The Taxpayer Relief Act of 1997 created a new way for investors to save for retirement: the Roth IRA. Here are the facts about this new retirement vehicle and when you may want to consider one:

- **Taxes -** It has a tax structure unlike that of any other IRA: contributions are post-tax, but growth is tax-free; once you put your money in, *you never pay taxes again.*
- **Distributions -** It offers simpler distribution requirements: since you have already paid taxes up front, there are no minimum distribution requirements.
- **Withdrawals -** Since withdrawals are not reportable income, they won't affect your adjusted gross income during retirement.
- **Contribution Limit -** $2,000 annually per individual; $4,000 for joint filers.
- **Eligibility -** Anyone can contribute the full amount, provided your adjusted gross income (AGI) is below $95,000 (for singles) or $150,000 (for married couples filing jointly).

The Roth IRA does have one potential downside:

- You pay taxes while working rather than when retired, when your tax rate is likely to be lower; so the Roth IRA loses one of the advantages of the traditional IRA.

How They Compare

Traditional IRA	Roth IRA
Contributions may be tax-deductible. Earnings are taxed at withdrawal.	Contributions aren't deductible. But after age 59 1/2, you can withdraw earnings tax-free as long as they've been in the account at least five years.
Mandatory withdrawals begin at age 70 1/2. Withdrawals before age 59 1/2 may be subject to tax plus a 10 percent penalty.	No withdrawal required. You can take out as little as you want as late as you want. Contributions can be withdrawn anytime without penalty, as long as you don't dip into your accumulated earnings.

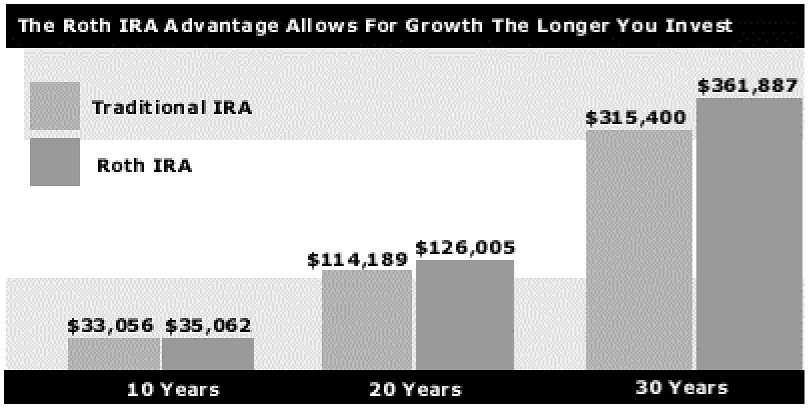
Who Should Consider a Roth IRA?

Just about everyone who qualifies should consider the Roth IRA.

- **Younger Investors -** The longer investments remain in a Roth IRA, the greater the advantage over a traditional IRA. That can mean more at retirement.
- **Older Investors -** A Roth IRA doesn't require mandatory distributions at age 70 1/2. That means you can enjoy tax-free growth longer and leave more to your heirs.
- **Investors Who Don't Qualify For A Deductible IRA -** Investors who earn too much to open a deductible IRA, but are within the above limits, now enjoy a tax-advantaged option.

The Longer You Invest, The Greater The Advantage of a Roth IRA.

The longer investments remain in a Roth IRA, the longer they can accumulate tax-deferred and the greater the advantage over a traditional IRA. That can mean more at retirement.



This illustration assumes $2,000 annually at the beginning of each year, a 10% annual rate of return, and a 28% tax rate.

The above numbers for the traditional IRA include the benefit provided by investing the $560 tax benefit from the initial IRA deduction in a taxable account returning 10% annually.

The earnings on this account are taxed at a 28% rate, and the proceeds are added to the traditional IRA totals at the end of each period. The assumed return is hypothetical and for purposes of illustration only.

It is not representative of the future return of any specific investment, which will fluctuate.

Younger Investors May Get The Maximum Advantage From The Roth IRA.

Length of time isn't the only advantage younger investors have with the Roth IRA. Because Roth assets are taxed at the "front end," investors get the maximum advantage if their tax rate is lower when they make contributions than when they withdraw. Younger investors tend not to be at their peak earning years yet, so they stand to benefit the most because they may pay the least amount in current taxes.