



Qualified Plan Analysis

Should I Convert to a Roth IRA? How Should I Pay the Taxes?

Ed Roth and Linda Roth

Presented by:
John Smith, CLU, CHFC
For Evaluation Purposes Only
215 Broad Street
Charlotte, North Carolina 28262
Phone: 704-927-5555
Mobile Phone: 704-549-5555
Fax: 704-549-6666
Email: john.smith@aol.com

Financial Services Corp
Branch Office
10250 Red Rd
Charlotte, North Carolina 28262

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Important Notes

These pages depict certain wealth preservation strategies concerning possible methods for taking distributions from your qualified retirement plan. For purposes of this analysis, several of your qualified retirement plans may be aggregated and shown as one single plan. This report provides only broad, general guidelines, which may be helpful in shaping your thinking about and discussing your wealth preservation needs with your professional advisors. This report provides estimates based on our general understanding of current tax laws. To illustrate the impact of various earnings rates over the projected period, it is important to consider multiple interest rate scenarios, including no growth.

Each scenario shown illustrates your current situation or an alternative scenario and its possible effects on the financial situation you provided. Inclusion of one or more of these scenarios does not constitute a recommendation of that scenario over any other scenario.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a “best guess.” No guarantee can be made regarding values, as all rates are the hypothetical rates you provided. These computations are not a guarantee of future performance of any asset, including insurance or other financial products nor do they take into account fees and charges associated with any investment. If they did, the results would be lower. It is unlikely that any one rate of return will be sustainable over a long period of time.

No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction. Unless indicated, the tax aspect of the federal Generation-Skipping Transfer Tax (GSTT) is not reflected. The GSTT is similar to an additional level of estate tax on certain transfers to grandchildren, or individuals two or more generations removed from the transferor. State laws vary regarding the distribution of property, and individual circumstances are unique and subject to change. You should discuss all strategies, transfers, and assumptions with your legal and tax advisors.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law on December 17, 2010 as P.L. 111-312, also known as Tax Act of 2010 in this presentation.

To implement a strategy, it may be necessary to restructure the ownership of property, or change designated beneficiaries before specific will or trust provisions, prepared by the client’s counsel, become effective. The transfer of a life insurance policy may not result in its removal from the estate of the prior owner for three years.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

IMPORTANT: The projections or other information generated by this investment analysis tool (Qualified Plan Distribution Analysis) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

IRS CIRCULAR 230 NOTICE: To ensure compliance with requirements imposed by the IRS, this notice is to inform you that any U. S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this presentation.

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Retirement Savings Options

IRA vs. Roth vs. Taxable Accounts

Pay Taxes Now or Later?

The deciding factor between choosing an IRA or Roth IRA is whether you prefer paying taxes on your contributions (Roth IRA) or on your distributions (Traditional IRA). So when will your taxes be higher – during your working years or during retirement? When comparing, be sure to consider your income level during each phase (both income and withdrawals from assets), in addition to potential legislative changes.

The Flexibility of the Roth IRA

A major advantage of the Roth IRA is the flexibility of distributions before and during retirement:

- Withdrawals from Traditional IRAs may be subject to an additional 10% penalty tax, with some exceptions, while there is no penalty tax on withdrawals of contributions from a Roth IRA, assuming distributions are qualified and not from assets converted within 5 years.
- Required Distributions (after 70½) — Traditional IRAs require minimum distributions each year, while a Roth IRA has no required distributions for the Roth IRA owner.

The Case Against "Taxable Accounts" (Savings Accounts)

Contributions to taxable accounts are made after-tax (just like a Roth IRA), but unlike a Roth IRA, interest and dividends generated are taxable each year, and capital gains taxes are due when liquidating an investment held for more than a year. This combination of taxes can significantly reduce your ability to accumulate retirement funds over the long-term, and may affect or limit your investment options and the frequency of changes to your investments over the long-term. The upside is that there are no penalties or restrictions on withdrawals from taxable accounts before retirement, making them perfect for short-term savings.

Use taxable accounts for short-term savings.

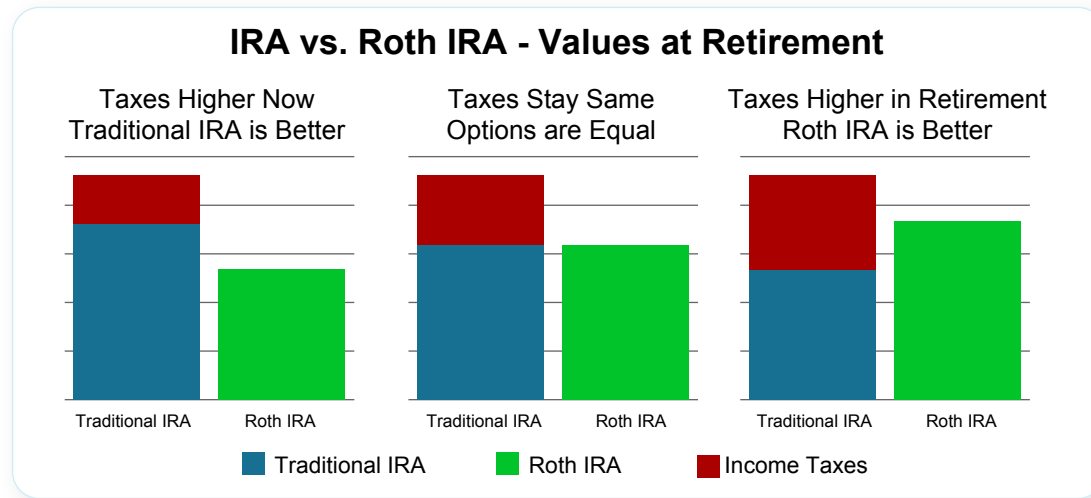
Use IRAs and Roth IRAs for long-term retirement funding.

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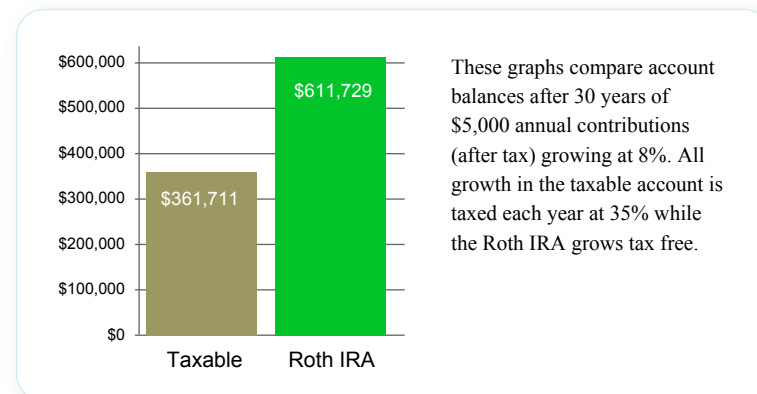
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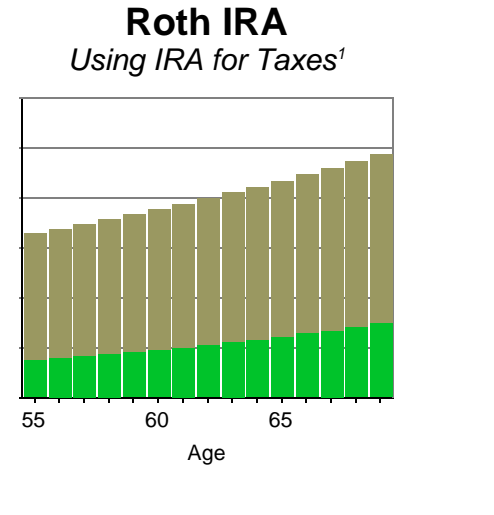
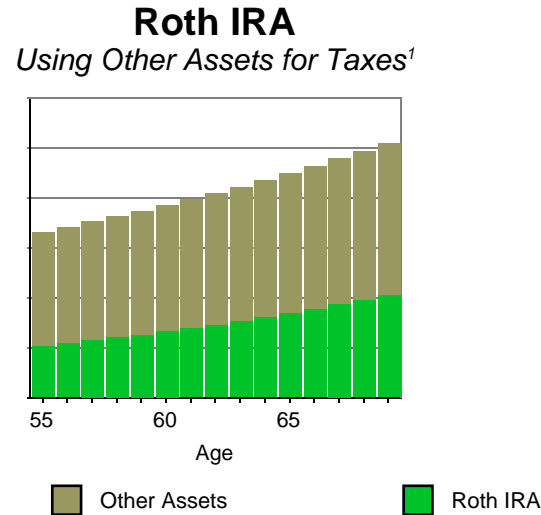
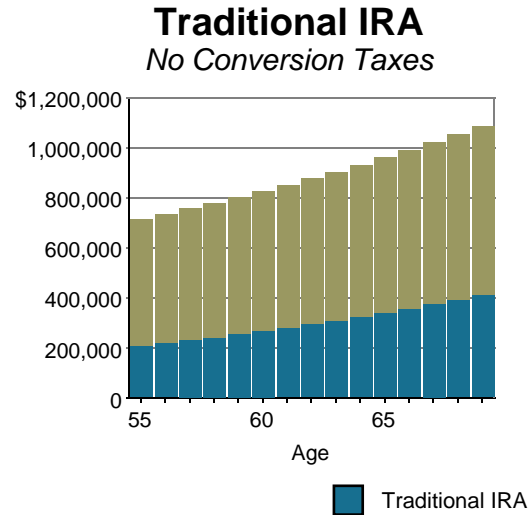


Comparing IRA with Roth IRA Conversion

Should I Convert to a Roth IRA? How Should I Pay the Taxes?

Initial Value of IRA: \$200,000 Convert in 2012 to Roth IRA

A Traditional IRA may be converted to a Roth IRA, but income taxes are generally paid on the taxable amount of the Traditional IRA converted to Roth IRA. In exchange, qualified distributions from the Roth IRA are received income tax-free.



Age	IRA ²	Other Assets	Total	Roth IRA	Other Assets	Total	Roth IRA	Other Assets	Total
55	210,000	510,500	720,500	210,000	458,764	668,764	151,339	511,388	662,727
65	342,068	628,425	970,492	342,068	564,847	906,915	246,515	629,639	876,153

Total Funds if Death at Age 69³
\$982,948

Total Funds if Death at Age 69
\$1,029,596

Total Funds if Death at Age 69
\$983,858

¹ Income tax rates are assumed to be 30%. Example assumes the net distributions after taxes are deposited into the Other Assets.

² IRA is subject to income tax upon distribution, except for the after-tax amount, if any.

³ For comparison purposes, calculation assumes taxes of \$115,736 are paid out of Traditional IRA and reduce the Traditional IRA's value from \$415,786 to \$300,050.

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Lifetime Values—Traditional IRA

Keeping Traditional IRA

Initial Value of IRA: \$200,000

Year	Age	Spouse Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Traditional IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2012	55	53		10,000	0	210,000	30.0%	0	0	510,500	0	510,500	720,500
2013	56	54		10,500	0	220,500	30.0%	0	0	521,221	0	521,221	741,721
2014	57	55		11,025	0	231,525	30.0%	0	0	532,166	0	532,166	763,691
2015	58	56		11,576	0	243,101	30.0%	0	0	543,342	0	543,342	786,443
2016	59	57		12,155	0	255,256	30.0%	0	0	554,752	0	554,752	810,008
2017	60	58		12,763	0	268,019	30.0%	0	0	566,402	0	566,402	834,421
2018	61	59		13,401	0	281,420	30.0%	0	0	578,296	0	578,296	859,716
2019	62	60		14,071	0	295,491	30.0%	0	0	590,440	0	590,440	885,931
2020	63	61		14,775	0	310,266	30.0%	0	0	602,839	0	602,839	913,105
2021	64	62		15,513	0	325,779	30.0%	0	0	615,499	0	615,499	941,278
2022	65	63		16,289	0	342,068	30.0%	0	0	628,425	0	628,425	970,492
2023	66	64		17,103	0	359,171	30.0%	0	0	641,622	0	641,622	1,000,793
2024	67	65		17,959	0	377,130	30.0%	0	0	655,096	0	655,096	1,032,225
2025	68	66		18,856	0	395,986	30.0%	0	0	668,853	0	668,853	1,064,839
2026	69	67		19,799	0	415,786	30.0%	0	0	682,898	0	682,898	1,098,684

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan earns 5.00% interest. Also includes Employer Contributions and Salary Reductions, if any.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$30,000.

⁵ Actual Distributions less Taxes and Penalties.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 3.00% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

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Lifetime Values—Converting Traditional IRA to Roth IRA

Converting Traditional IRA to Roth IRA Using Other Assets for Taxes

Initial Value of IRA: \$200,000

Convert \$202,454 to a Roth IRA in April 2012.

Year	Age	Spouse Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2012	55	53		210,000	0	210,000	30.0%	0	0	510,500	51,736	458,764	668,764
2013	56	54		10,500	0	220,500	30.0%	51,736	-51,736	468,489	0	468,489	688,989
2014	57	55		11,025	0	231,525	30.0%	0	0	478,327	0	478,327	709,852
2015	58	56		11,576	0	243,101	30.0%	0	0	488,372	0	488,372	731,474
2016	59	57		12,155	0	255,256	30.0%	0	0	498,628	0	498,628	753,884
2017	60	58		12,763	0	268,019	30.0%	0	0	509,099	0	509,099	777,118
2018	61	59		13,401	0	281,420	30.0%	0	0	519,790	0	519,790	801,210
2019	62	60		14,071	0	295,491	30.0%	0	0	530,706	0	530,706	826,197
2020	63	61		14,775	0	310,266	30.0%	0	0	541,851	0	541,851	852,116
2021	64	62		15,513	0	325,779	30.0%	0	0	553,230	0	553,230	879,009
2022	65	63		16,289	0	342,068	30.0%	0	0	564,847	0	564,847	906,915
2023	66	64		17,103	0	359,171	30.0%	0	0	576,709	0	576,709	935,881
2024	67	65		17,959	0	377,130	30.0%	0	0	588,820	0	588,820	965,950
2025	68	66		18,856	0	395,986	30.0%	0	0	601,185	0	601,185	997,172
2026	69	67		19,799	0	415,786	30.0%	0	0	613,810	0	613,810	1,029,596

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 5.00% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution. After Roth Conversion, Other Assets are used to the extent possible to pay income taxes on Traditional IRA taxable amounts converted to Roth IRA.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$30,000. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁵ Actual Distributions less Taxes and Penalties. After Roth Conversion, Other Assets are used to the extent possible to pay the income taxes on Traditional IRA taxable amounts converted to Roth IRA.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 3.00% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

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Lifetime Values—Converting Traditional IRA to Roth IRA

Converting Traditional IRA to Roth IRA Using IRA for Taxes

Initial Value of IRA: \$200,000

Convert \$145,901 to a Roth IRA in April 2012.

Year	Age	Spouse Age	Life Exp. ¹	Earnings & Contributions ²	Actual Distributions ³	Roth IRA Values	Tax Rate	Income Taxes Paid ⁴	Reinvested Distributions ⁵	Total of All Other Assets ⁶	Less Tax Liability ⁴	Net All Other Assets ⁷	Qualified & All Other Assets
2012	55	53		151,339	0	151,339	30.0%	0	56,554	567,942	56,554	511,388	662,727
2013	56	54		7,567	0	158,905	30.0%	56,554	-56,554	522,227	0	522,227	681,133
2014	57	55		7,945	0	166,851	30.0%	0	0	533,194	0	533,194	700,045
2015	58	56		8,343	0	175,193	30.0%	0	0	544,391	0	544,391	719,585
2016	59	57		8,760	0	183,953	30.0%	0	0	555,824	0	555,824	739,776
2017	60	58		9,198	0	193,151	30.0%	0	0	567,496	0	567,496	760,646
2018	61	59		9,658	0	202,808	30.0%	0	0	579,413	0	579,413	782,221
2019	62	60		10,140	0	212,949	30.0%	0	0	591,581	0	591,581	804,529
2020	63	61		10,647	0	223,596	30.0%	0	0	604,004	0	604,004	827,600
2021	64	62		11,180	0	234,776	30.0%	0	0	616,688	0	616,688	851,464
2022	65	63		11,739	0	246,515	30.0%	0	0	629,639	0	629,639	876,153
2023	66	64		12,326	0	258,840	30.0%	0	0	642,861	0	642,861	901,701
2024	67	65		12,942	0	271,782	30.0%	0	0	656,361	0	656,361	928,143
2025	68	66		13,589	0	285,371	30.0%	0	0	670,145	0	670,145	955,516
2026	69	67		14,269	0	299,640	30.0%	0	0	684,218	0	684,218	983,858

¹ Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.

² Assumes qualified plan/Roth IRA earns 5.00% interest. Also includes Employer Contributions and Salary Reductions, if any. After Roth Conversion, also includes amount converted to Roth IRA.

³ Actual Distribution is the greater of the distribution required to generate the Desired Distributions (see Assumptions pages) or Required Minimum Distribution.

⁴ Taxes and any applicable penalties are paid at the start of the calendar year following the tax liability. See the Assumptions pages for information on distributions from a Traditional IRA with an original after-tax amount of \$30,000. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁵ Actual Distributions less Taxes and Penalties. After Roth Conversion, includes the estimated income taxes on the Traditional IRA taxable amount converted to Roth IRA, except for any after-tax amount.

⁶ All Other Assets and Cumulative Reinvested Distributions are assumed to earn 3.00% interest and are taxed at a 30.00% income tax rate.

⁷ Net of liability for income taxes and any penalties.

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Understanding IRAs, Roth IRAs, Conversions

Key Concepts & Rules

Traditional IRAs

- Contributions are limited to \$5,000 for 2012 (\$6,000 if 50 or over) and are generally tax deductible.
- If you are eligible for a retirement plan at work and your modified adjusted gross income (MAGI) is \$92,000 - \$112,000 in 2012 (married, filing jointly), deductibility phases out and is eliminated thereafter. If your spouse is covered by a retirement plan at work, but you are not, the phase out is \$173,000 - \$183,000 for married, filing joint. (The phase out is \$58,000 - \$68,000 for single taxpayers.)
- Funds grow tax-deferred, but are taxed as ordinary income upon distribution.
- Minimum distributions are required annually beginning on the Required Beginning Date (RBD¹).
- Distributions taken prior to age 59½ are subject to a 10% early distribution penalty tax, with certain exceptions.
- Distributions after your death (or your spouse's death) are taxed as ordinary income to the beneficiary as distributions are received.
- At your death (or your spouse's death), the entire account value is includible in the gross estate for federal estate tax purposes, and may be subject to estate taxes.

Roth IRAs

- Contributions are limited to \$5,000 for 2012 (\$6,000 if 50 or over) and are NOT income tax deductible.
- Ability to contribute is phased out if you earn \$173,000-\$183,000 for married, filing jointly in 2012, and eliminated thereafter. The phase out is \$110,000 - \$125,000 for single taxpayers.
- Funds grow tax deferred and are generally not taxable upon withdrawal.
- No minimum distributions are required from Roth IRAs, during your (or your spouse's) lifetime.
- Withdrawals of contributions to Roth IRAs, prior to age 59½, are not subject to the 10% early withdrawal penalty tax. Withdrawals of earnings within 5 years of establishing a Roth IRA are taxed as ordinary income. Earnings taken prior to age 59½ are taxed as ordinary income, and may be subject to a 10% early withdrawal penalty tax, with certain exceptions.
- Qualified distributions after your death are received by the beneficiary income tax-free, assuming the 5 year period has been satisfied.
- At your death (or your spouse's death, if spouse is considered owner of Roth IRA at death), the entire account value is includible in the gross estate for federal estate tax purposes, and may be subject to estate taxes.



Conversions (from a Traditional IRA or Qualified Retirement Plan to a Roth IRA)

- **A Conversion is a taxable event.** The entire (or partial) amount of the Traditional IRA (less any non-deductible contributions) is taxable as ordinary income upon conversion (or distribution). The conversion amount may move you into a higher marginal income tax bracket.
- Beginning in 2010 there is no income limit for Roth IRA conversions.
- If you pay the taxes out of the Traditional IRA, it will reduce the benefits of the conversion to a Roth IRA, and if you are under age 59½, the amount used to pay income taxes will be subject to the 10% early distribution penalty tax unless an exception applies.
- Withdrawals of converted amounts within 5 years of each separate conversion to Roth IRAs may be subject to a 10% early distribution penalty tax and withdrawals of earnings may be subject to a 10% early distribution penalty tax and/or taxed as ordinary income.
- Distributions from a Traditional IRA must be deposited into a Roth IRA within 60 days (not applicable for trustee-to-trustee transfers).
- You do not have to convert your entire Traditional IRA. A partial conversion is allowed, but you must follow the same rules as any other distribution regarding nondeductible contributions.

¹ The RBD is no later than April 1st of the year following the year in which the IRA owner attains age 70½ for Traditional IRAs, SEPs, and SIMPLE IRAs. For qualified retirement plans, the RBD is the later of April 1 of the year following the year in which the owner reaches age 70½ or retires, if less than a 5% owner.

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Assumptions

Details and Assumptions for Calculations

General Assumptions

Ed's DOB: January 1, 1957 and Linda's DOB: January 1, 1959

Calculations assume that the value of All Other Assets (excluding life insurance) is equal to \$500,000. These assets are assumed to earn 3.00% interest. Hypothetical rates of return illustrated are not associated with any particular investment product.

Calculations assume an ordinary income tax rate of 30.00%.

The Account Balance and Other Assets are grown pro-rata based on the date entered.

Traditional IRA/Qualified Plan Assumptions

Current Traditional IRA/Qualified Plan amount is \$200,000, which includes the employee cost basis amount of \$30,000, and assumes a growth rate of 5.00%.

Calculations assume all non-deductible and after-tax contributions (also known as basis, investment in the contract, and non-taxable portion) are included in the original after-tax amount of \$30,000. Hypothetical rates of return illustrated are not associated with any particular investment product.

A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after-tax amount may not be taxable. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount.

Elections:

Distributions are at least the Required Minimum Distribution using the Uniform Lifetime Table, if applicable.

Roth IRA Assumptions

Conversion Occurs: Year 2012

Roth IRA is assumed to earn 5.00%. Hypothetical rates of return illustrated are not associated with any particular investment product.

There are no required minimum distributions during participant's or spouse's lifetime (if spouse is considered as owner).

Traditional IRA

Contributions may be tax deductible and earnings are tax-deferred. Annual contribution amounts are limited, and deductibility of contributions is based on modified adjusted gross income (MAGI), and not being a participant in an employer-sponsored retirement plan. Consult your tax advisor to determine the maximum tax-deductible contribution amount allowed annually. Contributions may also be non-deductible (after-tax), but earnings are tax deferred. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount. Required minimum distributions must begin by age 70½.

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Assumptions (Continued)

Details and Assumptions for Calculations

Roth IRA

Contributions are *not* tax deductible but earnings are tax-deferred. Annual contribution amounts are limited, and the ability to contribute is based on modified adjusted gross income (MAGI). Consult your tax advisor to determine the maximum contribution amount allowed annually. Withdrawals of contributions to Roth IRAs are not subject to income tax or the 10% early withdrawal penalty tax. Withdrawals of earnings from a Roth IRA are considered qualified distributions after the 5-taxable year holding period for which a contribution or conversion was made to any Roth IRA *and* the owner is age 59½ or older. Withdrawals of earnings within 5 years of establishing a Roth IRA are taxed as ordinary income. Earnings taken prior to age 59½ are taxed as ordinary income, and may be subject to a 10% early distribution penalty tax, with certain exceptions.

Conversion of Traditional IRA to Roth IRA

Beginning in 2010, there is no income limit for Roth IRA conversions. Amounts converted from the Traditional IRA (except for any after-tax amount) are taxable in the year of the conversion. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount. Withdrawals of earnings from a Roth IRA are considered qualified distributions after the 5-taxable year holding period for which a conversion or contribution was made to any Roth IRA *and* the owner is age 59½ or older. Withdrawals of converted amounts within five years of each conversion to Roth IRA may be subject to the 10% early distribution penalty tax, and withdrawals of earnings may be subject to the 10% early distribution penalty tax and/or taxed as ordinary income.

Distribution Assumptions

Early retirement distributions are not exempt from the IRC Section 72(t) penalty.

Distributions from the Traditional IRA/Qualified Plan that does *not* include any after-tax amount are taxable. A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after tax amount is not taxable. The non-taxable portion is the amount of the distribution that bears the same ratio to the total amount of the distribution received as the total remaining after-tax amount bears to the Traditional IRA/Qualified Plan account balance at the end of the year.

For Traditional IRA/Qualified Plan, distribution calculations do not use a joint beneficiary. For Traditional IRA/Qualified Plan, required minimum distributions are based on the Uniform Lifetime Table.

Final Regulations

Required Minimum Distributions are calculated based on the Uniform Lifetime Table. If your beneficiary is your spouse (who is more than 10 years younger than you) distributions during your life may be calculated using the Joint and Last Survivor Table.

Tax Act of 2010

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law on December 17, 2010 as P.L. 111-312, also known as Tax Act of 2010 in this presentation. Tax Act of 2010 applies to deaths and gifts made in years 2011 and 2012. Tax Act of 2010 provides for 'portability' of a deceased spouse's unused Basic Exclusion Amount. Unused exclusion amounts may be passed to the surviving spouse (election must be made on timely filed estate tax return) in years 2011 and 2012. Unless Congress extends all or part of the Act's provisions, the rates, exemptions and procedures will revert to those in effect without regard to the Tax Act of 2010 (pre-EGTRRA 2011.) Calculations for deaths or gifts in 2011 and 2012 reflect the rates, exemptions, and other provisions (portability) within the Tax Act of 2010. All other calculations assume that Congress does **not** extend any of the provisions of this law, and the law in effect prior to EGTRRA 2001 is applied.

Evaluation Standard Footnote: You may supply one customized footnote that will appear on all printed analysis presentation pages for each product. (Allowance: Up to 2 full lines of static text in 9 pt. Arial font)

This presentation is not a financial plan, is for evaluation purposes only, and must be accompanied by all pages. See Important Notes and Assumptions pages.

Presented by: John Smith, CLU, CHFC
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