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ASK THE EXPERT Believe the hype about tax-advantaged investments

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Is it really important to put my money in tax-advantaged investments, or is that just hype?

Believe the hype. Contributions to qualified plans such as IRAs and 401(k)s can lower your current tax bill and allow your investments to grow tax-deferred until you withdraw the funds.

For investments outside of qualified plans, look for mutual funds that focus on long-term growth with low turnover while paying little current income. Investments held for more than one year will be taxed at the lower capital gains rates when sold.

For investors needing current income, look to municipal bonds, which are tax-exempt for federal (and possibly state) purposes.

Alternatively, deferred annuities allow your investments to grow tax-deferred, until they are taxed as "regular" income when withdrawn.

DO YOU HAVE A QUESTION ON ANY MONEY OR PERSONAL FINANCE ISSUES? WE'LL FIND AN EXPERT TO ANSWER IT. E-MAIL US AT BIZFINANCE@POST-DISPATCH.COM.

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