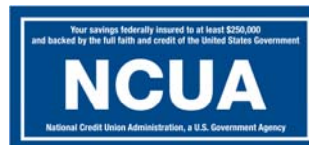


Are you a candidate to convert a Traditional IRA to a Roth IRA?

The answer to this will differ with each individual's financial circumstances. Because this decision is a complicated one, you should consult a tax professional. Consider these key questions:

- Would most of the funds in your traditional IRA be subject to income tax in the conversion?
- Can you afford to pay the income taxes due on the conversion from funds outside of your IRA funds?
- What tax bracket are you now, and what tax bracket do you think you will be in when you retire?
- How long is it before you retire?
- Will the taxable income from the conversion throw you into a higher tax bracket?
- How will the income from the conversion affect the taxation of any Social Security retirement benefits you receive?
- Is the Roth IRA useful to you as an estate planning tool?



Birmingham Police Credit Union

IRA SERVICES



Serving Those Who Serve Others

205.583.4632
205.583.4131 fax

708 17TH STREET NORTH
BIRMINGHAM, ALABAMA 35203

IRA SAVINGS OPTIONS

WHAT IS AN IRA?

An Individual Retirement Account is a trust or custodial account set up in the United States for the exclusive benefit of you or your beneficiaries.

WHO CAN SET UP AN IRA?

You can set up and make contributions to a traditional IRA if:

- You (or if you file a joint return, your spouse) received taxable compensation during the year, and
- You were not age 70 1/2 by the end of the year.

WHAT IS COMPENSATION?

Compensation for the purposes of an IRA includes...wages, salaries, etc; commissions; self-employment income; alimony and separation maintenance; and nontaxable combat pay.

Compensation for the purposes of an IRA does not include...earnings and profits from property; interest and dividend income; pension or annuity income; deferred compensation; income from certain partnerships; and any amounts you exclude from income.

HOW MUCH CAN I CONTRIBUTE?

General Limits is normally the smaller of the following amounts:

- \$5,000 (\$6,000 if you are age 50 or older), or
- Your taxable compensation for the year

HOW MUCH CAN I DEDUCT ON MY TAXES?

Deduction limitations are affected by your Modified Adjusted Gross Income, whether you are covered by a retirement plan at work and your filing status. For current year limitations, contact your tax professional.

WHAT IS A ROTH IRA?

A Roth IRA is an IRA that is specifically designated as a Roth. Unlike a traditional IRA, you cannot deduct annual contributions, however if your distributions are qualified they are tax-free.

CAN I CONTRIBUTE TO A ROTH IRA?

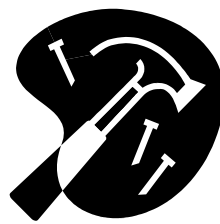
Normally you can contribute to a Roth IRA if you have taxable compensation and your modified AGI is less than:

- \$169,000 for married filing jointly or qualifying widow(er)
- \$116,000 for single, head of household, or married filing separately and you did not live with your spouse at any time during the year, and
- \$10,000 for married filing separately and you lived with your spouse at any time during the year.

IRA ROLLOVERS:

One of the best things about rolling over your retirement plan into an IRA is that you are in complete control of your retirement funds. Some of the benefits of rolling your retirement account from your employer to an IRA with Birmingham Police Credit Union is that your funds are **FEDERALLY INSURED** by the NCUA up to \$250,000.00.

An IRA rollover may allow you to:



Constructing the soundness of your financial future.

your retirement savings

- Reduce the cost of administration
- Take control of your retirement plan
- Increase your investment options
- Move your money out of your former employer's retirement plan without tax or penalties.
- Preserve the tax-deferred status of

Direct Rollovers

Direct Rollovers are a popular way to complete your IRA rollover. With a direct rollover, a check is made payable to Birmingham Police Credit Union as the fiduciary of your IRA. You can roll over the entire amount, and your previous employer is not required to withhold 20 percent of your money for taxes.

If you take a distribution from your retirement funds by having the check payable to yourself, 20 percent will be withheld for federal income taxes and subject to income taxes unless you replace it within 60 days by contributing money from other sources to your IRA.

Roth IRA Rollovers

Consolidating your retirement savings into a Roth IRA may also be an option. Starting in 2008, funds can be moved directly from a traditional qualified retirement plan into a Roth IRA (subject to the normal rules for making an IRA conversion contribution).

Compare all your options by consulting with a financial services professional and/or tax advisor before making any decisions.

**Not intended as tax advice. Please consult a tax professional.*

Have Questions? Don't have an IRA? Want more Information? We can help! Our IRA professionals can assist with your rollover questions and help with your retirement planning. Call or come by today. We also offer Coverdell Education Savings Account. For current rates and contribution information call our office today.