

PREMIERE SELECT®

ROLLOVER IRA





Leaving your current job to retire or take on new career challenges can be very exciting. Yet for many of us, it can also be overwhelming.

That's why it's comforting to know that choosing the direction for your retirement plan savings can be one of the easiest steps you'll have to take.

Whether you are changing jobs or beginning your retirement, a Rollover IRA (Individual Retirement Account) can be a simple solution for keeping your money working for you.

A Rollover IRA enables your money from your employer-sponsored retirement plan to continue to grow tax deferred, and may give you the ability to move your money to another employer-sponsored plan in the future. Also, you may not have to pay any current taxes if you directly roll over assets from your employer's plan to a Rollover IRA.

## Convenience. Choice. Comfort.

A Premiere Select® Rollover IRA offers a convenient way for you to invest your retirement plan savings to pursue your retirement goals. You and your investment professional will find a wide variety of investment options to select from to help you meet your specific needs. This self-directed brokerage account enables you to choose from hundreds of mutual funds managed by well-known companies, as well as individual securities including stocks and bonds.

With the assistance and insight of your investment professional, combined with the convenience and investment choices of a Premiere Select Rollover IRA, you can feel more comfortable that your retirement savings are on track.

## Changing jobs

**Does updating your résumé now seem like a routine task?**

**Is your favorite part of the Sunday newspaper the Help Wanted section?**

**Do you now find several retirement plan account statements in your mailbox at the end of each quarter?**

You are not alone if you answered “yes” to any of these questions. Moving from one job to another has become commonplace. In fact, Americans are now expected to change their place of employment more than 11 times during their average working lifetime of 40 years!<sup>1</sup>

With this change in your employment status comes the responsibility of deciding what to do with the savings in your employer-sponsored retirement plan. It may be one of the most important decisions you’ll ever make, especially after taking the following into consideration:

- Your retirement plan savings may represent the largest investment you will ever manage.
- As health care advances have led to longer life spans, especially for the aged, the retirees of tomorrow may be spending an unprecedented amount of time in retirement. Already, women who reach age 65 can expect to live another 19 years, and the men who reach age 65 can expect to live another 16 years. These life expectancies are only projected to increase over the next decades?<sup>2</sup>
- The Social Security system is increasingly burdened by the growing number of retirees.

But where to put your retirement plan savings doesn’t have to be the hardest decision. Many job changers have found that rolling over their assets directly from their employer-sponsored retirement plan to a Rollover IRA is a smart choice. It offers a simple way to:

- Keep your money growing tax deferred
- Avoid paying current income taxes on the distribution
- Gain potentially greater investment flexibility
- Consolidate multiple retirement account balances into one easily manageable account

<sup>1</sup> Source: The Cerulli Edge,™ Cerulli Associates, Inc., March 2000

<sup>2</sup> Source: Insurance Advisory Board — Cerulli Report — Retirement Industry Update: Trends in the 401(k) and IRA Markets, 2002.

# How You Take Your Money Matters Most

## Distribution options

Consider all your retirement plan distribution options and consult your investment professional for help with making the best decision for you.

## Direct rollover to a Rollover IRA?

A Rollover IRA allows you to move your eligible rollover money from your employer's retirement plan directly to an IRA — without paying current taxes or penalties.<sup>3</sup> If you decide to keep your retirement savings working for you, a Rollover IRA may be a wise choice. That's because a Rollover IRA enables you to keep your money working for you longer on a tax-deferred basis.

## Leave the money in your former employer's plan?

While this may be the easiest course of action to take now, later on you may find it too restrictive. Your former employer's plan may have limited investment options, restrict the number of exchanges, limit access to money for inactive participants, or charge inactive participants a fee. Generally, this option is available if the plan allows it and your vested account balance in the plan is greater than \$5,000. You may elect to take your money at a later date or keep the money in the plan until normal retirement age. Check with your plan administrator for details.

## Sizing up your options

Features	Rollover IRA	New employer's plan	Former employer's plan	Take the money now
Preserve retirement savings	yes	yes	yes	no
Avoid current taxation and IRS early withdrawal penalties	yes <sup>4</sup>	yes <sup>4</sup>	yes	no
Earnings grow tax deferred	yes	yes	yes	no
Offers investment flexibility	yes	may be limited	may be limited	yes
Available to all employees	yes	may be limited	yes <sup>5</sup>	yes
Can add more eligible money later <sup>6</sup>	yes <sup>6</sup>	may be limited	no	n/a

<sup>3</sup> Distribution amounts eligible for rollover are generally all pre-tax contributions (contributions made to your plan that have not yet been taxed) and any investment earnings, both on pre-tax and any after-tax contributions. As of January 1, 2002, you may roll over after-tax contributions (contributions made to your plan that have been taxed). (Such after-tax rollovers may not be made before this date.) After-tax money in an IRA, including after-tax money rolled in from a qualified 403(b) or governmental 457(b) plan cannot be rolled from the IRA to a qualified 403(b) or governmental 457(b) plan.

<sup>4</sup> Assumes eligible rollover distribution is directly rolled over.

<sup>5</sup> If permitted under the plan and your account balance is \$5,000 or more.

<sup>6</sup> As of January 1, 2002, your account balance may be transferred at any time from your Rollover IRA to an employer-sponsored retirement plan if your employer-sponsored plan accepts such rollovers.

### Take a cash distribution?

If you decide to take your retirement distribution in a single payment, you may end up with much less money than you were expecting. That's because your distribution will be subject to:

- **20% automatic withholding.** Your employer is required by the IRS to withhold 20% of your eligible distribution for prepayment of federal incomes taxes.<sup>7</sup>
- **Additional federal income taxes.** In addition to the 20% automatic withholding, you may owe up to 15% or more of your distribution in additional federal income taxes, depending on your tax bracket.<sup>8</sup>
- **Early withdrawal penalty.** If you're younger than age 59½ or have separated from service before age 55, you may owe another 10% of your distribution to the IRS.
- **State and local income taxes.** If applicable, you may also owe state and local income taxes on your distribution.

In all, these taxes and penalties could add up to more than **45% of your total distribution.**

### Direct rollover to your new employer's plan?

If you are changing jobs and your new employer sponsors a retirement plan that accepts rollovers, you may opt to move your eligible rollover money directly into your new employer's plan.<sup>9</sup> Doing so

would enable your eligible rollover money to remain invested on a tax-deferred basis. You would also avoid paying current income taxes or penalties. Before you make this decision, it's important to talk to the plan administrator at your new company, as rules and investment options vary among retirement plans.

### Know the tax consequences

The pie chart below illustrates the amount of money potentially lost to taxes from a \$25,000 retirement distribution taken in a single payment. However, if you choose a direct rollover option, 100% of your money can continue to work for you.

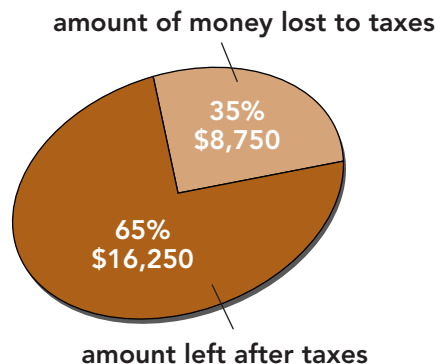


Chart assumes a 35% federal income tax rate. Any applicable state and local taxes have not been included. Chart also assumes that the investor was at least 59½ years of age at the time of lump-sum distribution. Investors who are younger than age 59½ or have separated from service before age 55 may owe another 10% of their distribution to the IRS as an early withdrawal penalty.

<sup>7</sup> This withholding percentage applies to the eligible portion of your distribution that is not directly rolled over to an IRA or another employer-sponsored plan.

<sup>8</sup> Example assumes a 35% federal income tax rate.

<sup>9</sup> Distribution amounts eligible for rollover are generally all pre-tax contributions (contributions made to your plan that have not yet been taxed) and any investment earnings, both on pre-tax and any after-tax contributions. As of January 1, 2002, you may roll over after-tax contributions (contributions made to your plan that have been taxed). (Such rollovers may not be made before this date.) After-tax money in an IRA, including after-tax money rolled in from a qualified 403(b) or governmental 457(b) plan cannot be rolled from the IRA to a qualified 403(b) or governmental 457(b) plan.

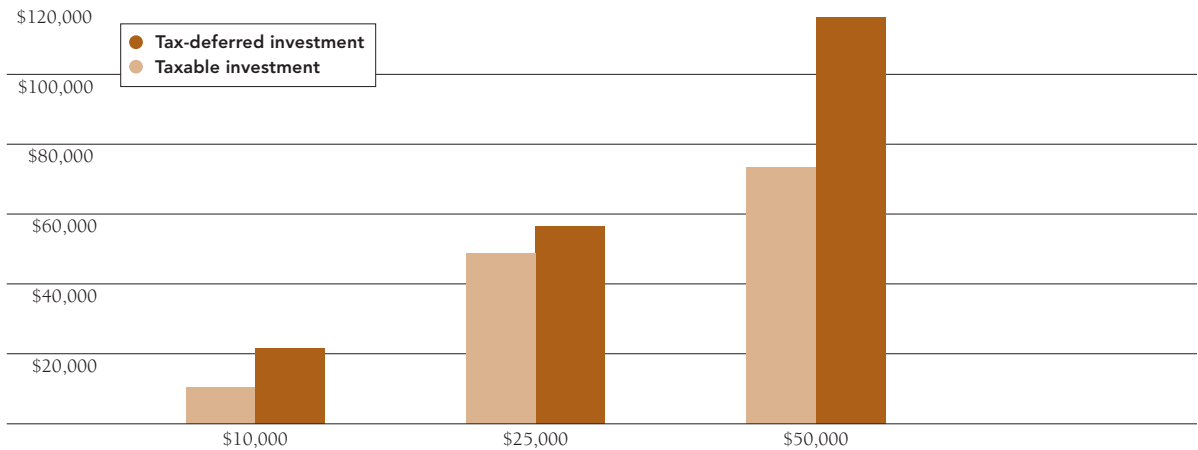
### Take a less taxing route to retirement

Keeping your money working while postponing payment of taxes can be a smart route to financial security. Your retirement plan balance may not appear that large today. However, if you decide to reinvest your money in a tax-deferred account, such as a Premiere Select Rollover IRA, you may be surprised at how that amount can potentially grow over time, thanks to the power of tax-deferred compounding.

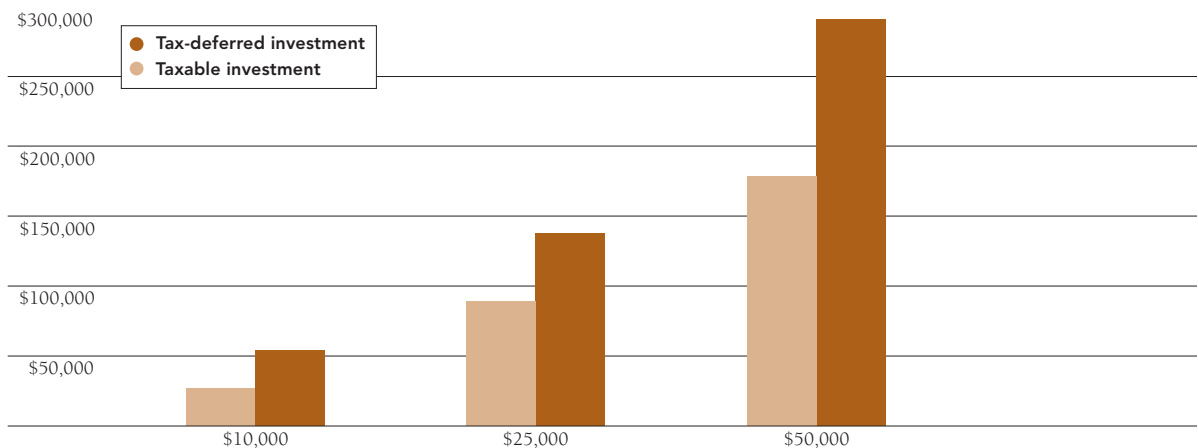
### The power of tax-deferred compounding

Compare the two charts below, which depict the difference in value of hypothetical account balances of \$10,000, \$25,000, and \$50,000 that were directly rolled over to a tax-deferred account — such as a Rollover IRA — compared to taking a lump-sum distribution and investing the balance in a taxable account.

#### Value in 10 years with assumed 9% average annual rate of return



#### Value in 20 years with assumed 9% average annual rate of return



Ending values shown are after taxes; however, initial taxable investment does not take into account any taxes or penalty that may have been due. Earnings from the taxable investment are taxed annually. Charts assume a 9% average annual rate of return, reinvestment of all earnings, and a 35% federal income tax rate. Any applicable state and local taxes have not been included. The hypothetical examples in these charts reflect a single (lump-sum) distribution from the Rollover IRA investment at the end of each designated time period. Assumes that the investor was at least age 59½ at the time of withdrawal. If, instead, at the end of each period you withdrew the Rollover IRA balance systematically over time, you could further extend the benefits of tax deferral. This illustrates a hypothetical investment and is not indicative of the performance of any fund or retirement investment. Your own investment results will vary.

## Entering retirement

Before you step into your new lifestyle, there is one more piece of business that needs your attention — choosing the appropriate place for your retirement plan distribution.

Today more than ever, it's important that individuals have a financial plan in place so they don't outlive their retirement savings. That's because individuals can generally look forward to much longer retirements than ever before. As health care advances have led to longer life spans, especially for the aged, the retirees of tomorrow may be spending an unprecedented amount of time in retirement. Already, women who reach age 65 can expect to live another 19 years, and the men who reach age 65

can expect to live another 16 years. These life expectancies are only projected to increase over the next decades.<sup>10</sup>

A Rollover IRA offers many benefits to individuals entering retirement, including:

- Tax-deferred growth potential
- A broad array of investment options
- Flexible income options when you are in retirement

Before making any decisions, be sure to consider all your retirement plan distribution options and consult your investment professional.

## Sizing up your options

Features	Rollover IRA	Former employer's plan	Take the money now
Preserve retirement savings	yes	yes	no
Avoid current taxation and IRS early withdrawal penalties	yes	yes <sup>11</sup>	no
Earnings grow tax deferred	yes	yes	no
Offers investment flexibility	yes	may be limited	yes
Available to all employees	yes	yes <sup>12</sup>	yes
Can add more eligible money later	yes	no	n/a

<sup>10</sup> Source Insurance Advisory Board — Cerulli Report — Retirement Industry Update: Trends in the 401(k) and IRA Markets, 2002.

<sup>11</sup> Assumes eligible rollover distribution is directly rolled over.

<sup>12</sup> If permitted under the plan and your account balance is \$5,000 or more.

## Make the most of your retirement savings

Keeping your money working for you in retirement, while at the same time having the flexibility to draw upon that money for income purposes, can help you make the most of your retirement assets. If you decide to reinvest your money in a Premiere Select Rollover IRA, you may be surprised at how that amount can potentially grow over time, thanks to the power of tax-deferred compounding.

Consider the hypothetical example below that depicts the growth potential of a \$200,000 investment directly rolled over to a Rollover IRA by a 62-year-old retiree while taking distributions. Even after withdrawing \$15,000 each year for 20 years, the balance remains at \$89,643 at the end of this 20-year period.

## Keeping it in the family

The Premiere Select Rollover IRA is a valuable tool that can help you transfer assets from one generation to another. You may do this in one of two ways — through the strategic use of beneficiary designations for your Rollover IRA account or by converting part or all of your Premiere Select Rollover IRA to a Roth IRA.

## How beneficiary designations can help

In April 2002, the IRS issued Final Minimum Required Distribution (MRD) Regulations (“2002 Final MRD Regulations”) that added greater flexibility to the way IRA assets can be distributed after the account owner has died.

As a result, after your death, your beneficiaries can “get more life” out of your IRA — if you’ve structured your beneficiary designations carefully to take advantage of features of the 2002 Final MRD

### Value of a tax-deferred retirement account over 20 years with \$15,000 annual distributions

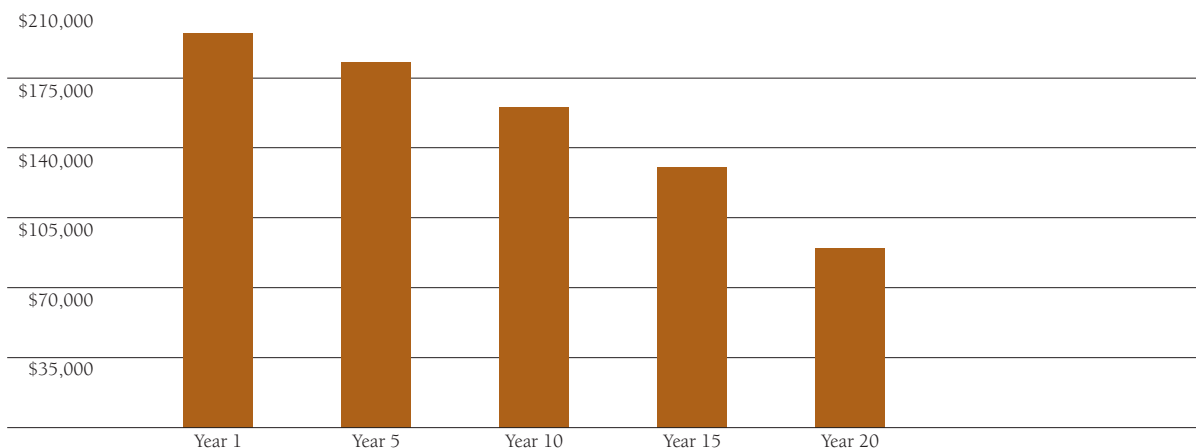


Chart assumes beginning balance of \$200,000 at a 6% annual rate of return with annual distributions of \$15,000. Annual distributions of \$15,000 do not reflect any current taxes or penalties. Federal (and possibly state and local) taxes will be assessed on the distribution based on your tax bracket and the tax regulations in effect at the time each distribution is made. This chart illustrates a hypothetical investment and is not indicative of the performance of any fund or retirement investment. Your own investment results will vary.

Regulations that generally allow beneficiaries to take money from their inherited IRA accounts over their life expectancy. (Previously, beneficiaries were required to take a lump-sum distribution or receive their money within a relatively short period of time after the account owner's death.)

Your beneficiaries' ability to withdraw the money from an inherited IRA account over their life expectancy may result in a lower minimum required distribution each year — and give them the potential to keep their inherited IRA assets invested for a longer period of time.

### Another option: the Roth IRA<sup>13</sup>

You may instead prefer to convert part or all of your Rollover IRA to a Roth IRA. As long as your Adjusted Gross Income (individual or joint) is not more than \$100,000 for the applicable tax year, you can convert a Rollover IRA to a Roth IRA during that year. You may convert all of your IRA assets or only a portion.

The conversion of a Rollover IRA to a Roth IRA may produce a sizeable tax hit initially, since the converted amount is subject to income taxes at the time of the conversion. However, with the Roth IRA, there are no mandatory minimum required distributions at age 70½. In general, the benefits of the Roth IRA for estate planning purposes can be traced to a few factors:

- Assets in an IRA (including a Traditional, Roth, Rollover, SEP-IRA, or SIMPLE IRA) are included in the value of an estate, but unlike the beneficiary of a Rollover IRA, distributions to a Roth IRA beneficiary are not subject to personal federal income taxes, provided certain conditions are met.

- The original owner of a Roth IRA can continue to contribute to a Roth IRA, even after age 70½.

Your investment professional can help you make the most of the money you've carefully invested for your and your loved ones' long-term financial security.

### Income when you need it

If you need to draw on your retirement savings for income, yet want to keep the balance invested on a tax-deferred basis, you may find that a Rollover IRA offers you the most flexibility.

### Planning together

A Premiere Select Rollover IRA lets you choose from a variety of convenient ways to withdraw your money when you need it. (Remember that distributions from your Rollover IRA are subject to federal income taxes, and any distribution made prior to age 59½ may be subject to a 10% early withdrawal penalty.) You may make partial distributions at any time, or you may structure regular, automatic distributions from your IRA. You may choose the amount and frequency that meet your needs.

The IRS requires that you begin taking annual minimum required distributions from your IRA when you reach age 70½. The Premiere Select Rollover IRA provides automatic distribution services to help you meet these minimum distribution requirements. And if you don't need to access the money from these distributions, they can be automatically reinvested in non-retirement accounts you've selected. Please consult your investment professional for details.



<sup>13</sup> Assets in a Roth IRA may not be rolled into a qualified 403(b) or governmental 457(b) plan.

### No need to go it alone

Your investment professional can help you decide how and where to invest your retirement plan distribution. He or she will help you identify your financial goals and tolerance for risk and work with you to develop a complete plan to help you meet your goals.

### It may be time for your next review

Making a career move or stepping into retirement may be a good time to reassess your retirement investments. Ask your investment professional to help you review your overall investment plan to make sure it's still on track to help you reach your retirement goals.

### Consider a Premiere Select Rollover IRA

Whether you are changing jobs or entering retirement, a Premiere Select Rollover IRA offers the convenience, choice, and flexibility you may be looking for.

Whatever type of investor you are — conservative, aggressive, or somewhere in between — a Premiere Select Rollover IRA is designed to accommodate your investment needs. Through the brokerage account, you and your investment professional can select the appropriate investments for your retirement savings from a menu of more than 9,500 share class alternatives of mutual funds, plus thousands of individual securities.

### Take the next steps

Now that you have a better understanding of a Rollover IRA and several of the other most commonly available distribution options from an

employer-sponsored retirement plan, you are well on your way to making a sound decision. If you will be initiating a distribution in order to establish a Rollover account from your employer's plan, the steps below are intended to help guide you through the process.

1. If you choose to directly roll over your retirement distribution, consider a direct rollover to a Premiere Select Rollover IRA. Review the *Getting Started Guide* and complete the Premiere Select Rollover IRA application.
2. After consulting with your investment professional, request a distribution form from your former employer to initiate a direct rollover from your employer-sponsored retirement plan to a Premiere Select Rollover IRA.
3. To initiate a direct rollover to a Premiere Select Rollover IRA, return the rollover IRA application to your investment professional. Once you know your Premiere Select Rollover IRA account number, have your former employer make the check payable to National Financial Services LLC. It is also a good idea to follow up with your employer to make sure your distribution request has been processed and to confirm the time frame for the completion of the distribution.
4. If you have money remaining in any other retirement plans, now is a good time to consider consolidating it into one easily manageable account. Consult your investment professional about consolidating your eligible money into a Premiere Select Rollover IRA.



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