



Welcome.

My name is _____ and I am a Registered Representative with PFS Investments.

Before I begin the presentation, I'd like to take just a moment to briefly introduce myself and let you know a little about my professional background and qualifications.

(Briefly state background and experience).

This presentation was put together with the help of Legg Mason, one of our key mutual fund partners. Let me tell you a little bit about Legg Mason before we discuss which type of IRA is right for you.

What is an IRA?

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IRAs help investors save for a comfortable retirement by providing a significant tax advantage over conventional investment accounts.



Early withdrawals from a Traditional IRA before the age of 59½ can be costly — they are generally subject to a 10% penalty in addition to ordinary income taxes. Exceptions from the penalty may be available for college expenses, first-time home purchases, and certain other reasons.

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Individual Retirement Accounts (IRAs) are investment vehicles that help investors save for a comfortable retirement by providing a significant tax advantage over conventional investment accounts. You can hold a wide variety of investments inside an IRA, including mutual funds and stocks and bonds.

Traditional and Roth IRAs

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Both allow investors to build and manage investment portfolios without owing any current taxes on any interest and capital gains generated by investments while inside the IRA

However, there are significant differences

Early withdrawals from a Traditional IRA before the age of 59½ can be costly — they are generally subject to a 10% penalty in addition to ordinary income taxes. Exceptions from the penalty may be available for college expenses, first-time home purchases, and certain other reasons.

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Both Traditional and Roth IRAs allow investors to build and manage investment portfolios without owing any current taxes on any interest and capital gains generated by investments while inside the IRA.

While both types of IRAs offer this tax advantage (with certain limitations), there are significant differences.

Traditional IRA

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You may want to consider a Traditional IRA if...

- A tax break now is more important than a future tax break in retirement
- You want income from your IRA during retirement
- You will not need to withdraw your IRA money until you reach age 59½
- Your Adjusted Gross Income (AGI) is more than \$169,000 if married (\$116,000 if you are single) for the 2008 tax year

Early withdrawals from a Traditional IRA before the age of 59½ can be costly — they are generally subject to a 10% penalty in addition to ordinary income taxes. Exceptions from the penalty may be available for college expenses, first-time home purchases, and certain other reasons.

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You may want to consider a Traditional IRA if...

1. A tax break now is more important than a future tax break in retirement.
Contributions to a Traditional IRA are tax deductible if you meet certain IRS income limits. If you are in a high income tax bracket now, but expect to be in a lower bracket during retirement, a current tax deduction may be especially valuable for you. Generally, distributions from a Traditional IRA are subject to ordinary income taxes.
2. You want income from your IRA during retirement.
When you reach the age of 70½, you cannot make any further contributions to a Traditional IRA and you must begin taking minimum distributions. If you plan on withdrawing money during your retirement years, this requirement is not likely to impact you.
3. You will not need to withdraw your IRA money until you reach age 59½.
Early withdrawals from a Traditional IRA before the age of 59½ can be costly — they are generally subject to a 10% penalty in addition to ordinary income taxes. Exceptions from the penalty may be available for college expenses, first-time home purchases, and certain other reasons.
4. Your Adjusted Gross Income (AGI) is more than \$169,000 if married (\$116,000 if you are single) for the 2008 tax year.
If your AGI is over this threshold, a Traditional IRA is worth considering because you are not permitted to make contributions to a Roth IRA. However, if either you or your spouse is/are participating in an employer's retirement plan, contributions to a Traditional IRA are not tax deductible.

Roth IRA

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You may want to consider a Roth IRA if...

- Tax-free distributions during retirement are more important than a current tax break
- You would like the ability to continue making contributions (and not take withdrawals) after age 70½
- You would like the flexibility, if necessary, to withdraw contributions before age 59½ without being taxed
- Your current AGI is under \$159,000 if married (\$101,000 if you are single) for the 2008 tax year

Withdrawals from a Roth IRA up to the amount you have contributed are not subject to federal taxes or penalties. Earnings can be withdrawn tax-free once money has been in the Roth IRA for at least five years and after you have reached age 59½. Earnings distributed before the end of this five-year period or age 59½, whichever is later, are taxable as ordinary income. If distributed prior to age 59½, such amounts are subject to an additional 10% tax penalty.

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You may want to consider a Roth IRA if...

1. Tax-free distributions during retirement are more important than a current tax break.
Roth IRA contributions are never tax deductible, but distributions in retirement will be tax-free. If you expect your retirement income to be the same as or higher than your current income, this Roth IRA feature could be particularly attractive.
2. You would like the ability to continue making contributions (and not take withdrawals) after age 70½.
Roth IRAs allow you to make contributions from earned income at any age, even during your "retirement" years. If you won't need your IRA as a source of income because you will have income from other sources during retirement, or if you want to leave your IRA to an heir, the Roth IRA will allow you to continue accumulating.
3. You would like the flexibility, if necessary, to withdraw contributions before age 59½ without being taxed.
Withdrawals from a Roth IRA up to the amount you have contributed are not subject to federal taxes or penalties. Earnings can be withdrawn tax-free once money has been in the Roth IRA for at least five years and after you have reached age 59½. Earnings distributed before the end of this five-year period or age 59½, whichever is later, are taxable as ordinary income. If distributed prior to age 59½, such amounts are subject to an additional 10% tax penalty.
4. Your current AGI is under \$159,000 if married (\$101,000 if you are single) for the 2008 tax year.
If your AGI is below this amount, both you and your spouse will generally be able to make full contributions to your Roth IRAs. Contributions are permitted even if you make contributions to your employer's plan through payroll deductions.

IRA Contribution and Tax Deduction limits for 2008 tax year



Single filing status

ADJUSTED GROSS INCOME	TRADITIONAL IRA Fixed contribution limit of \$5,000 (\$6,000 if age 50 or older)		ROTH IRA Variable contribution limit
	Not participating in employer plan	Participating in employer plan	
Less than \$53,000	Full deduction	Full deduction	Full contribution of \$5,000 (\$6,000 if age 50 or older)
\$53,000-\$63,000		Partial deduction	
\$63,000-\$101,000		No deduction	Partial contribution permitted
\$101,000-\$116,000			No contribution permitted
Above \$116,000			

Source: Internal Revenue Service Publication 590 (2007).

Here are the contribution limits for both Traditional and Roth IRAs for taxpayers with a single filing status. You can always make a full contribution to a Traditional IRA, but they are subject to the deduction rules summarized here.

IRA Contribution and Tax Deduction limits for 2008 tax year (cont'd)

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Married filing jointly

ADJUSTED GROSS INCOME	TRADITIONAL IRA Fixed contribution limit of \$10,000 (\$12,000 if both age 50 or older)			ROTH IRA Variable contribution limit
	Neither spouse participating in employer plan	Only one spouse participating in employer plan	Both spouses participating in employer plan	
Less than \$85,000	Full deduction for both IRAs	Full deduction for both IRAs	Full deduction for both IRAs	Full contribution of \$10,000 (\$12,000 if both age 50 or older)
\$85,000-\$105,000		Partial deduction for one IRA. Full deduction for other	Partial deduction for both IRAs	
\$105,000-\$159,000		No deduction for one IRA. Full deduction for other	No deduction	Partial contribution permitted
\$159,000-\$169,000		No deduction for one IRA. Partial deduction for other		No contribution permitted
Above \$169,000		No deduction		

Source: Internal Revenue Service Publication 590 (2007).

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Here are the IRA contribution and deduction limits for taxpayers who are married and filing jointly.

Important information



This presentation does not address state or local tax rules concerning retirement accounts. Legg Mason, Inc., its affiliates, and its employees are not in the business of providing tax or legal advice to taxpayers. The materials and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties.

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RISKS: All investments involve risks, including possible loss of principal. Bonds are subject to interest rate risk. As rates rise, the price of a fixed-income security falls. The value approach to investing involves the risks that those stocks deemed to be undervalued by the portfolio manager may remain undervalued. Diversification does not assure a profit or protect against market loss. Investments in small and medium capitalization companies may involve a higher degree of risk and volatility than investments in larger, more established companies. Investing in foreign securities is subject to certain risks not associated with domestic investing, such as currency fluctuations and changes in political and economic conditions.

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