
**SELF-DIRECTED
IRA**

ROTH IRA

**EDUCATION
SAVINGS
ACCOUNT**

Choosing Your IRA



**A Guide for Looking at Your
Retirement Assets — And Steps You
Can Take Today to Maximize Your
Savings**



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Important Information

The contents of this booklet are for general information purposes only and are not intended as complete, detailed, or thorough explanation or analysis. Each individual and family have requirements, resources, and risk/suitability considerations which are unique to them. Presidential Brokerage does not provide tax or legal advice. For more information regarding IRA investments, Rollovers, Roth Conversions, NUA, IRD, charitable giving, etc., and whether they may be appropriate for your individual circumstances please contact Presidential Brokerage, Inc., for individual analysis. Presidential recommends using tax and legal guidance when making decisions in these areas; we would be pleased to recommend tax and legal professionals we consider competent, informed, and helpful if requested.

This report provides general investment information and should not be interpreted as an offer to buy or a solicitation of an offer to sell any security or product. The material contained herein has been obtained from sources believed reliable, however Presidential Brokerage, Inc., cannot warrant the accuracy or completeness thereof. Additional important information is available upon request. Individual Presidential Financial Consultants may elect to form investment opinions based on criteria other than that used to compile this report. **All investment involves risk including loss of principal. Past performance is not a guarantee of future performance.** Presidential Brokerage, Inc., does not make markets in securities. Products which may have guarantees (i.e., fixed annuities, insurance) are reliant on the claims paying ability of the respective company. Products are not FDIC insured. Products, services, and tax considerations are subject to change without prior notice.

Choosing Your IRA

Individual Retirement Accounts (IRAs) are special tax-advantaged savings accounts created to encourage Americans to save money toward retirement and for other important financial needs.

Traditional IRAs allow for tax-deferred account growth. Roth IRAs can offer tax-free savings opportunities. Rollover IRAs can be established with funds from a former employer's retirement plan or funds from another IRA. Education Savings Accounts allow parents, grandparents, relatives, and friends the opportunity to make an investment in a child's future.

Presidential Brokerage is pleased to offer a wide variety of investments to assist you in reaching your retirement goals as well as saving for your child's education expenses.

Whatever plan you choose, the discipline of making consistent contributions to your plan, along with the development of an IRA investment strategy tailored to your individual goals and needs, should result in a more secure future for you and your family.

Our Self-Directed IRA enables you to choose the plan that is best suited for you, and then to invest

in stocks, bonds, mutual funds, money markets, or government securities. Also, at Presidential Brokerage, we can offer alternative investment products that provide you with additional options in developing a suitable investment strategy for your retirement dollars. With the assistance of your Financial Advisor, these flexible accounts will provide the control you'll need to adjust your investment selections according to changing economic and market conditions or changes in your personal situation.

We also offer Education Savings Accounts which allow individuals to save for a child's education expenses with an account that affords tax-free growth and distribution opportunities.



Contributing to an IRA

CONTRIBUTING TO AN IRA

With the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001, many of the rules governing IRAs have changed. In fact, these changes signal the most sweeping changes to IRAs in nearly two decades. The Relief Act provides an increased opportunity for individuals to save through IRA investing. At Presidential Brokerage, we're prepared to help you interpret the Relief Act to help you make the appropriate investment decisions for your future.

CHOOSING THE RIGHT IRA

Now that you know that saving through an IRA can help you achieve your goals, you must choose the account that is most appropriate. Is a Traditional deductible IRA your best option? Will the potentially tax-free Roth IRA be most beneficial?

To make the best decision, you must consider such factors as your current and future tax rates, when you will need these funds and for what purpose, estimated account growth, and any other retirement plan

availability. Whether saving for retirement or saving for a child's education, your options include:

- Traditional IRA
- Roth IRA
- Education Savings Account



Traditional IRAs

TRADITIONAL IRA

The Traditional IRA offers tax-deferred savings opportunities. You will not pay taxes on the earnings, and in some cases on the contributions, until distributions are taken from the account. By deferring taxes, your retirement account can benefit, allowing for a potentially greater accumulation of wealth and a more secure future than a non-tax advantaged account. Features of the Traditional IRA are:

- Working individuals and their spouses can each contribute to a Traditional IRA.

Contribution limits are \$5,000 from 2008 and thereafter (*indexed beginning in 2009*).

- Individuals age 50 and older may contribute an amount in excess of the basic annual contributions. These “catch-up” contribution limits are \$1,000 for 2006 and thereafter.

- If you are not covered by a plan at work, you generally can deduct your Traditional IRA

contributions, regardless of your income. If, however, your spouse is covered by a plan at work, your deductibility is limited if your joint income exceeds \$150,000.

- If you are covered by a plan at work, your contributions are fully or partially deductible as long as your income does not exceed:

\$50,000-\$60,000 for a single person.

\$80,000-\$100,000 for a married couple filing jointly.

- Regardless of your ability to deduct your contributions, any earnings will still grow tax-deferred.

- Income tax will apply to taxable amounts when withdrawals are taken from your IRA.

- Taxable distributions before age 59½ may be subject to a 10% penalty tax. Exceptions apply for eligible life expectancy payments, qualified first-time home purchases (\$10,000 lifetime limit), qualified education expenses, and other limited reasons. See your tax advisor for details before you make any withdrawals.

- Contributions cannot be made beginning in the year you attain age 70½. However, Required Minimum Distributions must begin at that time.

IRA Rollovers

For those individuals who are changing jobs, being severed from employment, or retiring, IRA rollovers are the ideal vehicles for continuing deferral of taxes on money accumulated in your former employer's 401(k), 457, 403(b) or other retirement plan. To learn more about your retirement plan distribution options, and how an IRA rollover can work for you, please contact your financial advisor.

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We help you decide

At Presidential Brokerage, we understand the importance of your retirement planning decisions. Maximizing the value of your savings can make your dreams for retirement a reality. We offer a wide selection of retirement planning services and can assist you in examining your personal situation to help you choose an IRA that is right for you. Contact us today for a complimentary consultation. We look forward to working with you.

Roth IRAs

Roth IRA

In helping you reach your retirement goals, one of the most exciting opportunities was created through the Taxpayer Relief Act of 1997- the Roth IRA.

A Roth IRA allows you to make annual, non- deductible contributions using a wide variety of investments. All capital appreciation and earnings grow in these accounts without current taxation. If you meet the age and holding requirements (see the rules below), funds can be withdrawn from the Roth IRA income tax free. This is an unprecedented long-term opportunity for today's retirement saver.

If you earn income (or are married to someone who does) you may be able to contribute to a Roth IRA- even if you participate in a qualified retirement plan where you work or if you are over the age of 70½.

A self-directed IRA is a flexible way to build substantial retirement assets, to provide future income, or to accumulate significant funds for your heirs-free of income tax. This attractive retirement account includes the following provisions:

- Working individuals and their spouses can each contribute to a Roth IRA if their joint Adjusted Gross Income (AGI) does not exceed \$150,000 (\$95,000 AGI if single). Contributions are phased out between \$150,000 and \$160,000 of AGI for joint filers and \$95,000 and \$110,000 for single filers. Individuals are not eligible to contribute to a Roth IRA if their AGI is \$160,000 or more for joint filers and \$110,000 or more for single filers.

The passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 increases allowable contributions to Roth IRAs to \$5,000 for the year 2008 and beyond.



For Roth IRA investors age 50 and older, “catch up” contributions in excess of the basic annual contributions may be made up to an additional \$1,000 per year.

- Contributions are always non-deductable.
- If you or your spouse have earned income, contributions can be made after age 70½.
- Tax free withdrawals of both contributions and earnings may be taken after five years if you are at least age 59½. This tax-free treatment of withdrawals also is available for a first time home purchase (\$10,000 limit), payment of higher education expenses, disability, or death. Please consult your tax advisor before taking any withdrawals.

You are not required to take distributions during your lifetime, but your beneficiary must start withdrawals upon your death. If a Roth IRA owner’s spouse is named as beneficiary, the surviving spouse may roll the Roth IRA into his or her name and continue the tax-free growth of the account without required distributions.

Roth Conversions

If you have funds in a Traditional IRA, you may be eligible to move those assets into a Roth IRA. The conversion is a taxable event, which means you will have to report the amount that is converted as taxable income. You will pay Federal and possible state income

tax on these sums, except amounts attributed to after-tax contributions. These taxes are due in the year the conversion takes place.

The decision to convert a Traditional IRA into a Roth IRA can be a difficult one, since there may be considerable tax consequences. There are three major factors to consider:

Your expected tax bracket in retirement-

If you expect to be in the same or a higher tax bracket than you are today when you withdraw funds from your Roth IRA, there may be value in considering conversion.



Availability of funds to pay income taxes-

It is important to be able to pay the taxes resulting from your Roth conversion from sources outside your IRA. Using IRA funds reduces the advantages of conversion, especially if you are under 59½ and a 10% early-withdrawl penalty is asses on those funds.

The accumulation period-

The longer the assets in the Roth IRA can be left untouched, the greater the potential benefit of tax-free accumulation and future tax-free withdrawls. If you do not need your IRA funds during retirement, you may find the Roth IRA more beneficial, because you are not required to take distributions during your lifetime.

Distributions

Distributions of contributions from a Roth IRA are generally tax-free and penalty free. Any distributions of earnings are tax-free and penalty free after five years and age 59½. If earnings are taken before the five year period has lapsed or before age 59½ they are subject to ordinary income tax and an additional 10% penalty, with some exceptions.

Exceptions to the 10% early distributions penalty: distributions due to death, disability, eligible life expectancy payments, eligible medical expenses certain unemployed individual's health premiums, limited "first time" home purchase, qualified higher education expenses, or IRAs levy.

Unlike Traditional IRAs, the Roth IRA imposes no requirements for distributions at age 70½. In fact, no withdrawls are required until the death of the owner. If the Roth IRA beneficiary is the owner's spouse, he or she may elect to roll the IRA into a Roth account of their own, continuing the tax free growth of the funds without required distributions. Presidential Brokerage does not provide legal or tax advice. Be sure to consult with your tax professional about this important decision.

To learn more about the Roth IRA and how it might fit your retirement planning needs, please contact your financial advisor.



Education Savings Account

The value of an education is one that cannot be measured in dollars and cents. However, in today's world, one of the biggest financial challenges faced by families is paying for the costs of educating their children.

One of the first steps for any investor with this goal is to start saving as much as possible as soon as possible. That goal became easier with the creation of the Education Savings Account, which allows individuals to save for a child's higher education expenses with an account that affords tax-free growth and distribution opportunities.

At Presidential Brokerage, we are pleased to offer our self-directed Education Savings Account to parents, grandparents, relatives and friends. Now, any individual desiring to make an investment in a child's future can do so.

Effective January 1, 2002, an annual non-deductible contribution of \$2000 per child can be made until the child's 18th birthday. (Certain "special needs" children may be allowed contributions to an older age.) This annual contribution is in addition to Traditional or Roth IRA contributions that you or the child may be eligible for. Contributions can be made up to April 15th (or the next business day)

after the close of the tax year for which the contributions are made.

The income limits for those contributing to an Education Savings Account are as follows:

Married filing a joint return-

Full contributions can be made by those with an Adjusted Gross Income of up to \$190,000. Reduced contributions may be made by those with AGI up to \$220,000. If your AGI is above \$220,000, you are not eligible to contribute to an Education Savings Account.

For single filers-

A full contribution can be made by those with AGI up to \$95,000. Reduced contributions may be made by those with AGI up to \$110,000. If your AGI is above \$110,000, you are not eligible to contribute to an Education Savings Account..



The designated beneficiary of an Education Savings Account can take tax-free withdrawals until age 30 for his or her qualified education expenses. If funds are not used for qualified education expenses, the earnings may be subject to ordinary income taxes plus a 10% penalty.

The Economic Growth and Tax Relief Reconciliation Act of 2001 enhances these accounts by broadening the covered expenses. Covered expenses now include:

• **Public and private, primary and secondary school (grades K-12):**

- tuition
- fees
- books
- uniforms
- supplies and equipment
- transportation
- extended-day programs as provided or required by the school
- academic tutoring
- the purchase of computer equipment, educational software, and Internet access

Undergraduate and graduate school:

- tuition
- room and board
- fees
- books
- supplies and equipment

Taxpayers are also allowed to contribute to state-sponsored 529 plans in the same year they contribute to an Education Savings Account. Your Financial Advisor can assist you in projecting the costs of educating your children and offer guidance on the best investment options for financing these expenses. We look forward to helping you and your family build a sound financial future.



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