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Tax-advantaged IRAs

Invest in your retirement savings while reducing taxes

Insight + Process = Results℠

J.P.Morgan
Asset Management

Find the answers inside

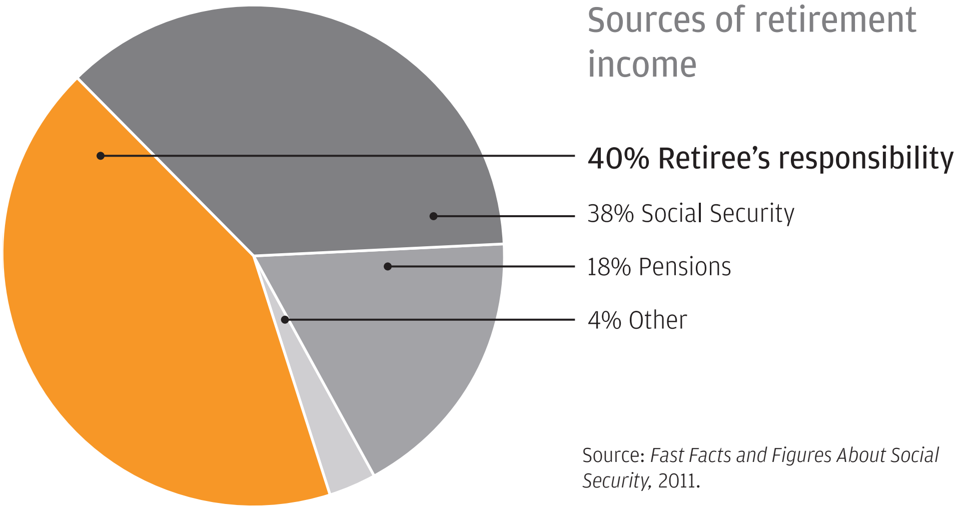
Take control of your retirement

The most important decision you can make about retirement is to take responsibility for funding it yourself.

On average, retirees pay 40% of living expenses with their own money. If you aren't covered by a government or company pension, your share of the costs may be even higher.

Where will the money come from when you're no longer earning a paycheck? For millions of Americans, one answer is an IRA.

Sources of retirement income



Source: *Fast Facts and Figures About Social Security*, 2011.

Three reasons to invest for retirement

Retirement is becoming longer and more expensive, with many of the costs likely to come out of your own pocket

1. Inflation increases retirement expenses

Thanks to inflation, your expenses during retirement will likely be higher than they are today. If your savings don't keep pace, you run the risk of losing buying power and lowering your standard of living. One solution is to choose investments with the potential to outperform the annual inflation rate.

2. Social Security rarely pays for everything

Social Security covers only 38% of expenses for the average retiree, with investments and job earnings making up much of the difference.* No matter what happens to Social Security in the future, you may need to draw income from an investment portfolio to support an active, financially secure retirement.

* Source: *Fast Facts and Figures About Social Security,* 2011.

3. Life expectancies continue to rise

The longer you live, the longer your money must last. As life expectancies increase, it's possible you may someday be retired for as long as you worked. To avoid the risk of outliving your nest egg, you need investments that can continue providing income well into your later years.

Key insights

3.44% average annual inflation[1] → At that rate, your cost of living roughly doubles every 21 years.

$1,177 average monthly Social Security benefit[2] → A typical retired worker gets just less than $14,000 annually.

18.8 years life expectancy at age 65[3] → On average, half of all retirees will live even longer.

[1]Source: J.P. Morgan Asset Management using data from the Consumer Price Index, 1980-2010.
[2]Source: Social Security Administration, 2011 data.
[3]Source: National Center for Health Statistics, 2009 data.

Individual Retirement Account

A tax-advantaged investment in your future

What is an IRA?

An IRA is a tax-advantaged vehicle for housing retirement assets. It can be funded with stocks, bonds, mutual funds and many other investments to provide another source of retirement income.

Unlike taxable accounts, investment earnings inside an IRA are not subject to taxes each year. Because money that would otherwise go to the IRS stays in your account, it has the potential to grow faster for retirement.

Types of IRAs

- **Traditional IRAs** grow tax deferred and offer tax-deductible contributions to eligible investors.
- **Roth IRAs** grow tax free if certain conditions are met.
- **Rollover IRAs** allow workers who are retiring or changing jobs to move money out of an employer's retirement plan without losing tax advantages.

In addition, you can transfer any of these IRAs from one financial institution to another to consolidate all of your accounts with a single company.

How much can I contribute each year?

IRAs allow investments up to an annual limit, plus "catch-up" contributions for investors age 50 and older. Current amounts are:

- Annual limit: $5,000*
- Catch-up contribution: $1,000

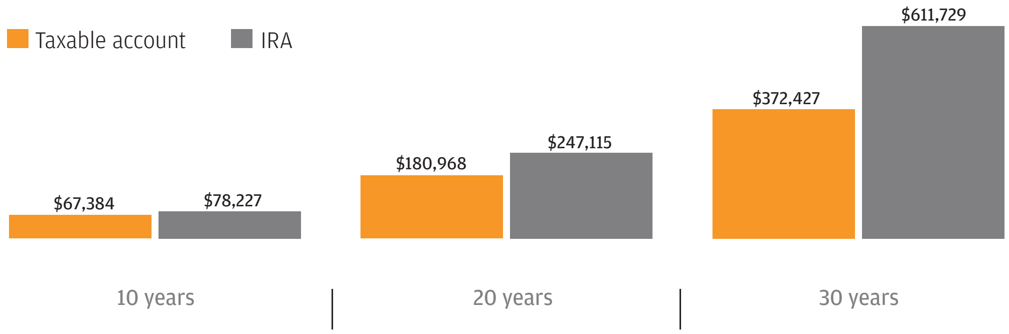
You can invest in more than one IRA in the same year, but your combined contributions cannot exceed these amounts.

* Indexed for inflation in $500 increments.

Taxable account vs. tax-advantaged IRA

Growth of $5,000 annual investments

Notice how the gap between accounts grows larger as the timeframe becomes longer — that's the power of tax-advantaged compounding.



Source: J.P. Morgan Asset Management. Assumes 8% annual investment returns and 33% federal tax bracket. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses.

The chart is shown for illustrative purposes only. Past performance is no guarantee of future results.

Key insight

Start investing early and contribute the full amount each year to maximize your IRA's tax-advantaged growth potential.

Traditional IRAs | Tax-deferred growth with potential for tax-deductible contributions

Who can contribute?

Investors under age 70½ can contribute, provided they or a spouse earn at least as much income as their IRA contribution amount. There are no maximum income limits to qualify for a Traditional IRA.

Are my contributions tax deductible?

It depends on several factors, including your:

- Modified adjusted gross income (MAGI)
- Marital and tax filing status
- Eligibility to participate in an employer-sponsored retirement plan

How are my investments taxed?

- Deductible contributions and investment earnings in a Traditional IRA are not taxed until withdrawn, usually when you're retired and in a lower tax bracket.
- Withdrawals are taxed as ordinary income.
- Penalty-free withdrawals can begin as early as age 59½ and must start at 70½.
- Any non-spouse beneficiaries are required to begin withdrawals upon your death.

Key insight

Income limits apply only to tax deductibility. You can make non-deductible contributions to a Traditional IRA no matter how much you earn.

Income limits for tax-deductible contributions, 2011-2012

You can deduct all of a Traditional IRA contribution if your income is below the range shown — and some of a contribution if you're within the range.

Source: J.P. Morgan Asset Management, based on information from the Internal Revenue Service. Income defined as modified adjusted gross income.

TAX FILING STATUS	2011	2012
IRA contributor and spouse not covered by employer retirement plan		
Contributions fully tax deductible regardless of income or filing status		
IRA contributor covered by employer retirement plan		
Single	\$56,000-\$66,000	\$58,000-\$68,000
Married filing jointly	\$90,000-\$110,000	\$92,000-\$112,000
Married filing separately	\$0-\$10,000	\$0-\$10,000
Only IRA contributor's spouse covered by employer retirement plan		
Married filing jointly	\$169,000-\$179,000	\$173,000-\$183,000
Married filing separately	\$0-\$10,000	\$0-\$10,000

Roth IRAs | Your opportunity for tax-free growth and withdrawals

Key insight

With no mandatory withdrawals at age 70½, Roth IRAs have the potential to continue growing tax free for your later years or future generations.

Who can contribute?

Investors of any age can make a full or partial contribution as long as they or a spouse earn a salary and meet certain income requirements. Contributions are not tax deductible, but you can withdraw them at any time without further taxes or penalties.

When can tax-free withdrawals begin?

- Investment earnings are tax free if you hold your account at least five years and are 59½ or older.
- Withdrawals may also be tax free after five years in the event of disability, death or first-time home purchase (see IRS Publication 590).
- Early withdrawals of investment earnings are generally subject to income taxes and a 10% penalty tax.
- Unlike other IRAs, a Roth IRA does not require withdrawals at age 70½.
- Any non-spouse beneficiaries are required to begin withdrawals upon your death.

Can I convert a Traditional IRA to a tax-free Roth IRA?

Yes, you can convert to a Roth IRA no matter what your income or tax filing status. You will owe taxes in the year of conversion. However, you may still benefit in the long run if you expect to be in a higher tax bracket during retirement or wish to delay withdrawals beyond 70½.

Income limits for Roth IRA contributions, 2011-2012

Source: J.P. Morgan Asset Management, based on information from the Internal Revenue Service. Income defined as modified adjusted gross income.

TAX FILING STATUS	FULL CONTRIBUTION	PARTIAL CONTRIBUTION	NO CONTRIBUTION [eligible for Traditional IRA]
2011			
Single	Under $107,000	$107,000-$122,000	Over $122,000
Married filing jointly	Under $169,000	$169,000-$179,000	Over $179,000
Married filing separately	N/A	$0-$10,000	Over $10,000
2012			
Single	Under $110,000	$110,000-$125,000	Over $125,000
Married filing jointly	Under $173,000	$173,000-$183,000	Over $183,000
Married filing separately	N/A	$0-$10,000	Over $10,000

Rollover IRAs | Helping retirees and job changers preserve tax advantages

Why consider a Rollover IRA?

When leaving an employer, you must decide what to do with money in the company retirement plan. Electing to take it in cash will generally incur income taxes on the entire amount.

For example, assume you're 45 years old and in the 28% tax bracket when you cash out a 401(k). First, your employer must automatically withhold 20% for the IRS. You would then owe an additional 8% based on your tax bracket, as well as a 10% early withdrawal penalty because you're under age 59½.*

How does a direct Rollover IRA work?

Instead of receiving cash, you directly transfer, or "roll over," assets from your company plan to a traditional Rollover IRA in order to:

- Choose from more investments than a typical employer plan offers
- Avoid taxes and penalties
- Keep your account growing tax-deferred
- Access more investments than a typical employer plan offers

What are my other options?

- **Make an indirect rollover.** You receive a check, minus 20% withholding. You then have 60 days to open a Rollover IRA and avoid further taxes or penalties. You can roll over your entire account value if you come up with the 20% withheld from your own pocket and wait for an IRS refund.
- **Stay in your old employer's plan, if allowed.** It avoids taxes and penalties while preserving your tax-deferred status. However, you can't make additional contributions or choose investments outside the plan.
- **Move assets directly to your new employer's plan.** You maintain tax deferred status without owing taxes or penalties, but there may be a waiting period and limited investment choices.

Key insight

Another option is to directly roll over to a Roth IRA and pay taxes now in exchange for possible tax-free withdrawals later. A financial professional can help you decide what to do.

* The additional 10% federal penalty generally applies to withdrawals before age 59½, but may not apply under certain circumstances. If you are 55 or older and leave your employer, distributions from your employer-sponsored qualified retirement plan are exempt from the 10% early withdrawal penalty. This benefit is lost if you roll over your plan benefits to an IRA.

The cost of cashing out

Source: J.P. Morgan Asset Management. Assumes 28% federal tax bracket. State and local taxes have not been included.

Account value	$100,000
Mandatory withholding [20%]	-$20,000
Additional federal taxes [8%]	$-8,000
Early withdrawal penalty [10%]	-$10,000
Amount lost to IRS	$38,000
Amount left in cash	**$62,000**

IRAs at a glance

Compare your choices for tax-advantaged investing

	Open a Traditional IRA	Open a Roth IRA
Who can participate	Anyone under 70½, provided they or a spouse have earned income	Anyone of any age, provided they or a spouse have earned income
Annual income limits [2011-2012]	None (but may affect tax deductibility)	**2011:** $107,000-$122,000 for singles, $169,000-$179,000 for joint tax filers **2012:** $110,000-$125,000 for singles, $173,000-$183,000 for joint tax filers
Main benefit	Money grows on a tax-deferred basis	Qualified withdrawals are tax free
How it works	Open an account and make contributions	Open an account and make contributions
Annual contribution limit [2011-2012]	The lesser of earned income or: • $5,000 (under age 50) • $6,000 (age 50 to 70½)	The lesser of earned income or: • $5,000 (under age 50) • $6,000 (age 50 or older)
Tax-deductible contributions	Yes, if you meet certain requirements (see chart on page 3)	No, contributions are non-deductible
How are investments taxed	Investments grow tax deferred until withdrawn	Investment growth and withdrawals are tax free if certain conditions are met
Withdrawals*	• Deductible contributions and earnings are taxed as ordinary income • Early withdrawals before age 59½ are subject to an additional 10% federal penalty unless certain IRS exceptions apply	• Federal tax-free withdrawals after five years and age 59½ • Early withdrawals are subject to taxes and 10% federal penalty unless certain IRS exceptions apply • Contributions can be withdrawn at any time without taxes or penalty
Required withdrawals	Must start at 70½ or upon account owner's death for non-spouse beneficiaries	• None during account owner's lifetime • Non-spouse beneficiaries must begin withdrawals upon owner's death
Ideal investors	Qualify for tax-deductible contributions or plan to be in a lower tax bracket in retirement	Meet income requirements and plan to be in a higher tax bracket in retirement

Source: J.P. Morgan Asset Management, based on information from Internal Revenue Service.
* Early withdrawals prior to 59½ are generally subject to a 10% federal penalty.

	Open a Rollover IRA
Who can participate	Generally anyone leaving a job with money in the company retirement plan
Annual income limits [2011-2012]	• None for initial rollover • Same limits as Traditional or Roth IRA for additional contributions after rollover
Main benefit	Keep entire company retirement account growing on a tax-advantaged basis
How it works	Instruct employer to directly transfer plan assets to IRA
Annual contribution limit [2011-2012]	• No dollar limit on initial rollover • Additional contributions subject to same limits as Traditional or Roth IRA
Tax-deductible contributions	• ***Traditional IRA:*** Yes, if you meet certain requirements • ***Roth IRA:*** No
How are investments taxed	• ***Rollovers:*** No taxes or penalties if Traditional IRA; Roth IRA rollovers subject to taxes • ***Investments:*** Same rules as Traditional or Roth IRA
Withdrawals*	Same rules as Traditional or Roth IRA
Required withdrawals	Same rules as Traditional or Roth IRA
Ideal investors	Are retiring or changing jobs and participate in a company retirement plan

* Early withdrawals prior to 59½ are generally subject to a 10% federal penalty.

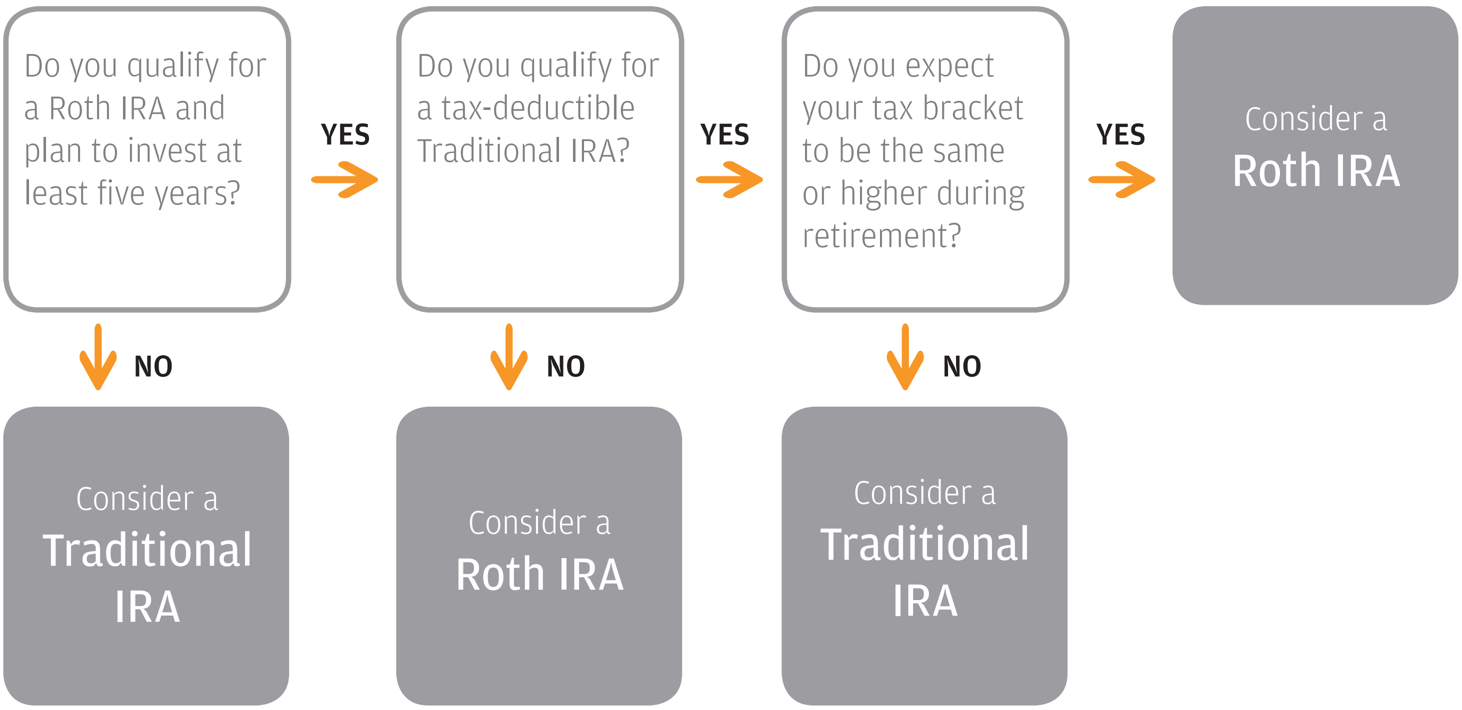
Key insight

Double your tax advantages with a spousal IRA. Even when one spouse doesn't work, joint tax filers can open two separate IRAs if the working spouse earns at least as much as the combined contributions.

Traditional or Roth IRA?

Decide which account meets your needs

Every investor is unique. But answering a few simple questions can usually help you decide between a Traditional and Roth IRA.



Next step: Choose your IRA

Meet with your financial professional to:

- Determine if you're eligible for tax deductions and Roth IRAs
- Calculate the most you can contribute
- Decide between a Traditional and Roth IRA
- Open your account and select investments

Investing in J.P. Morgan Funds

Insight + Process = Results

Insight
Why IRAs?

- Account grows on a tax-advantaged basis
- Flexibility to consider Traditional, Roth and Rollover IRAs
- Ability to contribute up to $5,000 annually ($6,000 if 50 or older)

Process
Why J.P. Morgan Funds?

- A strong global organization with over 100 years' experience and more than $1.2 trillion in assets under management[1]
- Choice of more than 100 mutual funds for your IRA
- Convenient asset allocation funds offering broadly diversified portfolios from a single investment
- Global market insights from more than 700 professionals in 23 countries[2]

Results
Why it matters to you?

- Potential to grow your money faster for retirement
- Reduce taxes and keep more of your investment earnings
- Create another source of retirement income to supplement Social Security and maintain your standard of living

For more information about tax-advantaged IRAs, please consult your financial professional or contact us at **1.800.480.4111** and **www.jpmorganfunds.com.**

[1] Based on AUM for the Asset Management (JPMAM, PB, PWM, Bear Stearns PCS) division of JPMorgan Chase & Co. as of September 30, 2011.
[2] As of September 30, 2011.

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