

selling point

IRAs—Bigger and Better!

New rules for IRAs benefit retirement savers in 2002.

The New Year brings good news to those saving for retirement. Individuals may now contribute more than ever to their Individual Retirement Accounts, and some rollover restrictions have been eased.

IRA Contribution Limits

The Economic Growth and Tax Relief Reconciliation Act of 2001 significantly increased contribution limits for both traditional and Roth IRAs. The new limits for 2002 and beyond are:

| Year | Maximum Contribution (under age 50) | Maximum Contribution (age 50 or older) |
|-----------|--|---|
| 2002 | \$3,000 | \$3,500 |
| 2003 | \$3,000 | \$3,500 |
| 2004 | \$3,000 | \$3,500 |
| 2005 | \$4,000 | \$4,500 |
| 2006-2007 | \$4,000 | \$5,000 |
| 2008* | \$5,000* | \$6,000* |

*Limit thereafter indexed for inflation annually in \$500 increments;
"sunset provision" returns limits to 2001 levels after Dec. 31, 2010.

Rollovers

IRAs now may receive rollovers from 457 plans, in addition to traditional rollovers from qualified retirement plans such as 401(k)s. Also new in 2002, after-tax contributions are eligible to be rolled over from these same plans to an IRA.

Contact your clients today! Wish them a Happy New Year with new and improved IRAs.

SELLING POINTS

Three great ways to gather IRA assets:

- Encourage your clients to make their 2002 annual contributions now (as opposed to waiting until the April 15, 2003, deadline).
- Where appropriate, suggest your clients consolidate their IRAs to simplify portfolio management and administration.
- For clients leaving the work force or changing jobs, discuss the advantages of preserving tax deferral by rolling over a distribution from a 403(b), 401(k) or other qualified retirement plan to an IRA.