IRAs: Traditional, Roth and Rollover

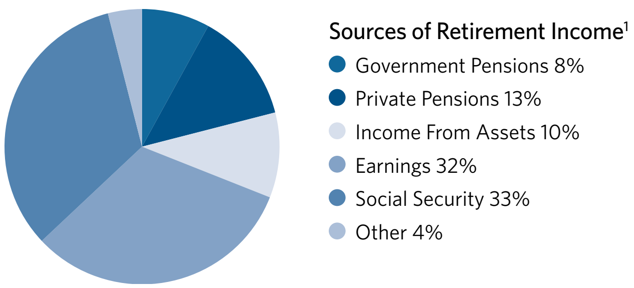
Invest for retirement with tax-advantaged accounts

Your Retirement

It may be your ultimate reward for a lifetime of hard work and dedication. It's 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're going to need resources to finance your dream of a comfortable retirement.

It's Your Responsibility

More than ever, it's 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. Currently, Social Security may provide about 33% of your retirement income,[1] but this amount may be at risk of diminishing over time.



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] Social Security Administration, *Fast Facts & Figures*, 2016

How Can an IRA Benefit You?

IRAs are specially designed for retirement saving and investing, while offering advantages not found in other types of accounts.

With a Traditional IRA, contributions may be federally tax-deductible, and your earnings and tax-deductible contributions are not taxed until withdrawn, providing the benefit of tax-deferred growth and the potential for an immediate tax benefit.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 However, the most potentially valuable feature of a Roth IRA is that contributions and earnings may be withdrawn federal income tax-free if certain conditions are met.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's too late to benefit from an IRA, you may want to 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 later use. If you are age 50 or older, you can contribute an additional $1,000 for 2016 and 2017 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 taxable accounts and owning your own home can build funds for retirement, too. But the tax advantages of IRAs shouldn't be ignored—they can be critical to building long-term assets.

Did You Know?

Workers and retirees say they spend significantly more time planning for the holidays and vacations than they do on retirement planning.

Source: Employee Benefit Research Institute, 2015.

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.

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 2016 and 2017 (plus an additional $1,000 if you are age 50 or older), less any contributions made to a Roth IRA.

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 assets grow tax deferred, so your account can potentially grow faster than a taxable account. Distributions, are required to begin by age 70½, and are taxed at your federal income tax rate when they are taken.

Roth IRA

A Roth IRA is similar to a Traditional IRA in that you can contribute up to $5,500 for 2016 and 2017 (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. You may make contributions at any age, as long as you have earned income, and it does not exceed the annual limits.

Converting to a Roth IRA

If you currently have a Traditional IRA—you can convert some, or all, of the assets to a Roth IRA. There are no income limits to convert to a Roth IRA, and you will enjoy potential tax-free access to you money in the future. However, you will be required to pay income tax on the amount converted in the year of conversion.

Rollover IRA

A Rollover IRA is typically a Traditional IRA that receives assets from an employer's qualified retirement plan, such as a 401(k), 403(b) or pension plan. You can also transfer other IRA assets to a single Rollover IRA. Please contact your advisor and tax or legal professional regarding limitations and restrictions for IRA rollovers and transfers.

Beneficiary Stretch Option

If you want to leave your retirement savings to your heirs, you may want to consider the "stretch" IRA strategy to potentially extend tax advantages of your IRA for future generations. Your beneficiaries can elect to receive lump sum distributions from the IRA they inherit or spread the payments from the IRA out over their lifetimes. If they elect to spread out their payments, they can collect income while the assets continue to grow tax deferred. Additionally, your beneficiaries will be able to name subsequent beneficiaries on their inherited IRAs, providing the opportunity to spread out the distributions over multiple generations.

Please note that the stretch IRA strategy is designed for investors who will not need the assets in their IRA for their own retirement needs. You should be sure to consult with your advisor, and obtain tax and legal advice, before adopting such a strategy. Significant conditions, restrictions, and limitations apply to both the original IRA owner and the beneficiary including, but not necessarily limited to, eligibility requirements, timing factors and distribution requirements. The beneficiary's distribution period is potentially very lengthy, and this strategy is based upon current tax law, which could change during the distribution period and may significantly impact its outcome, including a beneficiary's ability to maintain estimated distributions. A lengthy distribution period also exposes investors to significant market and inflation risk as well as ongoing fees, costs and charges that may be applicable during the distribution period.

Your employer's retirement plan may also offer the option for your beneficiaries to spread payments out over their lifetimes or over a specific number of years after your death. Your beneficiaries will also have the option to directly roll over to an inherited IRA to use the stretch IRA strategy after your death.

Roll Directly to a Roth IRA

You may roll over former 401(k), 403(b) and other employer plan assets to a Roth IRA. Keep in mind, however, that you will owe tax on all pre-tax contributions and earnings in the year of the conversion.

If your former plan offered a Roth 401(k) or Roth 403(b), you may also roll those plan assets directly to a Roth IRA without incurring any tax liability during the transition

Consider the Advantages of Consolidation

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 eligible retirement assets into a Rollover IRA.

Planning and proper management of your retirement savings and investments is critical for you to achieve your goals. You may want to explore the possibility of consolidating your retirement assets to make it easier to track your progress and calculate required minimum distributions once you reach age 70½.

There are many options you should consider before rolling over assets into an IRA such as investment options, fees and expenses, services, penalty-free withdrawals, protection from creditors and legal judgements, required minimum distributions (RMDs) and employer stock, which are outlined in the following pages. **You should also keep in mind that investing involves risk, including the loss of principal. The value of your investment in an IRA will fluctuate over time, and you may gain or lose money.**

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

IRA Comparison Chart for 2016 and 2017

	Traditional IRA
Maximum Contributions	• Up to $5,500 for 2016 and 2017 (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:** $61,000 or less in 2016 and $62,000 or less in 2017 • **Married Filing Jointly:** $98,000 or less in 2016 and $99,000 or less in 2017 **Partially deductible:** • **Single:** more than $61,000 but less than $71,000 in 2016 and more than $62,000 but less than $72,000 in 2017 • **Married Filing Jointly:** more than $98,000 but less than $118,000 in 2016 and more than $99,000 but less than $119,000 in 2017 • **Married Filing Separately:** less than $10,000 in 2016 and 2017 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:** $184,000 or less in 2016 and $186,000 or less in 2017 • **Partially deductible:** $184,000 but less than $194,000 in 2016 and $186,000 but less than $196,000 in 2017
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 • Individuals age 70½ or older may exclude from gross income up to $100,000 in qualified charitable distributions
Rollovers, Conversions and Transfers	**Rollovers:** - **Indirect rollovers:** One indirect rollover per person is allowed in any one-year period between IRAs—no matter how many IRAs or type of IRA the individual has; must be rolled to another IRA or qualified plan within 60 days - **Direct rollovers:** Direct rollovers from qualified retirement plans are excluded from the above rule • **Transfers:** Unlimited trustee-to-trustee transfers permitted between similar IRA types

Roth IRA

- Up to $5,500 for 2016 and 2017 (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 of any age 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 $117,000 for 2016 and $118,000 for 2017
- **Married Filing Jointly:** less than $194,000 for 2016 and $196,000 for 2017

Partial contribution

- **Single:** $117,000 but less than $132,000 for 2016 and $118,000 but less than $133,000 for 2017
- **Married Filing Jointly:** $184,000 but less than $194,000 for 2016 and $186,000 but less than $196,000 for 2017
- **Married Filing Separately:** less than $10,000 in 2016 and 2017

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]
- Individuals age 70½ or older may exclude from gross income up to $100,000 in qualified charitable distributions

Rollovers:

- **Indirect rollovers:** One indirect rollover per person is allowed in any one-year period between IRAs—no matter how many IRAs or type of IRA the individual has; must be rolled to another IRA or qualified plan within 60 days
- **Direct rollovers:** Direct rollovers from qualified retirement plans are excluded from the above rule. If rolling over pre-tax qualified plan money to a Roth IRA, amounts must be included as income and taxes may be due

- **Conversions:** No income limits or restrictions on the number of conversions to Roth IRAs. Can convert assets from a Traditional IRA, Rollover IRA, SEP IRA or SIMPLE IRA (after two-year period) to a Roth IRA without limitations; federal taxes are due in the year of conversion
- **Transfers:** Unlimited trustee-to-trustee transfers permitted between similar IRA types

[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.

Understanding Your Options for Employer Plan Assets

If you have one or more 401(k)s or other qualified retirement plans from previous employers, you generally have the four options highlighted below when you separate from service. There are potential tax implications for each option—and keep in mind that some options involve additional fees and investment expenses. Before making a decision, you should obtain all the details and consult with your advisor and tax or legal professional regarding your specific situation.

Keep assets in former employer's plan

This option allows you to protect your tax-deferred status with potential protection from creditors. However, your investments, withdrawals and timing options may be limited and older plans may be neglected or forgotten.

Move assets to your new employer's plan

This option allows tax-deferred status with possible access to certain proprietary investments and preferred pricing. However, your investments, withdrawals and timing options may be limited.

Cash out

This option allows you immediate access to your retirement plan assets. However, it is possible you may owe nearly 50% in federal (and state) income taxes.[3]

Roll over to an IRA

This option allows you to consolidate retirement assets and take advantage of a range of investment options and tax deferral. However, keep in mind that no loans are allowed and RMDs must begin at age 70½ for Traditional IRAs.

[3] Estimate is based on the highest federal income tax of 39.6% and state income tax (up to 11% in some states).

Rollover Decision Considerations

There are many considerations in rolling assets from your former employer's plan to an IRA. Below are some of the areas of comparison to talk through with your advisor as you explore the option of rolling over or consolidating retirement assets to an IRA. Every individual's situation is different so make sure you have a conversation to review all your options.

Considerations	Qualified Employer-Sponsored Plan (e.g., 401(k), 403(b)(7) or Pension Plan)	IRA
Investment Options	May have limited investment menu but may also have lower fees and expenses or proprietary investments (e.g., employer stock)	Broad range of investment options, including: mutual funds, exchange-traded funds (ETFs), equities, fixed income and alternative investments
Fees and Expenses	Varies by plan and service provider, but generally includes investment management and advisory fees; administrative fees (e.g., record keeping, compliance, trustee fees) may also apply	Costs vary based on services you choose and may include investment management and advisory fees, commission and sales charges, and IRA account fees (e.g., brokerage fees, maintenance and termination fees)
Services	Varies by plan and generally includes investment advice, planning tools, educational support and other services	Varies based on services you choose and may include investment advice, planning tools, educational support and other support
Penalty-Free Withdrawals	May begin at age 55 if you are retired or separated from service Please note: Check your plan provisions for your options	Generally begins at age 59½ for Traditional IRAs; qualified Roth distributions may be income tax-free[4]
Protection from Creditors and Legal Judgments	Typically unlimited under federal law	Federal bankruptcy protection for Rollover IRA balances and up to an inflation-adjusted $1 million for other IRA assets; non-bankruptcy protection varies by state laws[4]
Required Minimum Distributions (RMD)	Not generally required to begin until you retire and have reached age 70½; RMD rules apply to plan balances, including designated Roth accounts	For Traditional IRAs: RMDs must begin at age 70½. For Roth IRAs: Lifetime RMDs do not apply
Employer Stock	If available, may take advantage of Net Unrealized Appreciation (NUA) rules[2]	Employer stock may or may not be eligible to be rolled over; if rolled over, you lose opportunity for NUA

[4] Please speak with your tax professional regarding your specific situation.

Rollover Decision Considerations (continued)

Considerations	Qualified Employer-Sponsored Plan (e.g., 401(k), 403(b)(7) or Pension Plan)	IRA
Consolidation	May roll other eligible retirement assets into plan if allowed by plan	Available
Beneficiary Flexibility	Limitations may exist for non-spouse beneficiaries[4]	Typically allow the naming of any person, group or entity subject to custodian or trustee review and plan document rules
Contributions	Not permissible if no longer employed by employer	Subject to IRA rules, including age and earned income requirements[4]
Loans	May be available at the discretion of employer or plan provisions	Not permitted
Distribution Withholding Instructions	Automatic cash-out provisions may apply for small balances; distributions taken in cash are generally subject to mandatory 20% federal withholding[4]	No automatic cash-out rules; federal withholding on distributions is optional[4]
Qualified Charitable Distributions	Not available	Individuals age 70½ or older may exclude from gross income up to $100,000 in qualified charitable distributions

Direct vs. Indirect Rollover

A *direct rollover* occurs when assets in your employer's retirement plan are moved directly to an IRA without you taking receipt of the money. The IRA custodian will receive your plan assets directly into your Rollover IRA, and you will be notified when the money has been transferred. Alternatively, you may receive a check made payable to your new IRA custodian, which you may then send to the new custodian to deposit in your IRA.

With an *indirect rollover*, you receive a check made payable in your name for the amount distributed from your employer plan (minus the mandatory 20% tax withholding). You have 60 days from the date on the check to deposit the check you receive and the amount withheld into a Rollover IRA to avoid income tax and IRS penalties. Otherwise the 20% that was withheld by your former employer may be subject to taxes and penalties on that amount. **You are only allowed one indirect rollover in any one-year period between IRAs, no matter how many IRAs or the type of IRA you own.**

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[5]	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.[6]	There are no required distributions while the original account owner is still alive.

[5] 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.

[6] 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.

Work With Your Advisor

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. Your advisor can help you:

- **Review your investment strategy**—Make sure it is appropriate for your goals and risk tolerance.
- **Determine an asset allocation**—The first step after establishing your IRA is to allocate your assets among different asset categories, such as stocks, bonds and cash based on your tolerance for risk and investment time horizon.
- **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.
- **Name your beneficiary**—You will be asked to name one or more beneficiaries when setting up your IRA. 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 (they can always accelerate withdrawals if needed). Consult with your tax or legal advisor before naming IRA beneficiaries.

Note: Investing involves risks, including the possible loss of principal. Investments are not FDIC insured and not insured by any federal government agency and may lose value. Different investments carry different types and degrees of risk and may not be suitable for all investors. Individuals should familiarize themselves with those risks before investing.

This information is general in nature and not intended to constitute tax advice. Please consult your tax advisor for more detailed information on tax issues and advice on your specific situation. There are fees, expenses, taxes and penalties associated with IRAs.

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