



*Your Retirement Savings Are Now  
FDIC Insured Up To \$250,000!*



# **INDIVIDUAL RETIREMENT ACCOUNTS**

# Retirement Savings Insured To \$250,000!

**A**n Individual Retirement Account (IRA) is an excellent tool for retirement savings. Unlike most investments, depending on the type of IRA you choose, contributions may be tax deductible and will grow either tax-deferred or tax-free.

A Coverdell Education Savings Account (ESA) (formerly Education IRA) is a great way for parents, grandparents and others to help meet the rising costs of a student's education.

Tax law changes have made IRAs and ESAs even better.

## ★ CONTRIBUTION DEADLINES

Traditional IRAs, Roth IRAs and Coverdell Education Savings Accounts must be opened and/or funded by the April 15th tax filing deadline to receive your tax deductions. A filing extension won't buy you extra time.

## ★ TRADITIONAL IRA

The annual contribution limit is \$4,000 for the period 2005 through 2007, and \$5,000 in 2008 and thereafter. After 2008, the contribution limit will be adjusted annually for inflation in \$500 increments. The annual limit applies to any combination of IRA plans other than the ESA. Contributions

are fully tax deductible if you are not an active participant in an employer retirement plan. Investments grow on a tax-deferred basis. Distributions must begin at age 70 1/2. Earnings are taxed only upon withdrawal.

## ★ ROTH IRA

As long as you have earned income, you can establish and contribute to a Roth IRA even after age 70 1/2. While contributions are not tax deductible, contributions and earnings can be withdrawn tax-free, and unlike traditional IRAs, you are not required to begin taking required minimum distributions after reaching age 70 1/2. By converting your traditional IRA to a Roth IRA, you can enjoy tax-free withdrawals. However, the amount you convert is subject to income tax now.

## ★ MAKING-UP FOR LOST TIME

**Catch-up contributions**—Individuals who have reached age 50 by the end of the year will be able to make additional catch-up contributions of \$1,000 per year to their traditional or Roth IRA.

## ★ EDUCATION SAVINGS ACCOUNT

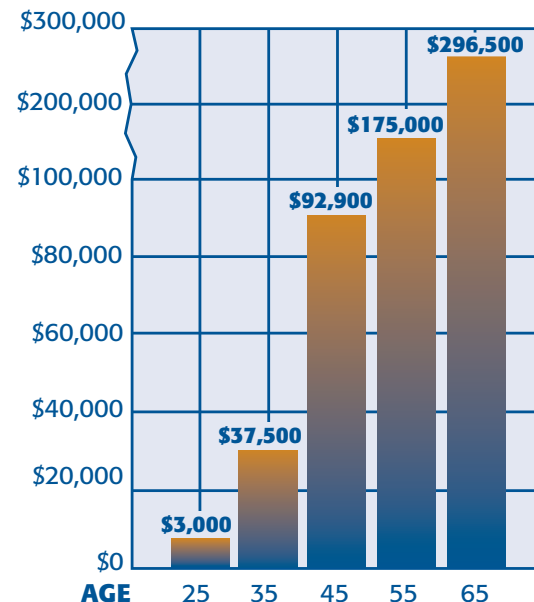
The annual contribution amount has been increased to \$2,000 per beneficiary.

While there is no tax deduction for amounts contributed to a Coverdell Education Savings Account, earnings grow tax-free. And your ESA can be used to pay qualified elementary school and secondary school expenses as well as those for higher education.

**Contact your banker today to learn more about today's IRA!**

## HOW YOUR IRA CAN GROW

The performance of a \$3,000 a year retirement investment plan over time at 4% shows the value of starting early and contributing regularly.



# IRAs AND ESAs AT-A-GLANCE

	TRADITIONAL IRA	ROTH IRA	COVERDELL ESA (Formerly Education IRA)															
<b>QUALIFICATIONS</b>	Must have earned income and not have reached age 70 1/2 by the end of the year.	Must have earned income. There are no age restrictions.	The designated beneficiary must be an individual under the age of 18. The age 18 limitation will not apply to any designated beneficiary with special needs.															
<b>MAXIMUM CONTRIBUTIONS</b>	<u>Taxable years beginning</u> In 2005 through 2007 . . \$4,000 In 2008 and after . . . . . \$5,000*	<u>Taxable years beginning</u> In 2005 through 2007 . . \$4,000 In 2008 and after . . . . . \$5,000*	<u>Taxable years beginning</u> In 2004 and after . . . . . \$2,000 per beneficiary Contributions do not count against the limits for IRA's															
<b>CATCH-UP (50-OVER)</b>	2004 through 2005 . . . . \$ 500 2006 and after . . . . . \$1,000*	2004 through 2005 . . . . \$ 500 2006 and after . . . . . \$1,000*																
<b>TAX STATUS OF EARNINGS</b>	Tax-deferred until withdrawal	Not taxed. Earnings grow tax-free.	Not taxed. Earnings grow tax-free.															
<b>CONTRIBUTION RESTRICTIONS (BASED ON ADJUSTED GROSS INCOME)</b>	Yes, if active participant in employer retirement plan.  <table border="1"> <thead> <tr> <th colspan="3">CONTRIBUTION PHASEOUTS</th> </tr> <tr> <th></th> <th>SINGLES</th> <th>MARRIED JOINT</th> </tr> </thead> <tbody> <tr> <td>2005</td> <td>\$50,000-\$60,000</td> <td>\$70,000-\$80,000</td> </tr> <tr> <td>2006</td> <td>same as 2005</td> <td>\$75,000-\$85,000</td> </tr> <tr> <td>2007</td> <td>same as 2005</td> <td>\$80,000-\$100,000</td> </tr> </tbody> </table>	CONTRIBUTION PHASEOUTS				SINGLES	MARRIED JOINT	2005	\$50,000-\$60,000	\$70,000-\$80,000	2006	same as 2005	\$75,000-\$85,000	2007	same as 2005	\$80,000-\$100,000	Yes, contributions phaseout between \$95,000-\$110,000 for singles, \$150,000-\$160,000 for married couples filing jointly, and \$0-\$10,000 for married couples filing separate.	Yes, contributions phaseout between \$95,000-\$110,000 for singles and married filing separate, and \$190,000-\$220,000 for married couples filing jointly.
CONTRIBUTION PHASEOUTS																		
	SINGLES	MARRIED JOINT																
2005	\$50,000-\$60,000	\$70,000-\$80,000																
2006	same as 2005	\$75,000-\$85,000																
2007	same as 2005	\$80,000-\$100,000																
<b>TAX DEDUCTION</b>	Yes. Contributions up to the limit are fully tax deductible if you are not an active participant in a retirement plan. Otherwise phaseout rules apply.	No.	No.															
<b>PENALTIES FOR EARLY WITHDRAWAL</b>	None if: <ul style="list-style-type: none"> <li>• Over 59 1/2</li> <li>• Death or disability</li> <li>• Qualified medical expenses</li> <li>• Certain health insurance</li> <li>• Qualified college expenses</li> <li>• 1st time home purchase (up to \$10,000)</li> <li>• Due to IRS levy</li> <li>• Periodic payments</li> </ul>	None if made after a five year period and: <ul style="list-style-type: none"> <li>• Over 59 1/2</li> <li>• Death or disability</li> <li>• Qualified medical expenses</li> <li>• Certain health insurance</li> <li>• Qualified college expenses</li> <li>• 1st time home purchase (up to \$10,000)</li> <li>• Due to IRS levy</li> <li>• Periodic payments</li> </ul>	None if: <ul style="list-style-type: none"> <li>• For payment of qualified education expense, including elementary and secondary schools (K-12th)</li> </ul>															
<b>REQUIRED DISTRIBUTIONS</b>	Must begin by April following year participant turns 70 1/2.	Only after death of the participant.	Must be complete 30 days after beneficiary reaches age 30 or dies.															
<b>CONTRIBUTIONS AFTER AGE 70 1/2</b>	Not allowed.	Allowed.	Allowed.															

