your financial solutions

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I read in the newspaper recently that many of the pop icons of the 1960s, such as Paul McCartney of the Beatles and Mick Jagger of the Rolling Stones, are reaching retirement age. The article was written in a humorous vein, but it reminded me that the idea of growing old seems light-years away when you're young. But that's the time we need to prepare for our "golden years," no matter how far away they may be. Unlike McCartney and Jagger, most of us haven't made millions in our careers, so we'll need to save and invest if we want to enjoy a comfortable retirement. Whether your retirement years are just around the corner or years in the future, I can help you identify ways to prepare for them. Call me today.

John M. Austel

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Choosing an IRA

MAYBE IT DIDN'T MAKE YOUR LIST OF NEW YEAR'S RESOLUTIONS — but maybe it should have, because saving more for retirement certainly deserves consideration. It's becoming painfully clear that today most of us must take personal responsibility for our retirement savings. This means saving as much as possible in employer-sponsored retirement savings plans, such as 401(k)s, as well as in personal IRAs.

If you've already established an IRA — congratulations! If not, one of the first questions to consider is whether a Traditional IRA or a Roth IRA would better serve you. This can get complicated, but I can help. If you contact me, together we can explore what options may be appropriate for you and your circumstances. But to keep it simple, each of these IRAs allows you to sock away money and invest for retirement. The key difference? Taxes. Specifically, whether you will pay federal income taxes on your earnings before or after you retire.

Is the traditional for you?

Contributions to a Traditional IRA grow tax-deferred — you don't pay any tax on your earnings until you start withdrawing them, presumably after you retire. By avoiding the corrosive effects of annual tax payments, you have more money available to compound over the long term. Albert Einstein is quoted as saying, "The most powerful force in the universe is compound interest." I don't know about you, but when someone as brilliant as Einstein speaks, I tend to listen!

But tax-deferred growth is just one advantage of a Traditional IRA. The potential for tax-deductible contributions that reduce your current taxable income is another. Even if you participate in an employer-sponsored

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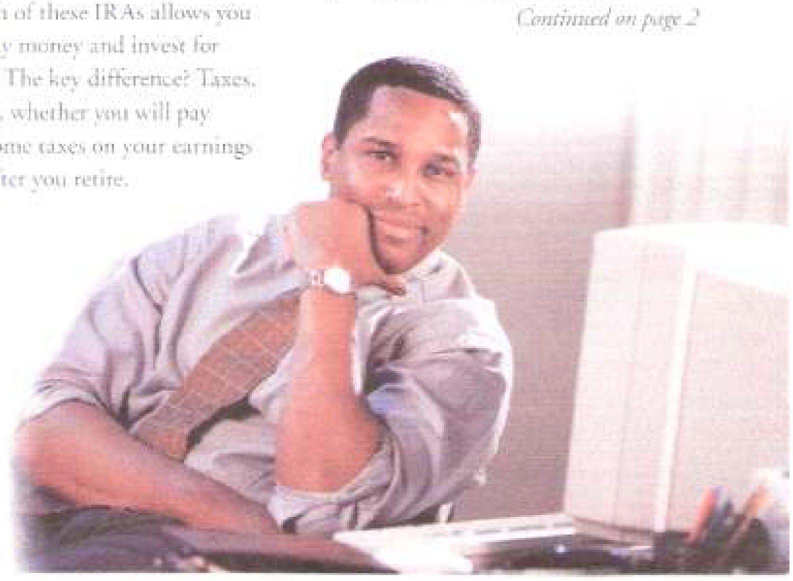

money tips

Take it to the limit

Regardless of the type of IRA you choose (or have), the federal government imposes annual contribution limits. For many years, the limit for any IRA stood at $2,000. But policymakers realized that inflation made this long-standing limit inadequate to meet the retirement planning needs of many individuals. So, in 2002, the limits started to increase. The chart below shows the maximum dollar amount individuals are allowed to deposit into their IRA (Traditional or Roth) each year. After 2008, the contribution limit will rise in increments of $500, depending on inflation.

IRA Contribution Limits[1]

Year	Age 49 & below	Age 50 & above
2006-2007	$ 4,000	$ 5,000
2008	$ 5,000	$ 6,000
2009 and beyond	$ 5,000[2]	$ 6,000[2]

Tax time is near: Is your IRA working for you?

SO YOU HAVE AN IRA, AND YOU UNDERSTAND ITS GREAT BENEFITS. But is your IRA working as hard as it could for you? Here are some annual maintenance tips to follow:

❶ Did you contribute?
If not, don't fret — you have until the April 2008 tax-filing deadline to make IRA contributions for the 2007 tax year.

❷ Are your investments still in balance?
Are your investments on autopilot? Over time, as financial markets move up and down, often out of step with each other, it's quite possible that your asset allocation percentages may no longer be in balance. An occasional readjustment may help get things back on track. (Periodic rebalancing does not necessarily result in a better performing portfolio.)

❸ Have you named the right beneficiaries?
If something happens to you while you still have assets in your IRA, your beneficiary designation form will direct who receives those assets. Make sure your forms are up-to-date.

❹ Have you rolled everything over?
Today, with frequent job changes, it is common for people to have several employer-sponsored retirement plans. While there may be some advantages to keeping those accounts open, you can simplify your life by rolling them over into one IRA — streamline your finances, save money on annual fees and organize your record keeping.

Call me, and together we can discuss your personal situation so you have the confidence that your retirement accounts are working their hardest for you.

[1] Source: Congressional Budget Office
[2] Indexed for inflation

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retirement savings plan at work, your contributions to a Traditional IRA may be tax-deductible, depending on how much you earn. Keep in mind that because Congress created IRAs to encourage Americans to save for *retirement*, you may be subject to a 10 percent IRS penalty if you take distributions prior to age 59½.

To Roth or not to Roth ...
With a Roth IRA, all contributions are made with after-tax dollars. The payoff? All contributions grow tax-free for as long as you live. And, unlike a Traditional IRA, withdrawals from a Roth IRA are tax- and penalty-free as long as the account has been open for at least five tax years and you are either over age 59½, disabled or buying a first home. At any time, you may withdraw tax- and penalty-free the contributions you have made to the account. However, when you withdraw the earnings without meeting the above requirements, they are subject to income tax and may be subject to a 10 percent federal tax penalty. State and local taxes may apply.

Another benefit to a Roth IRA is that you do not need to begin taking required minimum distributions when you reach age 70½, as is the case with a Traditional IRA. You can also

Both a Roth and a Traditional IRA will allow you to sock away money and invest for retirement. Each has specific tax advantages.