Methods of Reducing Your 401(k) Taxes with Andrew S. Corbman

LANSDOWNE, VIRGINIA, UNITED STATES, November 8, 2018 /EINPresswire.com/ -- The 401(k) plan is great - for the most part. It's a pretty comprehensive financial plan that, if adhered to properly and consistently throughout one's life, will pretty much set you up comfortably for retirement once you reach that age. Under the plan, employees contribute an amount towards a pension, which is then matched by your employee and can be cashed in when a person reaches retirement. Unfortunately, in order to gain access to that money, individuals are required to pay taxes on their 401(k). Worse still, it's the worse kind of tax - income tax based on your tax bracket. And if you happen to withdraw your money before you're 60, the tax bill you pay could be as much as 37%.

It's a hard to swallow pill, but fortunately there are ways of mollifying the process somewhat. Andrew S. Corbman, a financial planner with over two decades of experience in financial planning, will share with us a few ways of reducing the amount of tax you're eligible to pay for your 401(k).

Look Into Tax-Loss Harvesting

Andrew S. Corbman recommends taking a look at your regular investment account. If you see there are securities that aren't performing so well - sell them. The loses you make on these securities will offset the taxes levied on your 401(k). It's important to note however, that there are limitations to this strategy that should be considered beforehand.

Borrow From Your 401(k)

Depending on your 401(k)'s plan, you may be able to borrow money from its account. According to Andrew Corbman, some plans allow individuals to take out a loan from their 401(k). This can then be invested elsewhere and used to create a consistent source of income which will exist after the repayment of the loan.

Stay in Your Tax Bracket

Every tax bracket is taxed differently. With some careful consideration and a critical eye, you can keep yourself within a favorable tax bracket. This basically means that you should keep your taxable income as high as it possibly can be within your specific bracket, but never allowing it to slip into the next bracket on the tier, which would thereby increase the percentage of tax levied on your income. Andrew Corbman recommends doing a detailed planning every year to keep your taxable income within these means.

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