Traditional and Roth IRAs

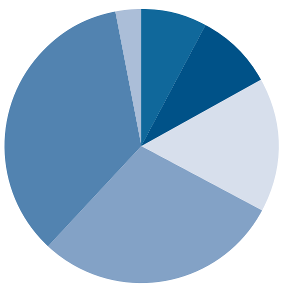
Invest for retirement with tax-advantaged accounts

Your Retirement

It is your ultimate reward for a lifetime of hard work and dedication. It is a time when you should have the financial freedom to enjoy yourself without worrying about schedules, deadlines and the burdens of the day-to-day working world. Whatever your plans may be, you are going to need resources to finance your dream of a comfortable retirement.

It's Your Responsibility

More than ever, it is up to you to fund your retirement. Your parents or grandparents may have been able to count on the government or an employer pension plan to make their retirement more secure. However, Social Security currently may provide 36% of your retirement income[1] and this amount may be at risk of diminishing over time.



Sources of Retirement Income

- Government Pensions 9%
- Private Pensions 9%
- Income From Assets 11%
- Earnings 32%
- Social Security 36%
- Other 3%

Source: Social Security Administration, *Fast Facts & Figures,* 2013

Where Will Your Retirement Money Come From?

You can't just rely on pensions and Social Security alone for retirement.

Take the First Step Now

The good news is that there are steps you can take now to secure a more comfortable retirement—and your advisor can help. One way is to take advantage of tax-deferred investment opportunities like Individual Retirement Accounts (IRAs).

Keep in mind that investing involves risk. The value of your investments will fluctuate over time and you may gain or lose money.

[1] 2013 Social Security Administration.

How Can an IRA Benefit You?

Why open an IRA? IRAs are specially designed for retirement saving and investing and offer advantages you will not find in other types of accounts.

With a Traditional IRA, contributions may be federal tax-deductible, and your earnings and tax-deductible contributions are not taxed until withdrawn, providing the benefit of tax-deferred growth and the potential for an immediate tax benefit. A Roth IRA also provides for federal tax-deferred growth, although contributions are not tax deductible. However, the most potentially valuable feature of a Roth IRA is that contributions and earnings may be withdrawn federal income tax-free if certain conditions are met.

Catch-Up Contributions

If you are close to retirement and think it is too late to benefit from an IRA, take another look. Having only a few years of tax advantages can still make a difference. If you do not need to access your IRA money immediately, you may be able to let it grow for use later on. If you are age 50 or older, you can contribute an additional $1,000 for 2014 and 2015 as a catch-up contribution.

Keep in Mind

Of course, investing in an IRA is not the only important component of an effective retirement savings strategy. Maximizing contributions to employer plans, like 401(k)s, investing through brokerage accounts and owning your own home can build funds for retirement, too. But the tax advantages of IRAs should not be ignored—they can be critical to building long-term assets.

Did You Know?

Only 44% of workers report that they or their spouse have tried to calculate how much money they will need to live comfortably in retirement.

Source: Employee Benefit Research Institute, 2014.

Types of IRAs—The Big Picture

Both Traditional and Roth IRAs have unique characteristics and can be used differently to assist you with your overall retirement plan. Below, you will find highlights of each type. For details, please see the chart on pages 6 and 7.

Traditional IRA

A Traditional IRA works very simply. If you are under age 70½ and have earned income, you can contribute up to $5,500 for 2014 and 2015 (plus an additional $1,000 if you are age 50 or older), less any contributions made to a Roth IRA, and invest it in one or more options that you select.

Depending on your Modified Adjusted Gross Income (MAGI) for the year, some or all of your contributions may be federal income tax deductible—non-deductible contributions are also permitted. Your account grows tax deferred and distributions are required at age 70½, so your account can potentially grow faster than a taxable account. Distributions, except non-deductible contributions, are taxed when received.

Roth IRA

A Roth IRA is similar to a Traditional IRA in that you can contribute up to $5,500 for 2014 and 2015 (plus an additional $1,000 if you are age 50 or older), less any contributions made to a Traditional IRA, and enjoy tax-deferred growth on your earnings. But there are some important differences. Although contributions are not tax deductible, a Roth IRA gives you the benefit of federal tax-free withdrawals—even before retirement—as long as certain requirements are met.

Converting to a Roth IRA

If you currently have retirement dollars invested in a Traditional IRA but want the benefits of a Roth IRA—including potential tax-free access to your money in the future—you can convert some, or all, of your Traditional IRA to a Roth IRA. However, you will be required to pay income tax on the amount converted in the year of conversion.

IRA Comparison Chart for 2014 and 2015

	Traditional IRA
Maximum Contributions	• Up to $5,500 for 2014 and 2015 (less any contributions made to a Roth IRA) • An additional $1,000 catch-up contribution for eligible individuals age 50 and older
Eligibility	Individuals with earned income and non-working spouses who are not older than 70½ by December 31
Tax Advantages	• Investment growth is tax-deferred and contributions may be tax-deductible • Taxes are not paid on deductible contributions and all earnings until money is withdrawn
Income Limits	While there are no income limits for contributions, there are income limits for the federal income tax-deductibility of contributions, which may be fully, partially or non tax-deductible depending on whether you participate in an employer-sponsored retirement plan. If you are covered by an employer plan, the following Modified Adjusted Gross Income (MAGI) limits for making a deductible contribution apply: **Fully deductible:** • **Single:** $60,000 or less in 2014 and $61,000 or less in 2015 • **Married Filing Jointly:** $96,000 or less in 2014 and $98,000 or less in 2015 **Partially deductible:** • **Single:** more than $60,000 but less than $70,000 in 2014 and more than $61,000 but less than $71,000 in 2015 • **Married Filing Jointly:** more than $96,000 but less than $116,000 in 2014 and more than $98,000 but less than $118,000 in 2015 • **Married Filing Separately:** less than $10,000 in 2014 and 2015 can take a partial deduction If you are not covered by an employer-sponsored plan, but are married, filing taxes jointly and have a spouse who is covered by an employer-sponsored retirement plan, the following MAGI limits apply: • **Fully deductible:** $181,000 or less in 2014 and $183,000 or less in 2015 • **Partially deductible:** more than $181,000 but less than $191,000 in 2014 and more than $183,000 but less than $193,000 in 2015
Required Distributions	Minimum distributions are required. The distribution for the first year must be taken by April 1 of the year following the year you turn 70½, and distributions for all other years must be taken by December 31
Withdrawal Rules	• Taxable amounts withdrawn prior to age 59½ may be subject to an additional 10% federal penalty tax • Withdrawals can be made penalty free prior to age 59½ under these circumstances: IRA owner's death or disability; substantially equal periodic payments made over life expectancy; timely removal of excess contributions; purchase of health insurance while unemployed for 12 consecutive weeks; the purchase of a first home (up to $10,000); for certain higher-education expenses; for qualified reservists; or for unreimbursed medical expenses that exceed 10% of MAGI • Taxes apply to all earnings and all deductible contributions withdrawn
Rollovers, Conversions and Transfers	• No income limitations for converting from a Traditional IRA to a Roth IRA but taxes on deductible contributions and all earnings are due in the year of conversion; unless the conversion is later recharacterized • Transfers to and from other Traditional IRAs are permitted as well as rollovers from employer plans, such as 401(k), profit sharing or defined benefit plans

Roth IRA

- Up to $5,500 for 2014 and 2015 (less any contributions made to a Traditional IRA)
- An additional $1,000 catch-up contribution for eligible individuals age 50 and older

Individuals and non-working spouses whose earned income and household income, respectively, does not exceed specific thresholds

- Investment growth is tax deferred and may be tax free if the account has been open for at least five years and if certain requirements are met
- Contributions are not tax-deductible

There is no age limit for making contributions. Eligibility to make a full or partial contribution is based on MAGI and tax filing status below:

Full contribution

- **Single:** less than $114,000 for 2014 and less than $116,000 for 2015
- **Married Filing Jointly:** less than $191,000 for 2014 and less than $193,000 for 2015

Partial contribution

- **Single:** $114,000 but less than $129,000 for 2014 and $116,000 but less than $131,000 for 2015
- **Married Filing Jointly:** $181,000 but less than $191,000 for 2014 and $183,000 but less than $193,000 for 2015
- **Married Filing Separately:** less than $10,000

There are no required distributions while the original account owner is alive; however, beneficiaries will generally be required to take distributions

Qualified Distributions: Qualified distributions are federal income tax-free; a withdrawal is a qualified distribution if the account is open for at least five years and the withdrawals are made after 59½; to purchase a first home (up to $10,000); or upon the individual's death or disability

Non-Qualified Distributions: Distributions that are not qualified distributions are included in income to the extent attributable to earnings, and a 10% federal penalty tax will apply to the taxable portion of the non-qualified distribution unless an exception applies[2]

- No income limitations for converting from a Traditional IRA to a Roth IRA but taxes on deductible contributions and all earnings are due in the year of conversion; unless the conversion is later recharacterized
- Transfers to and from other Roth IRAs are permitted as well as rollovers from a designated Roth 401(k) or Roth 403(b) are allowed
- Direct rollovers from employer-sponsored retirement plans that are not designated Roth accounts are also permitted, but taxes on contributions and earnings will apply in the year of conversion

[2] For all distributions, the owner must withdraw first from annual contributions, then the converted amount, in the order received and then earnings are subject to income taxes and potential penalties.

Note: This chart discusses federal tax implications in general. State tax implications may also apply.

Take Control of Your Retirement Assets

If you are at a key retirement decision point or have not recently reviewed your progress toward achieving your retirement goals, now may be a good time to have a conversation to explore your alternatives. One strategy to consider is rolling over or transferring your assets into a Rollover IRA.

Consolidating your retirement assets from retirement plans with former employers, or other IRAs, makes it easier to create a comprehensive retirement plan, track your progress toward your goals and calculate required minimum distributions once you reach age 70½. Plus, you will enjoy the convenience of a single account statement, which reduces paper and simplifies year-end tax reporting. Keep in mind that fees and investment-related expenses will vary depending on the types of account services and investments you choose and may be higher than the expenses in your employer's retirement plan.

Your advisor can help you determine if a Rollover IRA is right for you and create a strategy to help you achieve your goals.

Types of Retirement Accounts

Consider the types of IRAs and employer plans you may have when talking to your advisor about consolidating retirement assets, including:

- Traditional IRAs
- Roth IRAs
- Rollover IRAs
- Inherited IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) Plans, including Roth 401(k)s
- 403(b) Plans, including Roth 403(b)s
- Government 457(b) Plans
- Defined Benefit Plans
- Profit Sharing Plans
- Money Purchase Pension Plans

Setting Up Your IRA

Opening an IRA is quick and easy. Talk to your advisor and tax or legal professional about choosing an IRA that is right for you. Your advisor will provide you with Traditional, Roth or Rollover IRA forms you will need to complete.

Once you have opened the account, your advisor can assist you in creating a plan to help you reach your goals. You will also receive a consolidated account statement to make it easier to review and track your performance.

Determine an Asset Allocation

The first step in establishing your IRA is to figure out how to allocate your assets among different asset categories, such as stocks, bonds and cash. Generally, if you are using your IRA to build assets for a retirement that is many years away, you can invest more aggressively, knowing that you have more time to potentially recover from downturns in the market. Or, if you are close to retirement and will need the money sooner, you may choose to allocate your money more conservatively.

Factoring in your goals and risk tolerance is crucial to deciding how to allocate your IRA balances. Even though you may have a long time horizon and could withstand market fluctuations, you may prefer lower risk investments because you are not comfortable seeing the value of your contributions rise and fall each quarter. Alternatively, you may have a short time horizon, which is generally associated with a more conservative portfolio, but you are comfortable with riskier investments since you have other assets to draw on in retirement.

Choose Investment Options

IRAs offer a wide variety of investment options including mutual funds, managed accounts and individual stocks and bonds that can align with your goals and tolerance for risk. Fees and expenses will vary depending on the type of accounts and investments you choose and may be higher than the fees and expenses in your employer's retirement plan.

Name Your Beneficiary

When setting up your IRA, you will be asked to name one or more beneficiaries for the account. If you do not name a beneficiary the default listed in the IRA agreement will apply (often your spouse, then your children, then your estate). When your beneficiaries inherit your IRA, they can elect to receive a lump sum or spread the payments from the IRA out over their lifetimes and they will always be able to accelerate their withdrawals if needed. Consult with your tax or legal advisor before naming your IRA beneficiaries.

Accessing Your IRA Assets

You always have access to the money in your IRA, but there may be certain restrictions, federal taxes and penalties based on your age and the type of IRA you own.

Distributions	Traditional IRA	Roth IRA
Before Age 59½[3]	If you withdraw money before age 59½, you must pay federal income taxes on the money. You will be assessed a 10% federal penalty tax unless you meet certain criteria, as detailed in the chart on pages 6 and 7. This penalty tax applies only to the taxable amount of the distribution, not the amount attributable to non-deductible contributions.	If you withdraw money from a Roth IRA before age 59½, you will pay federal income tax, and a 10% federal penalty tax on the earnings only (not the contributions), unless you own the account for at least five years, and the distribution is either on account of your death or disability, or to buy a first home (up to lifetime limit of $10,000). If you withdraw conversion amounts within five years, you will owe the 10% federal penalty tax, unless you meet one of the exceptions listed in the chart on pages 6 and 7.
Age 59½ or Older	After you reach age 59½, you can take money out whenever you want for any reason without any early distribution tax penalty. However, you must pay ordinary federal income tax on any tax-deductible contributions you previously made and on all accumulated earnings that are included in your distribution.	If you are age 59½ or older and you have owned a Roth IRA for at least five years, you can withdraw funds federal income tax-free. If you have owned a Roth IRA for less than five years, you will pay federal income tax on the earnings, but no federal penalty tax.
Age 70½ Required Minimum Distributions	You are required to take at least a minimum distribution each year beginning with the year you turn 70½. There is a 50% federal penalty tax on amounts that are not distributed. The distribution for the year you turn 70½ may be delayed until April 1 of the following year. The distribution for each year after you turn 70½ must be taken by December 31. If you wait until April 1 to take the first distribution, you will have to take two distributions in the same year.[4]	There are no required distributions while the original account owner is still alive.

[3] If you opt out of withholding or do not have enough tax withheld, you may have to pay federal taxes and you may incur penalties if estimated tax payments are insufficient. Please keep in mind that state income tax may apply. You should consult with your tax advisor before taking distributions from your retirement account.

[4] Your financial organization is required to withhold 10% of your Traditional or Rollover IRA distribution for federal income tax purposes unless you elect on the distribution form not to have taxes withheld. If you do not elect out of withholding, the withholding will be applied to the total amount of each distribution even if part of it is attributable to non-deductible contributions.

How Your Advisor Can Help

Your advisor can help you:

- Review your investment strategy to make sure it is appropriate for your goals and risk tolerance
- Create an asset allocation strategy aligned with your goals and provide access to a wide range of investments
- Review investment performance to help manage risk during market ups and downs
- Periodically review and rebalance your retirement assets to your target allocation

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