



Retirement Planning Guide

Expect more from your retirement

Retirement used to be more clear-cut. One day you were working, and the next day you weren't — moving from paychecks straight to pension and Social Security checks.

Now times are different. Fewer companies offer traditional, guaranteed pensions. And Social Security may only cover a small portion of your needs. On top of that, people are living longer, and you'll likely spend 20 to 30 years in retirement.

REGIONS IS HERE TO HELP...

Together we'll develop a plan that will help ensure your comfort and financial well-being throughout retirement.

This Retirement Planning Guide will provide you with information and insights. But it doesn't end there. You also can call on your Regions retirement experts and financial advisors from our Morgan Keegan & Company partner. You'll get the professional attention you deserve as you work toward your goals.

What you'll find inside...

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→ **Take your retirement planning to the next level with a complimentary review by a Morgan Keegan financial advisor — call 1-866-951-9511.**

1-866-951-9511
regions.com

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Where are you now?



Expect professional advice and guidance

“Regions makes it easy to get retirement planning tailored to specific needs...especially from its Morgan Keegan advisors...

...the ability to look ahead and make adjustments will be invaluable for ensuring financial well-being that lasts.”

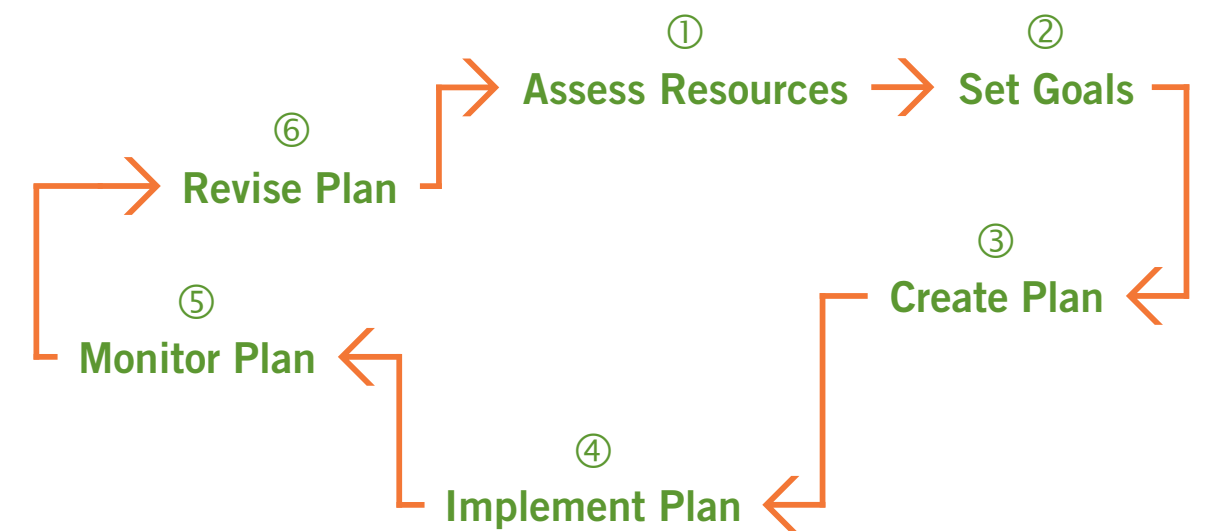
Easy to start — easy to continue

Whether you're just getting started with your retirement planning, or you've already reached retirement, we're here to make it easy — and help your dreams come to life.

Good retirement planning changes with you and is an ongoing process based on your circumstances and life events. That's why your strategies must also be open to ongoing monitoring and adjusting. Regions' expert advice and guidance can help you stay on track as you reach toward your goals.

Overall financial planning

A good place to begin is with an overall financial plan. Think of this process as a “loop” where you set goals, implement your plan, keep it up-to-date, and then repeat that as needed. In addition to help from Regions, you should also consult your tax, estate, and other advisors as an important part of any financial strategy.



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Financial planning review

① Assess Resources

- ▶ Collect and organize financial documents — bank, investments, insurance, estate
- ▶ Make a list of assets and liabilities, and income and expenses
- ▶ Analyze all of this data to see your overall financial situation

② Set Goals

- ▶ Establish how you want to live in retirement — residence, leisure, health care
- ▶ Make a timeframe for achieving your goals

③ Create Plan

- ▶ Calculate the gap between current resources and established goals
- ▶ Evaluate savings plan options

④ Implement Plan

- ▶ Establish a savings and investment portfolio to meet your goals — be open to change
- ▶ Enlist help from Regions’ experts as well as your tax, estate, and other advisors

⑤ Monitor Plan

- ▶ Review your goals often — at least annually
- ▶ Measure your progress

⑥ Revise Plan

- ▶ Remember, retirement planning is not static, but is a flexible, changing dynamic
- ▶ As your situation progresses, you may need to make adjustments — and we can help

Retirement planning basics

You may have a very idealistic vision of retirement — doing all of the things that you never seem to have time to do now.

First, define what retirement means to you

- ▶ Do you envision yourself simply relaxing and pursuing your favorite pastimes in a comfortable home you’ve worked hard to own? Or will you still need to pay a mortgage or other housing expenses?
- ▶ Do your goals include lots of leisure activities like travel, recreation, and entertainment? How costly are your special interests?
- ▶ Are you considering supplementing your income with part-time work? Or are you planning for expenses associated with charitable giving and volunteer work?
- ▶ Are you in good physical shape? And what type of healthcare costs do you anticipate?

Facts to consider:

- ▶ Social Security may be around when you retire, but the benefits that you get from Uncle Sam may not provide enough income for your retirement years — possibly only meeting a small portion of your needs.
- ▶ To make matters worse, few employers today offer a traditional company pension plan that guarantees you a specific income at retirement. So substantial personal funding is usually required.
- ▶ And on top of that, people are living longer and must find ways to fund those additional years of retirement, too.

Such eye-opening facts mean that sound retirement planning is critical today if you want tomorrow’s dreams to come true. But proceed with confidence: retirement planning is easier than it used to be, thanks to the many tools and resources available — please read on.

Where do you want to go?



Expect a clearer picture of your future

“Defining where you want to be in retirement is part of achieving goals...

...Regions helps assess financial information to get a clear picture of today...and determine how to reach tomorrow.”

Determine your retirement income needs

Many experts suggest that you need at least 70 to 80 percent of your pre-retirement income to enable you to maintain your current standard of living in retirement. But this is only a general guideline. To determine your specific needs, you may want to estimate your annual retirement expenses.

Use your current expenses as a starting point, but note that your expenses may change dramatically by the time you retire. If you're nearing retirement, the gap between your current expenses and your retirement expenses may be small. If retirement is many years away, the gap may be significant, and projecting your future expenses may be more difficult. But the sooner you start, the better.

Keep in mind that your annual expenses may fluctuate throughout retirement. For instance, if you own a home and are paying a mortgage, your expenses will drop if the mortgage is paid off by the time you retire. Other expenses, such as health-related expenses, may increase in your later retirement years. A realistic estimate of your expenses will tell you about how much yearly income you'll need to live comfortably.

And remember to take inflation into account. The average annual rate of inflation over the past 20 years has been approximately 3 percent. (Source: Consumer Price Index data published annually by the U.S. Department of Labor.)

Figure out how much you'll need to save:

- ▶ At what age do you plan to retire?
The younger it is, the more money you'll need.
- ▶ What is your life expectancy? You'll likely spend 20 to 30 years in retirement.
- ▶ What growth can you expect from your savings? Be conservative with this estimate.
- ▶ Do you expect to dip into your principal?
Build in a cushion to guard against risks.

Examples of common expenses to estimate:

- ▶ Food and clothing
- ▶ Housing: Rent or mortgage, property taxes, homeowners insurance, maintenance
- ▶ Utilities: Gas, electric, water, telephone, cable TV
- ▶ Transportation: Car payments, auto insurance, gas, maintenance, public transportation
- ▶ Insurance: Medical, dental, life, long-term care
- ▶ Healthcare costs not covered by insurance: Deductibles, co-payments, prescription drugs
- ▶ Taxes: Federal and state income tax, capital gains tax
- ▶ Debts: Personal loans, business loans, credit card payments
- ▶ Education: Children’s or grandchildren’s college expenses
- ▶ Gifts: Charitable and personal
- ▶ Recreation: Travel, dining out, hobbies, leisure activities
- ▶ Care for yourself, your parents, or others: Costs for a nursing home or assisted living
- ▶ Miscellaneous: Personal grooming, pets, club memberships



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Calculate “The Gap”

Once you have estimated your retirement income needs, estimate future assets and income — Social Security, a retirement plan at work, a part-time job, etc. If estimates show that you have a gap, the rest will have to come from retirement savings.

“The Gap” is the difference you need to fill, between expenses and income



Saving and investing to reach retirement goals

By the time you retire, you’ll need a nest egg that will provide you with enough income to fill the gap left by your other income sources.

Map out a savings plan that works for you. Assume a conservative rate of return — for example, 5 to 6 percent — and then determine approximately how much you’ll need to save every year between now and your retirement to reach your goal.

More about life expectancy and Social Security

Because people are living longer, according to the U.S. Administration on Aging, persons reaching age 65 have an average life expectancy of an additional 18.5 years.* And since Social Security accounts for only 38.6 percent of total aggregate income for aged persons,** Social Security alone may not be enough to see you through your retirement years. In fact, many experts state that Social Security might provide for only a small portion of your expenses in retirement.

*Source: A Profile of Older Americans: 2005, U.S. Administration on Aging

**Source: Income of the Aged Chartbook 2004, Social Security Administration (Released September 2006)

How do you get there?



Expect planning that helps you reach your destination

“Retirement requires sound financial planning today and going forward, too...

...fortunately, you can count on Regions and Morgan Keegan for sound advice and guidance, as well as the resources to help reach that destination”

Understanding savings and investment options

Before you begin, a good savings and investment strategy requires that you build on a sound foundation and establish a few ground rules:

- ▶ Seek professional retirement planning assistance
- ▶ Assess your risk tolerance
- ▶ Determine your investing timeframe
- ▶ Determine the amount of money you can invest
- ▶ Choose investments that are appropriate for your risk tolerance and time horizon
- ▶ Consult your tax, estate, and other financial advisors

When you implement your investment plan, the following are among the most common retirement savings and investment tools; others are also available. And of course, there is a wealth of options available through Regions' partner, Morgan Keegan.

Employer-sponsored retirement plans allowing employee deferrals — 401(k) and 403(b) plans — are powerful savings tools. Your contributions come out of your salary as pretax contributions (reducing your current taxable income) and any investment earnings are tax-deferred until withdrawn. These plans often include employer-matching contributions and should be your first choice when it comes to saving for retirement.

Traditional IRAs, like employer-sponsored retirement plans, feature tax deferral of earnings. If you are eligible, traditional IRAs may enable you to lower your current taxable income through deductible contributions. Withdrawals, however, are taxable as ordinary income (unless you've made nondeductible contributions, in which case a portion of the withdrawals will not be taxable).

Roth IRAs don't permit tax-deductible contributions but allow you to make completely tax-free withdrawals under certain conditions. With both types, you can typically choose from a wide range of investments to fund your IRA.

Both 401(k) and 403(b) plans can also allow after-tax Roth contributions. While Roth contributions don't offer an immediate tax benefit, qualified distributions from your Roth account are free of federal income tax.

Annuities are generally funded with after-tax dollars, but their earnings are tax deferred (you pay tax on the portion of distributions that represents earnings). There is generally no annual limit on contributions to an annuity. A typical annuity provides income payments beginning at some future time, usually retirement. The payments may last for your life, for the joint life of you and a beneficiary, or for a specified number of years (guarantees are subject to the claims-paying ability of the issuing insurance company).

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Bonds are also good as income investments because of their steady and predictable stream of income through interest payments. Bonds have traditionally been important for retirees for this reason. Also, though they are not risk-free (e.g., a bond issuer could default on a payment or even fail to repay the principal), bonds as a whole are considered somewhat less risky than stocks, though individual securities have their own specific risks. Because the performance of bonds and stocks is not highly correlated (i.e., the two often behave quite differently), bonds offer significant diversification benefits, too.

Mutual funds and individual securities. When creating an investment portfolio for retirement, the types of investments you will make depend on several factors. One factor to consider is the amount of money you have to invest and another is the amount of risk you wish to take. Mutual funds allow you to adequately diversify your portfolio even if you only have a small amount to invest. There are many allocations available that are dependent on your personal risk factors. Individual stocks can also be beneficial in the process of growth and diversification of your portfolio.

Keep in mind...

- ▶ A well-diversified portfolio can help minimize risk
- ▶ The earlier you start, the more you can contribute over your working lifetime
- ▶ The earlier you start, the more time your investments will have to compound
- ▶ With a longer timeframe, you have more investment options

Controlling expenses

If you’re lucky, your expected income sources will be more than enough to fund even a lengthy retirement. But what if it looks like you’ll come up short? Don’t panic — there are probably steps that you can take to bridge the gap. A financial professional can help you figure out the best ways to do that, but here are a few suggestions:

- ▶ Try to cut current expenses so you’ll have more money to save for retirement
- ▶ Shift your assets to investments that have the potential to substantially outpace inflation (but keep in mind that investments that offer higher potential returns may involve greater risk of loss)
- ▶ Lower your expectations for retirement, so you won’t need as much money (no beach house on the Riviera, for example)
- ▶ Work part-time during retirement for extra income
- ▶ Consider delaying your retirement for a few years (or longer)

Some savings and investment calculations

Your retirement income will be provided by many popular sources including retirement plans, personal investment savings, and Social Security. While there are several savings options available to you, the following calculations give you an idea of how much of a difference planning can make.

401(k) plans

This example assumes an employee has a current 401(k) balance of \$50,000 and earns \$75,000 per year with assumed 3% salary increases. The employee is contributing 10% of income with a 50% match up to 6% of salary. The annual rate of return is 8%.

Age now	Age at retirement	Annual contribution with employer match (inflated annually at 3%)	Total savings accumulated
35	65	\$9,750	\$2,055,795
45	65	\$9,750	\$813,582
55	65	\$9,750	\$273,679

Traditional IRAs

Here, a Traditional IRA current balance of \$20,000 is assumed for an employee who is making maximum annual contributions of \$5,000. It is assumed that the employee will begin making an additional \$1,000 in catch-up contributions upon reaching age 50. The annual rate of return is 8%.

Age now	Age at retirement	Annual contribution	Total contributions (additional \$1,000 at age 50)	Total savings accumulated (before taxes)
35	65	\$5,000	\$165,000	\$842,307
45	65	\$5,000	\$115,000	\$369,658
55	65	\$6,000	\$60,000	\$137,051

Social Security

The 2008 Social Security FICA income limit is \$102,000 with an annual maximum Social Security benefit of \$26,220 per year for a single person and 1.5 times this amount for a married couple. To receive the maximum benefit would require earning the maximum FICA salary for nearly your entire career. You would also need to begin receiving benefits at your full retirement age of 66 or 67 (depending on your birth date). Your actual benefit may be lower or higher depending on your work history and the complete compensation rules used by Social Security.

Your experiences will vary, but as shown, the sooner you start, the more you can save — and the more resources you use, the better off you could be.

What decisions do you face?



Expect advice and guidance for when you retire

“From tax laws to income considerations...there’s so much to know about savings and investments when retirement age is reached...

...knowing the right information can save money and preserve peace of mind. It’s key to seek the proper professional and legal advice on these issues.”

Pensions[†]

If you participate(d) in a traditional pension plan — also known as a defined benefit plan — with your employer, you may receive monthly benefits from the plan after you retire. Depending on your plan’s provisions, you may have more than one payout option to choose from.

One option is a lump-sum payment where you receive the entire value of your plan in a single payment with no further payments to be made to you or your survivors.

Other options offer you and your spouse a joint and survivor annuity. If your spouse consents in writing, you can generally decline this option and elect a single-life annuity instead.

With a joint and survivor annuity, payments continue as long as either you or your spouse is alive. When one spouse dies, the benefits paid to the surviving spouse generally cannot be less than 50 percent (or more than 100 percent) of the joint benefits. By contrast, with a single-life annuity, payments last for your lifetime and cease upon your death.

Tax Tip

Always consider the impact of federal and other income taxes on annuity payments when determining the net amount of benefits available for you (and your spouse).

For example, if you received one payment after retirement and then died, the single-life annuity would provide no further payments from your pension. Your spouse would receive nothing.

So why would you choose a single-life annuity knowing that payments will stop at your death? One reason is that the single-life annuity generally pays a larger monthly benefit than the joint and survivor annuity. This is because the payments are designed to last for a smaller number of years (i.e., one life expectancy instead of two). Retirees who want to maximize their monthly income sometimes choose the single-life annuity for this reason. The retiree can then use the additional income to purchase life insurance with his or her spouse as the beneficiary, thereby protecting the spouse’s financial future. This strategy, commonly called pension “maximization” using life insurance, may be appropriate for you.

Other factors to consider:

- ▶ Insurance — if you’re insurable, determine if the cost is worth the coverage
- ▶ Cost-of-living adjustment — if insuring, consider a larger policy to offset inflation
- ▶ Life expectancy of spouse — if longer, the joint and survivor annuity may make more sense
- ▶ Gender of the plan participant — women tend to live longer
- ▶ Pop-up provision — allows change in payout if spouse dies early
- ▶ Income tax — annuities and benefits are treated as taxable income

Caution: Be sure to seek qualified professional advice, since choosing a pension payout option and life insurance coverage can be complex and will impact both your financial future and your spouse’s.

Rollovers[†]

A rollover is generally a transfer of assets from a retirement plan maintained by a former employer to another retirement plan or IRA. Often, when employees change jobs or retire, they may leave retirement accounts “stranded.” Rollovers consolidate your funds into an up-to-date account that may be easier and less costly to monitor, and that may open up more investment options.

There are many advantages to rollovers

A rollover is not a taxable distribution. This means that if you complete the rollover within 60 days of receiving the distribution and follow other federal rollover rules, you will not be subject to income tax or early withdrawal penalties on the money. You will not have to pay federal or state income tax on the money until you begin taking taxable distributions from the IRA or new plan. By that time, you may be retired and in a lower income tax bracket. Also, if you are 59½ or older when you take distributions, you will not have to worry about premature distribution penalties.

A rollover allows continued tax-deferred growth. When you do a rollover, you are simply moving your retirement money from one tax-favored savings vehicle to another. This allows the money to continue growing tax deferred in the IRA or new plan, with little or no interruption.

A rollover may be an option every time you leave a job. You may be able to roll over your vested benefits in a former employer’s retirement plan every time you leave a job — to a new or existing traditional IRA (but not a Roth IRA) or to a new employer’s plan.

How to do a rollover:

- ▶ Check with the new plan administrator to make sure rollovers are accepted
- ▶ Consult your tax advisor before selecting a rollover
- ▶ Review the notice from your old plan administrator explaining the rollover rules
- ▶ Obtain your spouse’s consent, if required
- ▶ Make sure that a proper check is sent from your old plan to the new one
- ▶ If you receive the funds personally, do the rollover within 60 days

Caution: *Do you own highly appreciated company stock in your tax-deferred employer-sponsored retirement plan? You may want to double-check before you roll over your company stock into an IRA. It may be better to transfer the stock to a regular investment account and roll over any remaining assets into an IRA. With a distribution of retirement assets other than employer securities, all of the distribution is generally taxable to you in the year of distribution. When the lump sum distribution includes employer securities, however, you may need to pay income tax only on a portion of the distribution and, in addition, you may receive a considerable income tax benefit in the future. You may lose the favorable tax treatment once you roll over the securities into an IRA. Consult your CPA or tax advisor for more information.*

Tax Tip

When doing a rollover, it must be completed within 60 days to qualify as a tax-free transfer of funds and to avoid early distribution penalties.

Social Security[†]

Social Security will probably not be the only retirement income you need, but it is an important benefit you receive based on your lifelong after-tax earned income. Contact the Social Security Administration two to three months before you retire to file an application for benefits. A person’s benefits end upon their death.

No matter what your occupation, gender, or income level, you are eligible for Social Security retirement benefits if you are:

- ▶ **Age 62 or older and a fully insured worker** [Fully insured: You are considered fully ensured when you acquire a certain number of Social Security credits or quarters of coverage. You must earn 40 credits (10 years in work subject to Social Security taxes) or earn at least one credit for each year elapsing after 1950 (or, if later, after the year in which you reached age 21) and before the year in which you reach age 62, die, or become disabled (whichever comes first), and earn at least six total credits.]
- ▶ **A qualified family member of a fully insured worker (entitled to a percentage of the worker’s benefit)**
 1. A non-working spouse of a retired worker (spouse must be at least age 62 and entitled to benefits on worker’s record)
 2. A child under the age of 18
 3. The divorced spouse (must be currently unmarried and married to worker for at least 10 years)
 4. Spouse, if caretaker of a child under age 16

Retirement Tip

You can retire before normal age — as early as 62 — to receive benefits, but the amount will be reduced. Or, you can delay retirement beyond normal age and receive increased benefits.

Factors to consider before retiring

Deciding when to retire and begin receiving Social Security retirement benefits is a personal decision. It can be an easy one — I’m done working! Or a difficult one — My kids are in college, and it’s expensive! When making this decision, age requirements will affect the amount of your Social Security benefit check.

Normal retirement. If you retire at “normal” retirement age, you will be eligible for full Social Security benefits based on 100% of your primary insurance amount, provided that you are fully insured. Your normal retirement age depends upon the year in which you were born. If you were born in 1937 or earlier, your normal retirement age is 65. However, people born in 1938 or later will be affected by the increasing retirement age.

Here’s how retirement age increases:

- | | | |
|-----------------------------|------------------------------|------------------------------|
| ▶ 1938 – 65 years, 2 months | ▶ 1942 – 65 years, 10 months | ▶ 1957 – 66 years, 6 months |
| ▶ 1939 – 65 years, 4 months | ▶ 1943 – 1954 – 66 years | ▶ 1958 – 66 years, 8 months |
| ▶ 1940 – 65 years, 6 months | ▶ 1955 – 66 years, 2 months | ▶ 1959 – 66 years, 10 months |
| ▶ 1941 – 65 years, 8 months | ▶ 1956 – 66 years, 4 months | ▶ 1960 and later – 67 years |

Important: *Contact the Social Security Administration for specific information about your unique situation.*

Income-generating Investments[†]

Your savings and investment portfolio may contain income-generating investments, such as annuities, bonds, preferred stocks, and CDs. These can provide a steady stream of income in retirement through earnings or interest payments. In addition, these can also provide a nice source of diversification to your portfolio since they may not directly correlate to the performance of common stocks and mutual funds. Here’s more information about two commonly used investment vehicles.

Annuities

An annuity is a contract between you and the issuer, usually an insurance company. In its simplest form, you pay money to the annuity issuer, the issuer invests the money for you, and then the issuer pays out the principal and earnings back to you or a beneficiary.

You can invest in one lump sum or you can invest a series of payments in an annuity. Then there are two broad options for receiving distributions from an annuity contract. One option is to withdraw earnings in one lump sum or over time. A second broad withdrawal option is to receive a guaranteed income stream from the annuity.

If you elect to receive annuity distributions over your entire lifetime, you receive payments until you die. If you specify a period of time, such as five years, the payments continue over that period whether you are alive or not. It is up to you to base your decision on your life expectancy and other factors.

Bonds

One of the most important reasons why investors choose bonds is for their predictable income. For bonds that pay interest over time, the issuer pays the bondholder regular payments until a certain date. At that point, the bond is said to have matured. When it reaches its maturity date, the full amount of the face value must be repaid to the bondholder. On the other hand, some bonds only pay interest when the bond is redeemed.

Either way, bonds have traditionally been important for retirees for these reasons. Also, though they are not risk-free, bonds as a whole are considered somewhat less risky than stocks. Upon retirement, you may want to consider additional bonds that either produce regular interest payments or lump-sum redemptions.

Tax Tip

Money you invest in an annuity is not tax deductible. However, earnings will accrue tax deferred until you begin withdrawing money from the annuity.

Tax Tip

If you’re in a high tax bracket, consider bonds that are not taxable by the federal government, such as municipal bonds, even if the interest rate is lower than a taxable bond.

Distributions from Employer Plans and IRAs[†]

A withdrawal from an IRA is referred to as a distribution. Distributions can come in the form of several payment patterns, from a one-time (lump-sum) payment to a series of distributions over a number of years. Depending on how old you are at the time of the distribution, the payment may be classified as a premature distribution (made prior to age 59½), a normal distribution (between ages 59½ and 70½), or a Required Minimum Distribution (after age 70½). There are tax consequences to any type of traditional IRA or qualified plan distribution.

The premature distribution rule

Distributions you receive from your IRA or retirement plan before you reach the age of 59½ are generally considered by the IRS as premature distributions (or early withdrawals). To discourage these premature distributions, they are not only subject to the usual federal and state income taxes on distributions but also to a 10% federal penalty tax (and possibly a state penalty tax). This 10% penalty tax is commonly referred to as the “premature distribution” tax. The IRS does allow some exceptions.

In the event you need to access your retirement funds prior to age 59½, you can avoid the 10% penalty by electing to receive your funds in a series of “substantially equal periodic payments.” There are three IRS-approved methods for calculating substantially equal periodic payments, each of which uses a factor representing your life expectancy (or the joint life expectancies of you and your beneficiary). It’s important to understand how these methods work and how recent tax law changes may affect your choice of method. The payments from your IRA must continue for at least five years, or until you reach age 59½, whichever is later.

Distributions from qualified retirement plans, that are not rolled over to an IRA or another qualified plan, may avoid the 10% penalty if all of the following are met:

- ▶ You received the distribution after you left the company; and
- ▶ You left the company during or after the calendar year in which you reached age 55; and
- ▶ Your departure from the company qualifies as a separation from service.

Distributions from Roth IRAs:

A withdrawal from a Roth IRA (including both contributions and investment earnings) is completely tax free (and penalty free) if (1) made at least five years after you first establish any Roth IRA, and (2) you have reached age 59½ by the time of the withdrawal. Other exceptions may apply. Prior to age 59½, you may always remove your contributions both tax-free and penalty free. However, the investment earnings may be subject to federal income tax as well as a 10% premature distribution tax. Roth IRAs are not subject to Required Minimum Distribution rules.

Required Minimum Distributions:

Required Minimum Distributions, or RMDs, are amounts that the federal government requires you to withdraw annually from traditional IRAs and employer-sponsored retirement plans after

you reach age 70½ — or, in some cases, after you retire. You can always withdraw more than the minimum amount from your IRA or plan in any year, but if you withdraw less than the required minimum, you will be subject to a federal penalty.

The purpose of the RMD rules is to ensure that people don't just accumulate retirement accounts, defer taxation, and leave these retirement funds as an inheritance. Instead, required minimum distributions generally have the effect of producing taxable income during your lifetime.

When you must take RMDs

Your first required distribution from an IRA or retirement plan is for the year you reach 70½. However, you have some flexibility as to when you actually have to take this first-year distribution. You can take it during the year you reach age 70½, or you can delay it until April 1 of the following year.

Since the first distribution generally must be taken no later than April 1 following the year you reach 70½, this April 1 date is known as your required beginning date. Required distributions for subsequent years must be taken no later than December 31 of each calendar year until you die or your balance is reduced to zero. This means that if you opt to delay your first distribution until April 1 of the following year, you will be required to take two distributions during that year — your first year's required distribution and your second year's required distribution. An exception occurs when you work and contribute to your IRA beyond age 70½.

Caution: *If you fail to take at least the RMD for any year, or if you take it too late, you will be subject to a federal penalty. The penalty is a 50% excise tax on the amount by which the RMD exceeds the distributions actually made to you during the taxable year. Consult your tax, estate, and financial advisors for assistance.*

Resources

The following Web sites and other resources focus on retirement and savings issues. (Listings do not serve as an endorsement of any resource over another.)

- | | |
|--|---|
| www.choosetosave.org
Sponsored by: Employee Benefit Research Institute | www.360financialliteracy.org
Sponsored by: American Institute of Certified Public Accountants |
| www.ssa.gov
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You need to contact your legal and tax advisors for additional information and advice before making any investment decisions.

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