



Welcome.

My name is _____ and I'm an advisor with _____.

Before I begin tonight's 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 talk about IRA rollovers.

When Life Changes, Rethink Retirement

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On average, Americans switch jobs almost 11 times between the ages of 18 and 42.*

* Source: U.S. Department of Labor — News - Bureau of Labor Statistics. Number of Jobs Held, Labor Market Activity, and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey. 6/27/08

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Now, let's talk about your career and your plans for retirement.

As you think about your future, remember that the workplace has changed dramatically over the past decade or so. A successful career no longer means being tied down to a single employer doing the same job for your entire working life. So, before you leave your current employer to start a new chapter in your life, consider any savings that you might have accumulated under your employer's retirement savings plan. Even though your career may take some twists and turns, you'll want to make sure your retirement account keeps moving forward.

¹Source: U.S. Department of Labor — News - Bureau of Labor Statistics. Number of Jobs Held, Labor Market Activity, and Earnings Growth Among the Youngest Baby Boomers: Results from a Longitudinal Survey. 6/27/08

Understanding Your Options



Option	Considerations	Pros	Cons	Dollars & Sense
Cash out	If you have a large sum of money in your bank account, it may be tempting to withdraw it. But consider the consequences of taking either a full or partial withdrawal.	You will have immediate use of your money	<ul style="list-style-type: none"> Your withdrawal will be taxed as ordinary income You will pay federal income tax If you are under 55, you will pay a 10% early withdrawal penalty (if no exception is applicable) Even with a partial withdrawal, you may put your retirement at risk because any earnings outside of a tax-advantaged account will be taxable and you may end up spending the sum withdrawn 	<p>You're 35, changing jobs, and have saved \$50,000. With a withdrawal, you'll pay:</p> <ul style="list-style-type: none"> a \$5,000 early withdrawal penalty; \$14,000 in taxes, assuming a marginal federal income tax rate of 28%; and you'll be left with only \$31,000 after taxes and penalties.
Leave your money with your current employer's retirement plan	This may be a convenient option, but it has its drawbacks.	<ul style="list-style-type: none"> Your account will continue to benefit from tax deferral If you own company stock, you may not be charged commissions or fees when you sell it You may be able to invest in options that are unique to your plan No administrative or paperwork hassles 	<ul style="list-style-type: none"> You may have a limited number of investment options Your ability to reallocate or transfer to different funds may be subject to restrictions Your employer may change or eliminate investment funds without your approval You may lose track of your funds 	At 35, you have saved \$50,000. At 60 (25 years later), your account has grown to \$342,424 assuming an 8% hypothetical pre-tax rate of return. ¹

¹Source: Legg Mason (2006). This projected account balance assumes a hypothetical pre-tax return of 8%, compounded annually over a 25-year period. It assumes no contributions or distributions are made during this period and does not take into account any applicable fees and expenses. This illustration is not representative of any investment product. Actual returns could vary over time, particularly for long-term investments. Withdrawals of pre-tax money from a Rollover IRA or a 401(k) plan are taxable as ordinary income when made. Early withdrawals from a Rollover IRA prior to age 59½ are also generally subject to a 10% penalty. Early withdrawals from a 401(k) plan prior to age 55 generally are subject to a 10% penalty. Legg Mason, Inc., and its affiliates do not provide tax advice. Please see end page for important tax information.

When you leave a company and receive a lump-sum distribution from your employer's 401(k) plan, you are confronted with several options: you can take the cash, keep it in your current employer's plan; move it to your new employer's plan; or reinvest it in a Rollover IRA. There are pros and cons to each of these approaches.

If you cash out, you'll have immediate use of your money but you will take a tax hit, as well as a 10% early withdrawal penalty. You may be putting your retirement at risk.

It may also be convenient to leave your money in your employer's 401(k), but you can lose track of your investments when you take this approach. Your investment choices may also be limited.

Understanding Your Options (cont'd)



Option	Considerations	Pros	Cons	Dollars & Sense
Move your assets to your new employer's retirement plan	While this may help consolidate your retirement money into a single account, you should review your new employer's plan to determine if its features have the potential to enhance your account.	<ul style="list-style-type: none"> Your account will continue to benefit from tax deferral Your new plan may have some unique investment options You may be able to consolidate all of your retirement funds 	<ul style="list-style-type: none"> You may have limited investment options and they may not be as attractive Your ability to reallocate or transfer to different funds may be subject to restrictions Your employer may change or eliminate investment funds without your approval Any employer securities from your prior plan can not be transferred to the new plan 	At 35, you have saved \$50,000. At 60 (25 years later), your account has grown to \$342,424 assuming an 8% hypothetical pre-tax rate of return ² .
Move assets from your current employer's plan (and any prior employer's plans) to a Rollover IRA	You can roll over your assets from qualified retirement plans to a Rollover IRA.	<ul style="list-style-type: none"> Tax-deferred compounding will continue You'll have a broad range of investment choices No taxes or penalties with a direct rollover It will simplify account management, recordkeeping, and tax reporting A Roth IRA conversion may be possible depending on your income and IRS limits You will be able to take penalty-free withdrawals for a first home purchase or college expenses if under 59½ You'll have access to a representative 	<ul style="list-style-type: none"> No possibility for loans You may be subject to transaction costs or fees to initiate a transfer or to open a Rollover IRA account 	At 35, you have accumulated \$50,000. At 60 (25 years later), your account has grown to \$342,424 assuming an 8% hypothetical pre-tax rate of return ² .

²Source: Legg Mason (2008). This projected account balance assumes a hypothetical pre-tax return of 8%, compounded annually over a 25-year period. It assumes no contributions or distributions are made during this period and does not take into account any applicable fees and expenses. This illustration is not representative of any investment product. Actual returns could vary over time, particularly for long-term investments. Withdrawals of pre-tax money from a Rollover IRA or a 401(k) plan are taxable as ordinary income when made. Early withdrawals from a Rollover IRA prior to age 59½ are also generally subject to a 10% penalty. Early withdrawals from a 401(k) plan prior to age 55 generally are subject to a 10% penalty. Legg Mason, Inc., and its affiliates do not provide tax advice. Please see end page for important tax information.

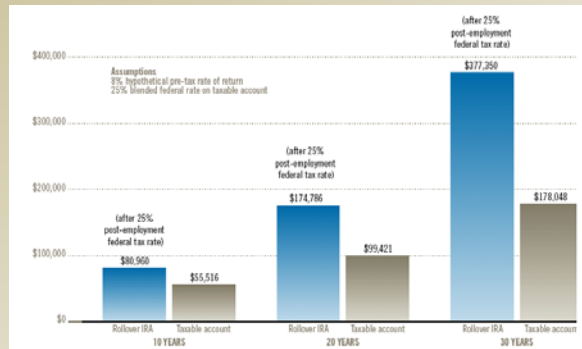
The third option is to move your money into your new employer's retirement plan. Although this approach helps you consolidate your retirement assets into a single account, you may have limited investment options.

And finally, you can move your money from a qualified retirement plan to a Rollover IRA. Unlike 401(k) plans, IRAs do not allow you to take out loans against the account, and they carry fees, but they do provide flexibility and the benefits of tax-deferred growth. There are no tax penalties for a direct rollover, and you will have a broad range of investments to choose from.

The Potential Benefit of Reinvesting



\$50,000 Rollover IRA vs. a taxable account
Amounts reflected are after taxes are paid



Source: Legg Mason (2008).

The chart above compares the hypothetical growth of \$50,000 in a Rollover IRA and the equivalent cash distribution from a 401(k) plan which has been invested in a taxable account. Assuming that the cash distribution was made before age 55, the net amount invested in the taxable account is \$31,000, after a 28% marginal federal tax rate and a 10% early withdrawal penalty. The above illustration assumes a hypothetical pre-tax return of 6%, after the deduction of applicable fees and expenses, compounded annually over 10-year, 20-year and 30-year periods for both the Rollover IRA and the taxable account. It assumes no distributions are made during this period. For the purposes of the illustration, it has been assumed the taxable account will generate a combination of long-term capital gains and qualified dividends taxable at a maximum rate of 15% under current federal income tax law, and short-term capital gains and interest taxable as ordinary income, resulting in an annual blended federal tax rate of 25%. The 6% hypothetical pre-tax rate is equivalent to 6% for the taxable account when the 25% blended federal tax rate is considered. Although earnings in the Rollover IRA accumulate on a tax-deferred basis, distributions from the Rollover IRA are subject to taxation. The account values for the Rollover IRA at the end of the 10-year, 20-year and 30-year periods have been calculated on an after-tax basis, assuming a 25% post-employment federal tax rate. This illustration is not representative of any investment product. Actual returns could vary over time, particularly for long-term investments. Withdrawals from the Rollover IRA are taxable as ordinary income when made, and early withdrawals made before age 59½ are generally subject to a 10% penalty. Actual returns will vary depending on your specific tax rate (which may be more or less than the figure shown). A lower tax rate on capital gains and dividends may make gains in the taxable account more favorable. You should consider your investment time horizon and tax brackets, both current and anticipated.

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If you're thinking of taking your lump-sum distribution in cash, take a minute to consider what you could lose. The value of your money will be eroded by taxes and possibly by an early withdrawal penalty. This chart shows the potential advantages of reinvesting your distribution in a Rollover IRA instead. If you look at the bars on the right side of the chart, you'll see what could happen to your money after 30 years in a taxable account, like a brokerage account for example, versus a tax-advantaged IRA. The difference can be substantial.

What is a Rollover IRA?

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- A retirement account
- Same tax advantages as your employer's retirement savings plan
- More choice and flexibility to manage your retirement assets
- Involvement of a financial professional



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Basically, a Rollover IRA is a retirement account designed to hold assets that are distributed from an employer-sponsored retirement plan, such as a 401(k), 403(b) or 457 plan, or from another IRA. In many instances, assets in a Rollover IRA can also be rolled into a new employer's 401(k), 403(b) or 457 plan.

With a Rollover IRA, you'll have the same tax advantages as your employer's retirement savings plan, but you'll also have more choice and flexibility to manage your retirement assets. You can also work one-on-one with a financial professional to discuss your individual retirement goals and the investment strategy for your Rollover IRA assets.

FA's can also explain any transaction cost or fees associated w/ opening a Rollover IRA account.

Rollover Advantages

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- More investment choices, more flexibility
- Easy to switch into appropriate investments as your situation changes
- One account statement to simplify your recordkeeping, tax reporting, and calculation of required minimum distributions when you reach 70½
- Penalty-free withdrawals for first-time home purchase, qualified higher education expenses, or medical costs in excess of 7.5% of your Adjusted Gross Income
- The cost of maintaining multiple retirement accounts may be reduced by having a single account (may be subject to fees associated with opening a Rollover IRA account)

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A Rollover IRA offers advantages that no other type of retirement account can. It gives you an opportunity to streamline your investment accounts and to build a new portfolio that can help you attain your retirement goals. When you establish a Rollover IRA, you will not only be able to invest assets from your most recent employer's retirement plan, but you will be able to transfer assets from other employer-sponsored plans. This will make managing and monitoring your accounts easier.

Case Study: Preparing for the Unexpected

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Pete broke his leg while skiing.

- ❑ Health insurance paid for most medical expenses, but he still had to pay a substantial amount of out-of-pocket fees.
- ❑ He can withdraw money from his Rollover IRA (subject to ordinary taxes) without any penalty if they are used to pay for medical costs that exceed 7.5% of his Adjusted Gross Income.

Pete has the peace of mind knowing that his money is available if he needs it for medical bills or any other unexpected emergencies.

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Here's an example of an investor who appreciated the flexibility of an IRA.

A few years ago, Pete broke his leg while skiing in Vermont. While his health insurance paid for a lot of his medical expenses, he still had to pay a substantial amount of out-of-pocket fees.

When he was laid off from his job as a computer programmer because of a merger, he decided to transfer the assets in his employer's retirement plan to a Rollover IRA. Not only will his assets continue to grow tax-deferred, he will be able to withdraw them (subject to ordinary taxes) without any penalty if they are used to pay for medical costs that exceed 7.5% of his Adjusted Gross Income.

Pete plans to retire at 55 to start a business, and he intends to keep his money invested for the long haul.

Case Study: Changing Jobs

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Eileen has a new job.

- Wants more investment choices
- Wants to maintain her relationship with her Advisor
- Wants to travel overseas
- Developed a clear, balanced investment strategy that took into account her objectives, risk profile, and time horizon

Eileen plans to rebalance her Rollover IRA regularly, taking into account the investments she makes through her new employer's plan.

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And here's another example.

Eileen is 35 years old. After working for the same company for 10 years, she has taken a new job that offers her a better opportunity for advancement and a bigger salary.

She thought about leaving her retirement-plan money with her employer, but ultimately decided to open a Rollover IRA instead. In addition to having more investment choices, her new Rollover IRA allows her to involve her advisor in her retirement plans.

When a Rollover May Not be the Right Choice

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Do you hold company stock that has appreciated in value in your former employer's retirement plan?

If so, it may be better to leave the shares in the plan, rather than transferring them to a Rollover IRA.

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If you hold company stock that has appreciated in value in your former employer's retirement plan, it may be more advantageous to leave the shares in the plan, rather than transfer them to a Rollover IRA.

Here's why.

Assuming the shares are distributed in a lump sum from the plan, ordinary income tax will be due only on the amount the plan paid for the stock, not on the current fair market value. The difference between the value of the stock when the plan bought it and the value at the time of the lump-sum distribution is called the Net Unrealized Appreciation (NUA). This NUA is taxed only when the securities are sold, and under current federal income tax law, it will be taxed at long-term capital gain rates regardless of the holding period for the shares.

It may also be advantageous to stay in your former employer's plan if you need to take an early distribution. Once you terminate employment with your current employer, you may take distributions from your 401(k) or 403(b) plan at age 55 without incurring any early withdrawal penalties. You will simply pay the taxes on the amount withdrawn at your regular tax rate. This may be a better strategy than putting your 401(k) or 403(b) assets into a Rollover IRA, because the Rollover IRA will not allow penalty-free withdrawals until you are 59½.

Moving plan assets into a Rollover IRA



Direct Rollover

- Easiest way to move into a Rollover IRA
- Your retirement plan assets will be transferred directly by your plan administrator
- You will not pay taxes on your distributions, nor will you be charged an early withdrawal penalty
- You minimize paperwork, phone calls and other hassles

Indirect Rollover

- Your plan administrator will issue a check in your name for only 80% of the amount of the distribution (minus any withholding for state and local taxes)
- 20% will be withheld for federal income tax purposes
- You have 60 days to deposit this money in a Rollover IRA or the distribution will be taxable to you as ordinary income and may also be subject to a 10% early withdrawal penalty if you are under 55
- To roll over the full amount of your retirement account, you will need to:
 - Contribute the net amount that was actually paid to you from the plan administrator
 - Raise enough cash from your savings to contribute the shortfall (i.e., the portion of your account that was withheld for taxes) to the Rollover IRA

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When you set up a Rollover IRA, you will have two ways of moving your money to your new account — directly and indirectly

A Direct Rollover is the easiest way to move into a Rollover IRA. Your retirement plan assets will be transferred directly by your plan administrator. You will not pay taxes on your distributions, nor will you be charged an early withdrawal penalty. You minimize paperwork, phone calls and other hassles.

Be careful with an Indirect Rollover. With this approach, your plan administrator will issue a check in your name for only 80% of the amount of the distribution (minus any withholding for state and local taxes); 20% will be withheld for federal income tax purposes. You have 60 days to deposit this money in a Rollover IRA or the distribution will be taxable to you as ordinary income and may also be subject to a 10% early withdrawal penalty if you are under 55.

To roll over the full amount of your retirement account, you will need to contribute the net amount that was actually paid to you from the plan administrator, and you will also need to raise enough cash from your savings to contribute the shortfall (i.e., the portion of your account that was withheld for taxes) to the Rollover IRA.

Please consult your current qualified plan administrator, trustee or plan document to determine if you are eligible to take a current distribution from your plan and move it to a Rollover IRA. Withdrawals from tax-deferred investments are taxable as ordinary income upon withdrawal, and withdrawals made prior to age 59½ generally are subject to a 10% early withdrawal penalty. Keep in mind that plan distributions must begin when you reach 70½.

Consolidating Existing IRAs

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Trustee-to-trustee transfer

- Trustee or custodian of each of your IRAs will directly transfer your assets to the trustee or custodian of the new Rollover IRA
- You will not have to worry about taxes or penalties, and you can minimize paperwork

Rollover

- You can withdraw funds from your existing IRAs and you can contribute the money to a new Rollover IRA
- You must complete the rollover within 60 days to avoid income taxes and an early withdrawal penalty if you are under 59½
- The amount you withdraw will be subject to the 20% withholding for federal income taxes (and any additional withholding for state and local taxes) and you will have to replace it when you deposit your assets into the new account

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You can also move money from several separate IRAs to a single Rollover IRA.

There are two ways of doing this: a trustee-to-trustee transfer, or a rollover.

With a trustee-to-trustee transfer, the trustee or custodian of each of your IRAs will directly transfer your assets to the trustee or custodian of the new Rollover IRA. You will not have to worry about taxes or penalties, and you can minimize paperwork.

With a rollover, you can withdraw funds from your existing IRAs and contribute the money to a new Rollover IRA. You must complete the rollover within 60 days to avoid income taxes and an early withdrawal penalty if you are under 59½. The amount you withdraw will be subject to the 20% withholding for federal income taxes (and any additional withholding for state and local taxes) and you will have to replace it when you deposit your assets into the new account.

Case Study: Bringing It All Together

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Mike is 65 years old and ready to retire.

- ❑ He receives quarterly statements from various 401(k) plans.
- ❑ Every quarter he becomes frustrated trying to figure them out.
- ❑ Mike worked with his financial professional to consolidate the accounts into a Rollover IRA and developed an allocation strategy that was appropriate for Mike's age and financial situation — one that keeps a portion of his money growing, and at the same time, will pay income when Mike needs it in a few years.

Mike now receives one statement, showing the investment activity in his Rollover IRA.

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Here's an example of an investor who consolidated his retirement accounts into a Rollover IRA and simplified his life.

Mike is 65 years old and retiring from his company. His wife will continue to work for another two years. With Mike's Social Security benefits and his wife's salary, the couple can live comfortably without taking money out of Mike's 401(k) plan account. In addition to this 401(k) plan account, Mike has assets in two previous employers' plans and in three different IRAs. He receives quarterly statements for his various accounts, and every quarter he struggles to put them all together and figure out his overall performance. After talking with his advisor, Mike learned that he could consolidate all of his retirement accounts into a single Rollover IRA. Now, Mike receives one comprehensive statement showing all of his retirement information.

Important information



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