

### Why consider converting?

- Pay taxes now at current rates
- Make tax-free withdrawals later, when both your account balance and tax bracket may be higher

### Why 2010?

- No income limits to qualify for a Roth IRA conversion
- Option to split the conversion income equally in 2011 and 2012 tax filings\*

The only tax-free retirement account is getting even better in 2010. Find out what a Roth IRA can do for you.

### **Goal:** Maximize your retirement income

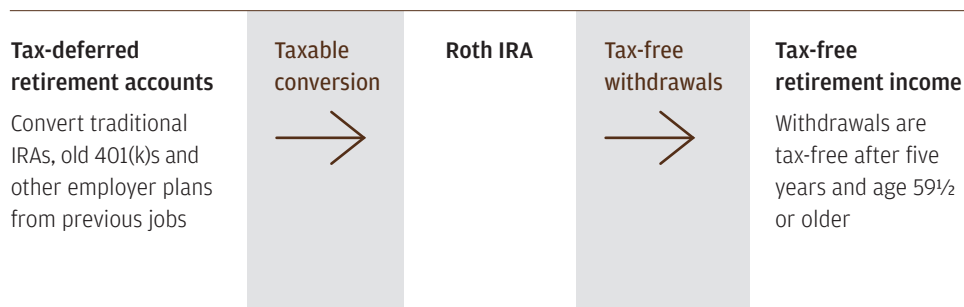
Retirement is becoming longer and more expensive, with many of the costs likely to be paid with income generated from your investments.

### **Challenge:** Reduce taxes to keep more for retirement

Most retirement accounts incur taxes when you can least afford them – when you're retired and no longer earning a paycheck. Traditional IRAs, 401(k)s and other employer plans defer taxes until withdrawals are taken during retirement, when you may owe higher tax rates on larger balances.

### **Solution:** Consider converting to a tax-free Roth IRA

By converting some or all of the money in tax-deferred accounts to a Roth IRA, you pay taxes now in exchange for tax-free withdrawals in the future.



\* Note that tax rates are scheduled to increase after 2010 under the sunset provision of the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA). Therefore, investors who elect to spread the converted income over 2011 and 2012 may pay higher taxes on the conversion.

- **Reduce your tax burden** during retirement by paying taxes now
- **Earn tax-free retirement income** to supplement Social Security and meet living expenses
- **Avoid mandatory withdrawals** to keep your account growing tax-free

## Why consider converting to a Roth IRA?

### Potential for more money when it matters most – after taxes

Even though you owe taxes now on account balances converted to a Roth IRA, you may still end up with more for retirement. In many cases, a one-time tax bill at current rates is a small price to pay for years of tax-free investing.

### Tax-deferred account vs. tax-free Roth IRA

	Stay in tax-deferred retirement account	Convert to tax-free Roth IRA
Account value at age 40	\$100,000	\$100,000
Taxes due upon conversion	—	\$33,000*
Account value at age 65	\$684,847	\$684,847
Taxes due upon withdrawal	\$226,000	\$0
<b>Total value after taxes</b>	<b>\$458,847</b>	<b>\$684,847</b>

Your financial advisor can estimate the after-tax value of different retirement accounts, based on your personal situation.

### Five more reasons to consider a conversion

Unlike other retirement accounts, a Roth IRA offers you:

- 1. More control over your money.** No mandatory withdrawals at 70½ or any other age allows you to continue investing tax-free for your later years or heirs.
- 2. Larger inheritances.** A Roth IRA that has been open at least five years remains tax-free when inherited by your beneficiaries.
- 3. Locked-in tax rates.** By paying taxes at the time of conversion, you lock in current tax rates and avoid the risk of owing more in the future.
- 4. Possible tax savings on Social Security.** Tax-free withdrawals from a Roth IRA aren't included in the formula that determines if your Social Security benefits are taxable.
- 5. Easy access to contributions.** After age 59½, you can withdraw the converted dollar amount from a Roth IRA at any time, for any reason – without taxes or penalties.\*\* (However, distributions of converted funds could be subject to an IRS 10% early withdrawal penalty if the investor takes withdrawals within five years of conversion.)

\*Assumes federal taxes are paid with assets outside the converted account. State and local taxes have not been considered.

Source: J.P. Morgan Asset Management. Assumes 8% annual investment returns, 33% federal tax brackets and lump-sum distributions at age 65. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses.

\*\*Applies to Roth IRA contributions and conversions. Withdrawals of investment earnings before age 59½ are generally subject to ordinary income taxes and a 10% federal penalty.

## Why consider converting to a Roth IRA in 2010?

	Before 2010	In 2010 and beyond	What it means to you
<b>No income or age limits to qualify</b>	Investors with adjusted gross income above \$100,000 were not allowed to convert to a Roth IRA	There are no longer any income requirements for a Roth IRA conversion	Take advantage of tax-free retirement investing, no matter what your age, income or tax filing status

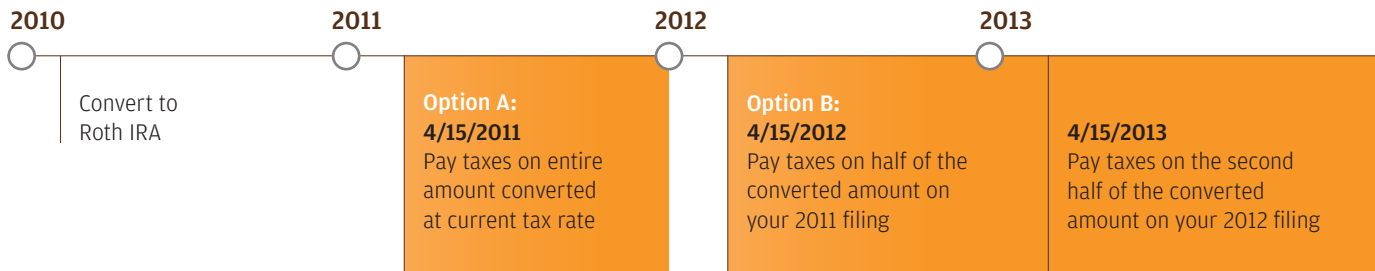
### Investing idea:

Income limits still apply to any Roth IRA contributions made after the conversion. If you earn too much to contribute, you could open a traditional IRA and then convert to a Roth.

	Before 2010	For 2010 only	What it means to you
<b>Conversion income may be spread over two years</b>	Taxes were due in full for the year in which Roth IRA conversions occurred	You can choose to pay income taxes as usual or have the option to split the conversion income equally in 2011 and 2012 tax filings	Deferring the conversion income provides more flexibility for paying taxes in the future. However, investors who elect to defer may pay higher tax rates in 2011 and 2012.

	Before 2010	During 2010	What it means to you
<b>Smaller account balances could mean a lower tax bill</b>	Many retirement accounts grew steadily in value after five straight years of positive market returns from 2003 to 2007	Steep market declines in late 2008 and early 2009 have resulted in dramatically lower account balances today	Converting to a Roth IRA in 2010 may trigger fewer current taxes while shielding any future investment gains from the IRS

### Two options for paying conversion taxes



### Afraid of making a mistake?

If the conversion is made in 2010, you have until April 15, 2011 to reverse the decision and recharacterize the account back to a traditional IRA.\*

\*Investors who request a tax-filing extension will have until October 15, 2011.

**Factors that affect the efficiency of conversion**

Together, you and your financial advisor can discuss the key issues affecting your decision.

**Next steps**

You don't have to convert an entire account. One general rule is to convert just enough each year to prevent you from moving into the next highest tax bracket.

Consult with your financial advisor to learn more about Roth IRAs and the potential benefits of converting in 2010.



**What will your tax rate be during retirement?**

If you expect it to be the same or higher, you may want to convert and pay taxes now. But if you expect it to be lower, consider a conversion only if you have plenty of time to invest.



**How long do you plan to invest?**

The longer you invest in a Roth IRA, the more time you have to recoup taxes paid on the conversion.



**How will you pay the conversion taxes?**

If you need to use funds from the converted account, a Roth IRA might not make sense. Any money you withdraw to pay taxes will no longer be available to grow toward retirement and would also incur a 10% penalty if you're under age 59½.



**Do you want to ease the tax burden on your heirs?**

If so, paying conversion taxes today can reduce the size of your taxable estate. In addition, heirs owe no income taxes on an inherited Roth IRA if the original account was open at least five years. Estate taxes may still apply.

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