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IRA Newsletter...*keeping you informed.*

Helping you plan for retirement.

Will You Have Enough?

Life-expectancy figures indicate you could live 20 years or more after you retire at 65. To make sure your savings last as long as you do, experts say, you can't afford to withdraw more than 4% to 5% from your nest egg each year. Obviously, you'll also receive income from Social Security and possibly a pension. Here's how much you'll have to save for retirement depending on the annual withdrawals you plan to take.

TO WITHDRAW 4%		TO WITHDRAW 5%	YOU NEED TO HAVE SAVED AT LEAST
$16,000	to	$20,000	$400,000
$20,000	to	$25,000	$500,000
$24,000	to	$30,000	$600,000
$28,000	to	$35,000	$700,000
$32,000	to	$40,000	$800,000
$36,000	to	$45,000	$900,000
$40,000	to	$50,000	$1 million
$50,000	to	$62,500	$1.25 million

The Benefits Of Consolidating Your IRAs

- **Less Record Keeping**
  You will get fewer monthly statements, fewer emails and not as many forms at tax time.
- **Simpler Estate Administration**
  If you have ever settled someone's estate, you know all about this. More accounts equal more work and more complexity! Make it easy on your kids and/or your executor.
- **Easy Required Minimum Distribution (RMD)**
  At age 70½ when RMDs start, you'll have multiple IRA custodians requesting RMDs each year. If the IRAs are consolidated, it's just one calculation. Also, if you need to figure income tax withholding, the amounts are based on just one account.

Make a plan to get those IRAs in one place. We would like to help you consolidate your IRAs. Call or stop in today.

Inside This Issue

Let The Power Of Compounding Work For You

Open an IRA as early in the year as possible. Your earnings accumulate and compound on a tax-free basis in a Roth IRA or on a tax-deferred basis in a Traditional IRA which is the real advantage of an IRA.

Although you may contribute to your IRA until the due date of your tax return for the previous tax year (generally April 15th), you will earn more on your invested dollars by making your contribution as early in the tax year as possible.

The older your IRAs are, the larger your retirement funds will be.

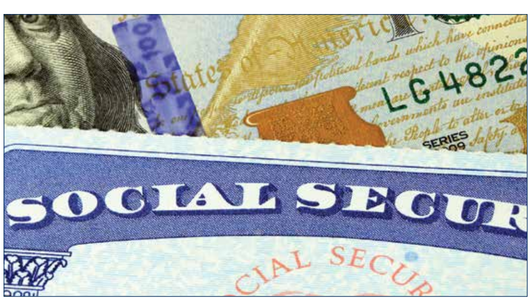
IRA Fast Fact

You can have your federal income tax refund deposited directly to your IRA.

Taking Social Security

If you've got the requisite 10 years of employment (or have been married long enough to someone with the requisite 10 years), you can begin drawing Social Security retirement benefits at any time from ages 62 to 70. The earlier you begin taking money, the less money you get a year. The later you begin, the more you get.

For example, at 62, you get 75% of your normal retirement benefit. At your full retirement age, you get 100%. At 70, it's 132%. Each year you wait from 62 on increases your benefits by about 8%.



Dear IRA,

I would like to help my grandchildren by starting a Roth IRA for them. How do I start this process?

First of all, understand that you can't start a Roth IRA for any of the grandchildren unless they have earned the amount of money you want to contribute. It doesn't necessarily mean they have to put the money in, but if you want to put $1,000 into a Roth IRA, they must have earned and reported $1,000 in income.

Must I contribute the full amount each year to my IRA?

No. You can contribute any amount your budget allows, either in one or more contributions. In fact, if you choose, you need not make any contributions in a given year.

TEST YOUR KNOWLEDGE OF IRAS

1 ***Your 12 year-old daughter has a paper route. She can:***

A. Open an IRA when she's 16.
B. Open an IRA when she's 21.
C. Open an IRA right away.

2 ***You own a vacation property, which you rent 50 weeks a year. The income from this property:***

A. Is considered to be "compensation" for IRA purposes.
B. Is not considered to be "compensation" for IRA purposes.

3 ***Can you pledge your IRA as collateral for a loan?***

A. No.
B. Yes, but only if the loan is to pay for medical expenses, a first home or higher education.

4 ***When you reach age 70½, which of the following apply?***

A. You must begin taking distributions from your Traditional IRA.
B. You can no longer contribute to your Traditional IRA.
C. Both.

5 ***If you receive a lump-sum distribution from a qualified pension plan and do not roll it over directly to your IRA:***

A. 20% of the total distribution must, by law, be withheld for federal income tax purposes.
B. The entire sum is taxable as current income.
C. You cannot take a tax deduction for this contribution.

(Answers on page 4)

Converting From A Traditional IRA To A Roth IRA

Am I Eligible To Convert To A Roth IRA?

Since January 1, 2010, the $100,000.00 modified adjusted gross income (MAGI)* limit and the married filing separate tax filing restriction are eliminated for conversion eligibility.

* Modified adjusted gross income (MAGI) is your gross annual income from all sources (including wages, salaries, tips, taxable interest, dividend income, alimony, capital gains, and other income).

What About Taxes?

When you convert assets from a Traditional IRA to a Roth IRA, you have to pay income tax on all pretax contributions and earnings included in the amount you convert.

Can I Afford To Convert To A Roth IRA?

Keep in mind that converting to a Roth IRA requires you to pay taxes on funds moved from your Traditional IRA. If all of your contributions were tax-deductible, you would owe taxes on the entire amount; if you made non-deductible contributions, you will not be taxed on the contributions that were previously taxed, but you will pay tax on any earnings. If you are under 59½ and use your IRA funds to pay the tax, the IRS would view this as a distribution and impose a 10% penalty on top of the income tax resulting from the conversion. So, unless you can pay this tax from a source outside of your IRA, you could deplete your retirement savings significantly.

Must I Convert My Entire Traditional IRA?

No. It's up to you. Partial conversions are allowed, as are conversions from a number of Traditional IRAs. You may want to make a partial conversion if you don't want to have the tax expenses of a full conversion.

What Other Facts Should I Consider Before Converting To A Roth IRA?

First, consider your tax bracket in the year that you convert and what you expect it to be in your retirement. If you project your income to be lower when you start making withdrawals, you would be in a lower tax bracket than you are now. It may be beneficial for you to keep your money in a Traditional IRA.

Second, the more years you have until retirement, the more your money has time to accumulate tax-free earnings and the more conversion makes sense for you. You will also have more time to offset the impact of the taxes you paid at the time of conversion.

When Can I Withdraw My Conversion Money?

You can withdraw your converted assets at anytime. However, if you withdraw any conversion assets and earnings during the five-year period beginning with the year of the conversion, the withdrawal will be subject to a 10% penalty that applies to premature distributions (unless a penalty exception applies– the 10% early penalty does not apply if the individual is 59½, deceased, disabled, the funds are for college expenses or first-time home purchase up to $10,000 and certain medical expenses).

Is There A Deadline For Conversion?

Yes. December 31 of the current year is the deadline for conversion in any given year, NOT April 15 of the following year (as is the case when funding a Traditional or Contributory Roth IRA). It's best to submit a conversion request by December 15 to allow time for the conversion to be processed.

Do I Have The Option To "Undo" My Conversion?

You can reverse a conversion by transferring the entire conversion amount and all earnings attributed to the conversion back to a Traditional IRA by your tax filing deadline plus extensions for the year of the conversion.

IRA Fast Fact

You can deduct 100% of your contributions to a Traditional IRA regardless of your income level if neither you or your spouse is an active participant in an employer-sponsored retirement plan.

You Should Open An IRA Today

Here Are Some Good Reasons To Take Action

- **Save Money On Your Taxes**
  If you are eligible, you may be able to deduct your contributions to a Traditional IRA for your current tax year and still reap tax-deferred earnings until withdrawals.
- **Tax-Free Savings**
  Roth IRAs generate tax-free earnings when withdrawn, as long as the account has been maintained for 5 years or you meet certain other withdrawal conditions.
- **Diversification**
  IRAs can help to diversify your retirement portfolio. This is important since a lot of employer-sponsored plans may be heavily weighted in your company's stock or typically have limited options.
- **Longevity**
  Americans who retire are living longer, healthier lives. This certainly has resulted in the need to stretch or add to your retirement funds.

Allow us to help you secure a more comfortable retirement by assisting in your consideration of which type of IRA may be best for you.

AT-A-GLANCE

TRADITIONAL & ROTH IRA CONTRIBUTION LIMITS

INDIVIDUAL Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2016	$ 5,500	$ 1,000	$ 6,500
2017	$ 5,500	$ 1,000	$ 6,500

MARRIED/SPOUSAL Tax Year	Annual Contribution Limit	Annual Catch-Up Contribution Age 50 or Older	Maximum Annual Contribution Limit Age 50 or Older (Including Catch-Up)
2016	$ 11,000	$ 2,000	$ 13,000
2017	$ 11,000	$ 2,000	$ 13,000

Total yearly contributions that can be made by an individual to all IRAs (Traditional and Roth) is $5,500 ($6,500 if age 50 or older).

IRA TEST ANSWERS

1 - C There is no minimum age requirement for opening an IRA. Regulations require only that the account owner has earned income in the tax year for which the contribution is made.

2 - B Regulations exclude so-called passive income, such as property rents, interest, dividends, and pension or annuity receipts, from the definition of "compensation."

3 - A Individual Retirement Accounts may not be used as security or collateral under any circumstances.

4 - C Traditional IRAs are designed to help you save for retirement, rather than create an estate for your heirs. That's why you must begin taking distributions at 70½, if you haven't already, and why you cannot continue to contribute to your Traditional IRA after reaching that age.

5 - A & C If you choose to take possession of the lump-sum distribution, rather than having it rolled over directly to your IRA, the law requires that 20% be withheld toward your federal income tax. The distribution is only taxable if you fail to roll it over within 60 days. (But that means you have to come up with the extra 20% that was withheld for taxes, or it will be considered a taxable distribution.) There is no deduction for lump-sum rollovers.

IRA Fast Fact

IRAs are an FDIC-insured account and are insured separately for $250,000.

IMPORTANT NOTE: The information contained in this newsletter is not intended to provide specific advice or recommendations for any individual. We suggest that you consult your attorney, accountant, tax or financial advisor with regard to your personal situation.