


Qualified Plan Analysis

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

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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. Investments offering the potential for higher rates of return also involve a higher degree of risk to principal. Rates of return will vary over time, particularly for long-term investments. 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 American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 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 contained in this report, and generated by this analysis tool (Qualified Plan Distribution Analysis) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual results and are not guarantees of future results.

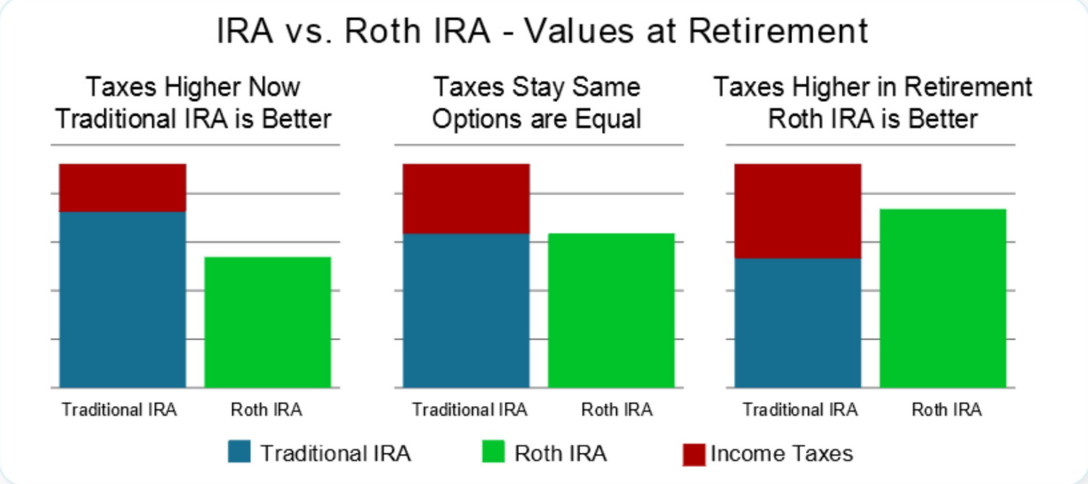
IRS CIRCULAR 230 NOTICE: To ensure compliance with requirements imposed by the IRS, this notice is to inform you that any U. S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue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

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.



For conceptual purposes only. See your personalized illustration for information based on your specific circumstances.

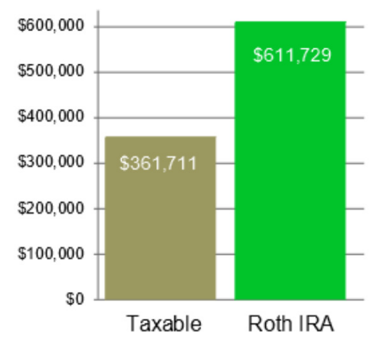
The Flexibility of the Roth IRA

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.



These graphs compare account balances after 30 years of $5,000 annual contributions (after tax) growing at 8%. All growth in the taxable account is taxed each year at 35% while the Roth IRA grows tax free.

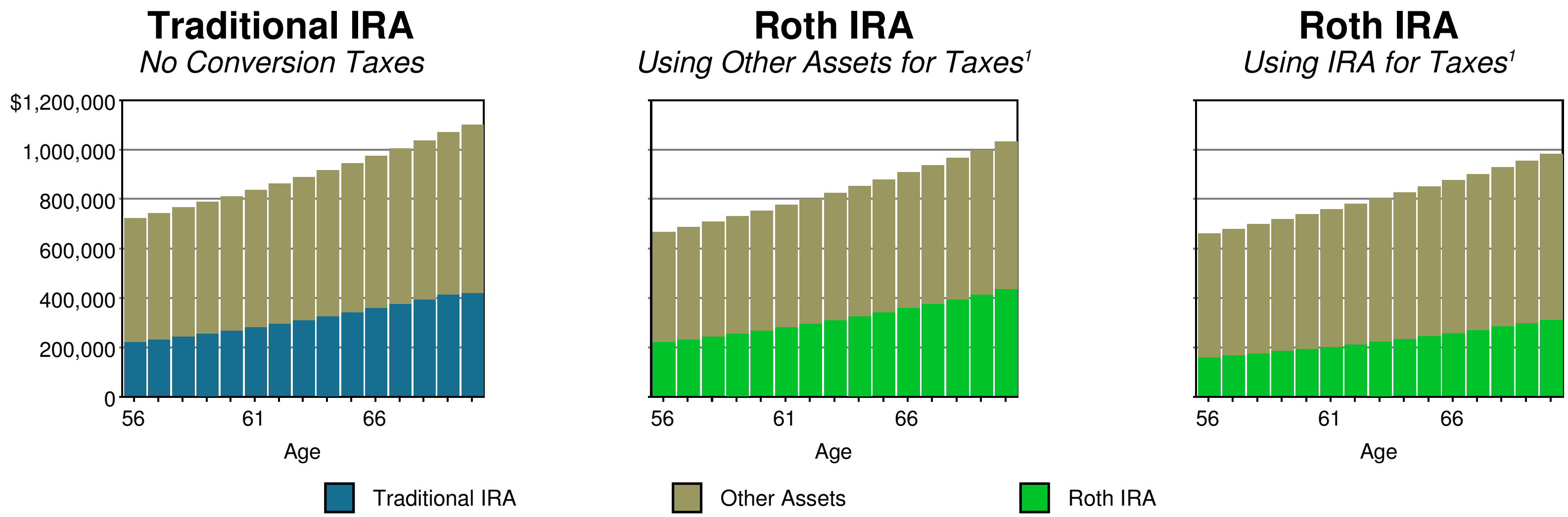
Use taxable accounts for short-term savings.
Use IRAs and Roth IRAs for long-term retirement funding.

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 2014 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
56	220,744	506,976	727,720	220,744	451,611	672,355	158,420	507,715	666,134
65	342,446	611,250	953,696	342,446	544,613	887,059	245,761	612,267	858,028

Total Funds if Death at Age 70[3]
$992,638

Total Funds if Death at Age 70
$1,041,308

Total Funds if Death at Age 70
$992,973

[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 $117,665 are paid out of Traditional IRA and reduce the Traditional IRA's value from $421,172 to $303,507.

Lifetime Values—Traditional IRA

Keeping Traditional IRA

Initial Value of IRA: $200,000

Year	Age	Spouse Age	Life Exp.[1]	Earnings & Contributions[2]	Actual Distri-butions[3]	Traditional IRA Values	Tax Rate	Income Taxes Paid[4]	Reinvested Distri-butions[5]	Total of All Other Assets[6]	Less Tax Liability[7]	Net All Other Assets[7]	Qualified & All Other Assets
2014	56	54		10,512	0	220,744	30.0%	0	0	506,976	0	506,976	727,720
2015	57	55		11,037	0	231,781	30.0%	0	0	517,622	0	517,622	749,403
2016	58	56		11,589	0	243,370	30.0%	0	0	528,492	0	528,492	771,863
2017	59	57		12,169	0	255,539	30.0%	0	0	539,591	0	539,591	795,129
2018	60	58		12,777	0	268,316	30.0%	0	0	550,922	0	550,922	819,238
2019	61	59		13,416	0	281,731	30.0%	0	0	562,491	0	562,491	844,223
2020	62	60		14,087	0	295,818	30.0%	0	0	574,304	0	574,304	870,122
2021	63	61		14,791	0	310,609	30.0%	0	0	586,364	0	586,364	896,973
2022	64	62		15,530	0	326,139	30.0%	0	0	598,678	0	598,678	924,817
2023	65	63		16,307	0	342,446	30.0%	0	0	611,250	0	611,250	953,696
2024	66	64		17,122	0	359,569	30.0%	0	0	624,086	0	624,086	983,655
2025	67	65		17,978	0	377,547	30.0%	0	0	637,192	0	637,192	1,014,739
2026	68	66		18,877	0	396,425	30.0%	0	0	650,573	0	650,573	1,046,998
2027	69	67		19,821	0	416,246	30.0%	0	0	664,235	0	664,235	1,080,481
2028	70	68	27.4	20,117	15,191	421,172	30.0%	0	15,191	693,375	4,244	689,131	1,110,303

1 Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.
2 Assumes qualified plan earns 5.000% 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 3.000% interest and are taxed at a 30.00% income tax rate.
7 Net of liability for income taxes and any penalties.

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 $214,550 to a Roth IRA in June 2014.*

Year	Age	Spouse Age	Life Exp.[1]	Earnings & Contributions[2]	Actual Distri-butions[3]	Roth IRA Values	Tax Rate	Income Taxes Paid[4]	Reinvested Distri-butions[5]	Total of All Other Assets[6]	Less Tax Liability[4]	Net All Other Assets[7]	Qualified & All Other Assets
2014	56	54		220,744	0	220,744	30.0%	0	0	506,976	55,365	451,611	672,355
2015	57	55		11,037	0	231,781	30.0%	55,365	-55,365	461,192	0	461,192	692,974
2016	58	56		11,589	0	243,370	30.0%	0	0	470,877	0	470,877	714,248
2017	59	57		12,169	0	255,539	30.0%	0	0	480,766	0	480,766	736,305
2018	60	58		12,777	0	268,316	30.0%	0	0	490,862	0	490,862	759,178
2019	61	59		13,416	0	281,731	30.0%	0	0	501,170	0	501,170	782,902
2020	62	60		14,087	0	295,818	30.0%	0	0	511,695	0	511,695	807,513
2021	63	61		14,791	0	310,609	30.0%	0	0	522,440	0	522,440	833,049
2022	64	62		15,530	0	326,139	30.0%	0	0	533,411	0	533,411	859,551
2023	65	63		16,307	0	342,446	30.0%	0	0	544,613	0	544,613	887,059
2024	66	64		17,122	0	359,569	30.0%	0	0	556,050	0	556,050	915,619
2025	67	65		17,978	0	377,547	30.0%	0	0	567,727	0	567,727	945,274
2026	68	66		18,877	0	396,425	30.0%	0	0	579,649	0	579,649	976,074
2027	69	67		19,821	0	416,246	30.0%	0	0	591,822	0	591,822	1,008,068
2028	70	68		20,812	0	437,058	30.0%	0	0	604,250	0	604,250	1,041,308

[1] Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.
[2] Assumes qualified plan/Roth IRA earns 5.000% 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 3.000% interest and are taxed at a 30.00% income tax rate.
[7] Net of liability for income taxes and any penalties.

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 $153,974 to a Roth IRA in June 2014.*

Year	Age	Spouse Age	Life Exp.[1]	Earnings & Contributions[2]	Actual Distri-butions[3]	Roth IRA Values	Tax Rate	Income Taxes Paid[4]	Reinvested Distri-butions[5]	Total of All Other Assets[6]	Less Tax Liability[4]	Net All Other Assets[7]	Qualified & All Other Assets
2014	56	54		158,420	0	158,420	30.0%	0	60,576	568,290	60,576	507,715	666,134
2015	57	55		7,921	0	166,341	30.0%	60,576	-60,576	518,484	0	518,484	684,824
2016	58	56		8,317	0	174,658	30.0%	0	0	529,372	0	529,372	704,029
2017	59	57		8,733	0	183,391	30.0%	0	0	540,489	0	540,489	723,879
2018	60	58		9,170	0	192,560	30.0%	0	0	551,839	0	551,839	744,399
2019	61	59		9,628	0	202,188	30.0%	0	0	563,427	0	563,427	765,616
2020	62	60		10,109	0	212,297	30.0%	0	0	575,259	0	575,259	787,557
2021	63	61		10,615	0	222,912	30.0%	0	0	587,340	0	587,340	810,252
2022	64	62		11,146	0	234,058	30.0%	0	0	599,674	0	599,674	833,732
2023	65	63		11,703	0	245,761	30.0%	0	0	612,267	0	612,267	858,028
2024	66	64		12,288	0	258,049	30.0%	0	0	625,125	0	625,125	883,174
2025	67	65		12,902	0	270,951	30.0%	0	0	638,252	0	638,252	909,204
2026	68	66		13,548	0	284,499	30.0%	0	0	651,656	0	651,656	936,155
2027	69	67		14,225	0	298,724	30.0%	0	0	665,340	0	665,340	964,064
2028	70	68		14,936	0	313,660	30.0%	0	0	679,313	0	679,313	992,973

1 Life expectancy is based on the Uniform Lifetime Table. See the Assumptions page for additional information.
2 Assumes qualified plan/Roth IRA earns 5.000% 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 3.000% interest and are taxed at a 30.00% income tax rate.
7 Net of liability for income taxes and any penalties.

Understanding IRAs, Roth IRAs, Conversions

Key Concepts & Rules

Traditional IRAs

- Contributions are limited to $5,500 for 2013 ($6,500 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 $95,000 - $115,000 in 2013 (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 $178,000 - $188,000 for married, filing joint. (The phase out is $59,000 - $69,000 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 (RBD[1]).
- 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 $5,500 for 2013 ($6,500 if 50 or over) and are NOT income tax deductible.
- Ability to contribute is phased out if you earn $178,000-$188,000 for married, filing jointly in 2013, and eliminated thereafter. The phase out is $112,000 - $127,000 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.

Assumptions

Details and Assumptions for Calculations

General Assumptions

Ed's DOB: January 1, 1958 and Linda's DOB: January 1, 1960

Calculations assume that the value of All Other Assets (excluding life insurance) is equal to $500,000. These assets are assumed to earn 3.000% 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 5.000%. 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 2014

Roth IRA is assumed to earn 5.000%. 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.

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.

Assumptions (Continued)

Details and Assumptions for Calculations

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 2012

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 in this presentation. Tax Act of 2012 applies to deaths and gifts made in 2013 and later. Tax Act of 2012 provides for 'portability' of a deceased spouse's unused Applicable Exclusion Amount. Unused exclusion amounts may be passed to the surviving spouse (election must be made on timely filed estate tax return.)