MAXIMUM CONTRIBUTIONS TO RETIREMENT PLANS | | | | | | | | |
|---|---|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| IRAs (REGULAR and ROTH) | | | | | | | | |
| Up to age 50 | | \$3,000 | \$3,000 | \$4,000 | \$4,000 | \$4,000 | \$5,000 | \$5,000 |
| Age 50+ | | \$3,500 | \$3,500 | \$4,500 | \$5,000 | \$5,000 | \$6,000 | \$6,000 |
| 401(K), 403(B), 457, and SAR-SEP PLANS | | | | | | | | |
| Up to age 50 | | \$12,000 | \$13,000 | \$14,000 | \$15,000 | \$15,000* | \$15,000* | \$15,000* |
| Age 50+ | | \$14,000 | \$16,000 | \$18,000 | \$20,000 | \$20,000* | \$20,000* | \$20,000* |
| SIMPLE IRAs or SIMPLE 401(K) s | | | | | | | | |
| Up to age 50 | | \$8,000 | \$9,000 | \$10,000* | \$10,000* | \$10,000* | \$10,000* | \$10,000* |
| Age 50+ | | \$9,000 | \$10,500 | \$12,000 | \$12,500 | \$12,500* | \$12,500* | \$12,500* |
| SEP-IRAs | | | | | | | | |
| Self-employed individual or employer | Whichever is less: \$40,000 or 25% of compensation. Deduction limit is 20%. (\$45,000 for 2008) | | | | | | | |

*Indexed to inflation in \$500 increments

Wealth Principle #3 - For best results, use this chart to choose your plan.

One important decision you will make is what type of account to open. To help with your answer to this question, walk through the chart below, and discuss this with the custodian of your choice.

Investor Decision Table: Which Plan Works For You?

IRA/Qualified Plan Selection Flow Chart

| | | | | |
|---|------|---|----------------|--|
| Do You or Your Spouse Currently Receive Earned Income (W-2 or Schedule C or F)? | NO ⇒ | You are not Currently eligible for an IRA or Qualified Plan | | |
| YES ↓ | | | | |
| Are you self-employed? | NO ⇒ | Does Your employer offer a qualified plan, such as a Defined Benefit, 401(k), Profit Sharing and or Money Purchase Plan, and or a Simplified Employee Pension Plan? | NO ⇒ | You are eligible to make fully deductible IRA contributions, and if eligible those contributions may be to Roth IRAs |
| YES ↓ | | YES ↓ | | |
| | | You may make IRA contributions, and, if you are eligible, those contributions may be to Roth IRAs. The deductibility depends on your earnings | | |
| Do You have a Qualified Plan, such as a Defined Benefit, Profit Sharing, or Money Purchase Pension Plan | NO ⇒ | You may establish a Qualified Plan, which includes a Defined Benefit Plan, Profit Sharing Plan and Money Purchase Plan. If You establish such a plan: | If you don't ⇒ | You may make IRA contributions, and if eligible those contributions may be to Roth IRAs. SEP and SIMPLE IRAs are other options |
| YES ↓ | | YES ↓ | | |
| You may make IRA contributions, and if you are eligible those contributions may be to Roth IRAs. The deductibility depends on your earnings | | You may make IRA contributions, and if you are eligible those contributions may be made to a Roth IRA. The deductibility depends on your earnings | | |
| Do You have a Simplified | NO ⇒ | You may establish a | NO ⇒ | You may make IRA |

| | | | | |
|--|--|--|--|--|
| Employee Pension SEP IRA or SIMPLE IRA Plan | | Simplified Employee Pension Plan, which is associated with an IRA | | contributions, and if eligible those contributions may be to a Roth IRA. |
| YES ↓ | | YES ↓ | | |
| You may make IRA contributions in addition to your SEP or SIMPLE IRA contributions and if eligible, those contributions may be to Roth IRA. The deductibility depends on your earnings | | You may make IRA contributions in addition to your SEP contributions and if you are eligible those contributions may be to Roth IRAs. The deductibility depends on your earnings | | |

Strategy note: Once you start your plan becomes the investor and the account reads, “ Custodian Account Information, FBO (for benefit of); Your Name, IRA or 401(k), SEP, etc. You will want this all ready to go as soon as you have identified your investments.

Wealth Principle # 4 - A tax terrific strategy to build your fortune.

The Roth IRA, named for its sponsor, Senator William V. Roth, Jr, PROVIDES A TAX FREE ACCUMULATION OF WEALTH ON ALL INCOME AND GROWTH IN YOUR IRA, PROVIDED THAT THE ASSETS ARE HELD IN THE ACCOUNT FOR FIVE YEARS OR MORE.

Since the Roth also requires no minimum distribution at age 70 ½, and allows you to make contributions from income no matter how long you work, even past age 70 ½, it is the ultimate power tool to make up for lost time. With the Follow the Fed method of long term investing you can build a nest egg that becomes a true tax-free retirement windfall.

One exception to the tax free ride is the Unrelated Business Income Tax, or UBIT. This is also a tax imposed on a traditional IRA but only on the portion of gains from investments for which your IRA borrowed to acquire. Yes, you can leverage your IRA to make even greater and faster gains. Yes, there are many lenders happy to give you a non-recourse loan (they cannot collect against any other of your assets, in or out of the IRA, if you default.) But if you decide to use leverage, UBIT will apply to the gains and income in the same proportion that you took on acquisition debt. This is true even with a Roth.

Wealth Principle #5 - Attention business owners: the Solo or Individual 401(k) Plan can build your retirement fortune!

Legislation in 2002 provided an opportunity for a new type of 401(k) plan for small business owners. Called the Solo K or the Individual k, this legislation allows rollovers from traditional post tax IRA assets to the plan, as well as from 401(k), 403(b) and government 457 plans to the Individual 401(k) plan.

Individual 401(k) plans are extremely flexible from a funding perspective. There are two primary components to plan contributions:

1. A profit sharing contribution that can range annually anywhere from 0 to 25 percent of compensation, and
2. An employee salary deferral that can range annually anywhere from \$0 to \$13,000 (as indexed for cost of living).

This is in addition to previously available characteristics including:

- The ability of the business owner to self-direct investments for his or her plan account
- Being able to borrow from the plan
- Benefiting from a retirement age of 55
- Ability to continue contributions after age 70 ½.

Because of the importance of these plans, and because the new law permits as much as \$45,000 to be placed into a Individual 401 (k) in any given year, plus some catch up for people over the age of 50, this may be one of the most powerful ways for a business owner to make up for lost time in building their financial future.

Nine Questions critical to your 401(k) wealth:

Q. Can I establish an Individual 401(k) plan if my business has employees?

An Individual 401(k) plan is a type of 401(k) plan designed specifically for owner-only businesses. An owner-only business, for this specific purpose, is defined as either a business that employs only the owner and his or her immediate family members, or a business that employs the owner and other part-time employees where the part-time employees may be excluded from plan participation under federal laws governing plan coverage requirements.

Q. Do I qualify for an Individual 401(k) plan if my business is incorporated?

An Individual 401(k) plan can be established by both incorporated and unincorporated businesses (including sole proprietorships, partnerships and corporations). If your business is incorporated, you must draw a salary or wage (i.e., Form W-2 income) to be eligible for an Individual 401(k) plan. As an owner of an incorporated business, you may want to give special consideration to when you establish your Individual 401(k) plan, make your employee salary deferral election and deposit deferrals (please see later questions on these issues).

Q. Are there special requirements if I have ownership in more than one business?

If you have ownership in more than one business, you may have to include all businesses under one business retirement plan (depending on whether the businesses constitute a "controlled group" as defined in the Internal Revenue Code under section 414). In cases where aggregation

is required, an Individual 401(k) plan may or may not be appropriate depending on whether the business employs common-law employees that must be covered under a qualified retirement plan.

Q. What is the deadline for establishing an Individual 401(k) plan?

The deadline for establishing an Individual 401(k) plan is the last day of your business's tax year (e.g., December 31 for a calendar tax year). However, if your business is incorporated, you may want to establish your Individual 401(k) plan early in your tax year to allow you to make employee salary deferrals based on your Form W-2 income throughout the year (because you may not defer on compensation that is paid to you from your corporation before the initial adoption of your Individual 401(k) plan).

Q. What is the deadline to make an employee salary deferral election?

If you are the owner of an unincorporated business (i.e., sole proprietor or partner), you must generally make a written employee salary deferral election (specifying the amount of your intended employee salary deferral) by no later than the last day of your tax year.

If your business is incorporated, you must generally make a written employee salary deferral election (specifying the amount of your intended employee salary deferral) before the compensation is currently available or paid to you.

Q. What is the deadline for funding my Individual 401(k) plan?

The deadline for funding the profit sharing portion of your Individual 401(k) plan is your business tax return due date, including extensions. The deadline for depositing employee salary deferrals depends on whether or not your business is incorporated.

If you are an unincorporated business owner (i.e., a sole proprietor or partner), the deadline for depositing your employee salary deferrals is your business tax return due date, including extensions.

If your business is incorporated, conservatively, the deadline for depositing employee salary deferrals is the earliest date on which the deferrals can be reasonably segregated from your business's general assets, and no later than the 15th business day of the month following the month in which the deferrals are withheld.

Q. Can I establish an Individual 401(k) plan if my spouse or my children work for me?

Under the attribution rules found under IRC Sec. 318, your spouse and children will generally be considered owners of the business. Consequently, you generally will be eligible to cover them under an Individual 401(k) plan arrangement without needing to be concerned about the administrative costs that come into play when a plan covers common-law employees. (Note: It's important to recognize, however, that you and your family members must be subject to the same plan eligibility criteria as any common-law employees you may have. In other words, you cannot

have an age criterion of 21 for common-law employees, yet choose to cover your son or daughter who is only age 20.)

Q. Can I take a personal loan from an Individual 401(k) plan?

Both incorporated and unincorporated business owners are eligible to take personal loans from qualified plans, such as Individual 401(k) plans, provided the plan document allows for plan loans.

Q. Since Individual 401(k) plans are designed primarily for owner-only coverage situations, what types of common-law employees can generally be excluded from participation in a qualified retirement plan?

Generally, under federal law, you are permitted to exclude the following types of employees from coverage under a 401(k) plan, such as an Individual 401 (k) plan:

- Employees under age 21,
- Employees with less than one year of service,
- Employees who work less than 1000 hours per year,
- Certain union employees, and
- Certain nonresident alien employees.

Wealth Principle #6 - The Custodian and Administrator you choose are critical to your wealth.

The company you choose to open your own account should have local offices accessible to you, the investor. It should have open access and be willing to develop a partnership with you instead of trying to sell you its investment products. It should be a neutral party, therefore not interfering with your investment choices, or the investment advice you are getting from your advisor if you choose to work with one.

The fee structure should be clearly communicated and there should be choices based on account value or number of assets in the account.

Account owners should not be charged until they make an investment. This should encourage you to open the account, even if you then wait to select your investment. One mistake many people make is waiting until they find an investment before opening an account. In fact, the experience of successful self-directed investors is that the very opening of the account promotes finding the investment.

Staff should be approachable and available and be knowledgeable in IRS rules and guidelines, federal and local tax issues, allowable assets and transactions. The staff should also be professionals and investors themselves. They should offer educational programs for professionals and investors in the community.

For more information on this exciting opportunity, go to
www.ChannelCapitalResearch.com/FollowtheFed

Or contact:

Channel Capital Research Institute, LLC

621 Shrewsbury Avenue

Shrewsbury, NJ 07702

(732) 842-5700

Support@ChannelCapitalResearch.com

www.ChannelCapitalResearch.com

Praise for *Follow the Fed to Investment Success*

"This is a great strategy for investors who actually have a job, a family and interests – in other words, a life."

Randall W. Forsyth – Editor, Barron's Online

"The Follow the Fed strategies defy the rules of conventional investing, and they work! Doug Roberts is right when he says we sometimes make investing way too hard. He has demonstrated that amazing returns that beat the market by large amounts can be made with only a trade or two a year. I recommend these strategies without reservation to anyone who wants to achieve superior returns while reducing the stress associated with investing."

Hilary Kramer - AOL / Finance Editor and Market Strategist

"When it comes to investing, Doug Roberts is the man to know. With his background at Wall Street firms like Morgan Stanley and Sanford Bernstein, he has learned all the tricks that allow those guys to literally print money. Now with his 'outside the box' way of thinking, he has a system that allows ordinary guys like me to get a piece of the action usually reserved for Wall Street insiders. The best thing of all is that I do not have to watch the market every day. I leave that to experts like Doug."

Eddie Hittinger, MD

Cliffside Park, New Jersey

"I have known Doug Roberts since his days at the Wharton School and have always considered him one of the smartest people I know. I have watched his rise through Wall Street. Over the years he has been kind enough to share his investing philosophy with me. These recommendations would have made me very rich, but I never had the minimums necessary for him to manage my money. Now Doug has developed a system that allows investors like me to invest like him, and I am jumping in with both feet."

Howard M. Gitten, Attorney

Fort Lauderdale, Florida

"Doug Roberts has been a lifetime member of the worldwide CEO Clubs for as long as me, and I am the founder.... Today, his business has blossomed because his wealth creating advice has made him a sought after expert on a topic most CEO's do poorly managing...Creating Their Own Wealth!!"

Joseph Mancuso

CEO Clubs Worldwide

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"In a world filled with empty promises, get rich quick schemes, and follow the herd stock tips, Doug Roberts offers a well-researched and proven strategy that simply works. Doug is a former Wall Street insider who has cracked the code to beating the market and has the guts to reveal his secrets to the world."

Barry Flanagan

Tap Consulting, L.L.C.

Granger, Indiana

Doug Roberts Biography



Douglas S. Roberts is Founder and Chief Investment Strategist for the Channel Capital Research Institute. He is a Contributor to AOL's Money & Finance section and is frequently called upon by the media as an expert on the Federal Reserve Bank. His comments appear regularly on CNN/Money, MarketWatch.com, Reuters, and the Dow Jones Newswires, and he is a frequent guest on CNBC and the Fox Business Channel. Doug's new book, *Follow the Fed to Investment Success*, was published by John Wiley & Sons in May of 2008.

Doug was a Vice President and Portfolio Manager at Bernstein Investment Management and Research, a unit of Alliance Capital Management, L.P., from 1999-2001. In addition to his portfolio management responsibilities, he led his group's strategies focusing on quantitative investment analysis and sector allocation, as well as the evaluation of alternative asset investment vehicles.

From 1994-1998, Doug was a Managing Director of the Roberts Mitani Group, a New York merchant bank specializing in the investment of capital from Japan and East Asia. From 1992-1994 he served as a founding member of the Board of Directors of Benson Eyecare Corporation, which had been listed on the American Stock Exchange prior to its sale.

From 1985-1992, Doug was the Chief Operating Officer of the Flori Roberts/Dermablend Group, a family-owned pharmaceutical/cosmetic group of companies that were acquired for \$22 million in cash and stock by IVAX Corporation (IVX-ASE) in 1992. Subsequent to the acquisition, he served as Chief Operating Officer of the Personal Care Products Group and Assistant to the Chairman-Special Projects from 1992-1994.

Doug began his career as an Associate of the Morgan Stanley Group working in the Corporate Finance department in both the New York and London offices from 1983-1985. He earned a B.S. and an M.B.A. from the Wharton School at the University of Pennsylvania in 1983.

He serves on the international Board of Governors of Sigma Phi Epsilon fraternity and the Board of Trustees of the Ranney School and is a member of the Explorers Club for his participation in the discovery of the U-869, a World War II German submarine, off the coast of New Jersey as featured in the book, *Shadow Divers*. He holds a second-degree black belt in the Imperial system of tae kwon do. Doug is married with two children.



**Special Bonus Report Data were obtained from the Kenneth R. French, PhD - Data Library (<http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html>) and Standard and Poor's (www.standardandpoors.com). Market indices include dividends except where noted. Actual live signals issued from ChannelCapitalResearch.com were used since 2006.

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