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Prepared for retirement?

The value of saving, the power of the IRA

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Realities for today's retirees

Longer, healthier lifestyles

Americans are living longer, more productive lives thanks to better healthcare and new medical technologies. In fact, you could spend as much time in retirement as you've spent planning for it.

What's more, retirement dollars are worth less due to the rising cost of living. A cost-of-living increase was recently announced by the Social Security Administration, indicating a 2.8% cost-of-living adjustment for 2026. In 2025, the cost-of-living adjustment was 2.5%. This means the cost of living is increasing, and it will take more dollars during your retirement years to cover certain expenses.

Today's realities can have a tremendous impact on your retirement.

Are you prepared?

If you are like many individuals today, funding the retirement lifestyle you've imagined can be challenging. You may need to rely more on personal assets than any other source of income.

The uncertainty surrounding the ability of Social Security and Medicare to meet future obligations has been well-documented. As the Baby Boomer generation continues to head toward retirement, there will be more people drawing from the system, and fewer people paying into the system. It is possible that Social Security and Medicare benefits will be reduced or altered.



Planning for your retirement

For a comfortable retirement, the average American will need to save at least 15% of their pretax income.[1] This may be a daunting figure to you, and you may be asking yourself the following questions:

- Can I contribute more toward my retirement beyond my contributions to my employer-sponsored retirement plan?
- Can an investment strategy that meets my comfort level for risk help me reach my retirement savings goals?
- Are there investment choices that can potentially keep my accumulation rate ahead of inflation to help ensure my savings can help meet my retirement income needs for life?
- Will I be able to pass on my assets as a legacy to my loved ones?
- Is there a retirement vehicle that can help meet these needs for me?

The answer to these questions is **yes,** there is such an account where you are able to contribute more toward your retirement, and establish an investment strategy with investment products of your choosing that also contains the ability to pass your assets to your loved ones.

It is called the **Individual Retirement Account (IRA).**

The reason so many people invest in IRAs for their future retirement is because they offer distinctive benefits to help people meet their needs during three phases of the wealth management life cycle:

Accumulation

Income

Wealth transfer

Before, during and at the end of your retirement years, an IRA strategy can assist you in:

1. Accumulating needed assets for your retirement.
2. Receiving income from the accumulated retirement assets.
3. Efficiently passing those assets to your loved ones as a legacy.

This brochure will describe the features and benefits an IRA offers during each phase of the wealth management life cycle event.

1 Fidelity Viewpoints. "How Much Should I Save For Retirement?", June 8, 2026.

Which IRA best suits your needs?

Before discussing the three phases of wealth management, let's look at the two types of IRAs available today: traditional and Roth IRAs. While each offers the benefit of tax deferral on any investment gains made during the account's lifetime, there are other features and considerations to weigh when deciding whether a traditional or Roth IRA best suits your needs.

Traditional IRA

Features

- Tax deferral on any investment gains.
- Tax deductibility of annual contributions if modified adjusted gross income (AGI) is under limits for the tax year for individuals covered by an employer-sponsored retirement plan.
- Full tax deductibility for individuals earning income but not covered by an employer-sponsored retirement plan.
- Anyone with employment income or earned income.
- Contributions may be made up to the maximum limits permitted by the IRS for the tax year. There must be sufficient earned income to make the contribution.
- No probate when beneficiary is named.
- Could be an efficient means for passing assets as a legacy.
- Flexible distributions — lump-sum or periodic payments.

Considerations

- There are annual lifetime RMDs, unless a waiver applies.
- For married persons filing jointly and both are covered by a qualified plan, 2026 deductible contributions are phased out if modified adjusted gross income (MAGI) is between $129,000 and $149,000, and no deduction is permitted if it is $149,000 or more. For married persons filing jointly with one spouse in a plan and the other is not, a deductible contribution for the non-participant spouse is phased out if MAGI is between $242,000 and $252,000, and no deduction is permitted if it is $252,000 or more. For single individuals covered by a qualified plan, a 2026 deductible contribution is phased out if MAGI is between $81,000 and $91,000, and no deduction is permitted if it is $91,000 or more.
- With some exceptions, withdrawals prior to age 59½ are subject to an additional 10% federal income tax penalty.
- Deductible contributions and earnings are subject to ordinary income tax when withdrawn.
- Assets are included in the owner's estate, and may be subject to estate and inheritance taxes upon the owner's death.

Roth IRA

Features

- Tax deferral on any investment gains.
- Tax-free withdrawals of qualified distributions (discussed later in more detail).
- Contributions, but not earnings, can be withdrawn tax-free at any time.
- No lifetime required minimum distributions (RMDs) for the owner.
- Contributions can be made for individuals covered by an employer-sponsored plan.
- Anyone with employment income or earned income can make a contribution, if modified AGI limits are met for the tax year. There must be sufficient earned income to make a contribution.
- No probate when beneficiary is named.
- Could be an efficient means for passing assets as an income tax-free legacy.
- Spousal Roth IRA available.

Considerations

- No tax deductibility of annual contributions.
- For married persons filing jointly, 2026 contributions are phased out if MAGI is between $242,000 and $252,000, and no contribution is permitted if it is $252,000 or more. For single individuals, a 2026 contribution is phased out if MAGI is between $153,000 and $168,000, and no contribution is permitted if it is $168,000 or more.
- With some exceptions, withdrawals of earnings prior to age 59½ are subject to an additional 10% federal income tax penalty.



Speak to your financial professional to help determine the type of IRA strategy that best meets your retirement needs and goals.

Phase 1: accumulation of assets

Accumulating your retirement assets

Now that we have discussed the two types of IRAs, let's look at the three phases of the wealth management life cycle that affect your retirement, beginning with phase 1, the accumulation of assets.

During phase 1, an IRA (traditional or Roth) offers you three ways to accumulate assets for your retirement years. You can:

- Make annual contributions up to the limits set by the IRS.
- Enjoy the benefit of tax deferral of any investment gains.
- Consolidate your qualified plan assets and other IRA accounts.

However, with a traditional IRA, you may also be able to reduce the amount you owe in taxes each year by deducting your annual contribution from your taxable income. You are able to fully deduct your contribution if you are not covered by an employer-sponsored retirement plan. If you are covered by an employer-sponsored retirement plan, the amount of deductibility depends on your federal tax filing status and your modified AGI.

Consolidate your assets

When you change jobs, you can roll over your funds held in employer-sponsored qualified retirement plans to your traditional IRA, tax-free. You can also roll over amounts to a Roth IRA. If the amounts are in a **designated Roth account** in your employer's plan, the rollover transaction can be done tax-free through a direct rollover. If the amounts are in a pretax account in your employer's plan, the conversion rollover is taxable, but you will get started on your 5-year holding period for Roth IRA distributions to be tax-free. See page 7 for more details. You can also consolidate compatible IRAs (e.g., multiple traditional IRAs into a single traditional IRA).

People often consolidate their qualified plan accounts and IRAs to further simplify their lives. Consolidating your qualified plan accounts also offers the opportunity to review the appropriateness of your investment portfolio, and to reevaluate your investment strategy.

Annual contribution limits for traditional and Roth IRAs

$7,500 or **100%**

of annual income (whichever is less)

$1,100

catch-up contribution amount if age 50 or older

Spousal IRA

If you are married, filing a joint tax return and participate in a qualified retirement plan, but your spouse is not covered under an employer plan, an IRA (traditional or Roth) may be established for your spouse under certain conditions. This allows a contribution up to twice the yearly maximum amount set by the IRS for an individual.

The cost of waiting

The cost of waiting to contribute toward your retirement can be significant. The sooner you start, the better off you'll be. Let's look at two scenarios.

While Brian contributed $40,000 more to his IRA, his account balance at age 60 is slightly more than half of Gloria's account balance. Gloria has time on her side.

The sooner you start to contribute to an IRA, your money will have more time to benefit from tax-deferred growth. Of course, regardless of when you begin, it is never too late to start.

Meet Gloria



- **Starts now**

Gloria, age 20, immediately contributes $4,000 annually for 15 years to an IRA. At age 35, she stops contributing but lets her money grow for another 25 years tax-deferred.

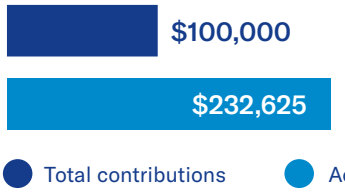


Meet Brian



- **Waits 15 years**

Brian, age 20, waits 15 years before he starts contributing. At age 35, he starts contributing $4,000 annually for 25 years to an IRA, also growing his money tax-deferred.



Assumes a hypothetical 6% annual compounded rate of return. The 6% hypothetical rate of return is not based on the performance of actual investments or products. Actual rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of risk. Actual results will vary. The entire amount is subject to ordinary income tax on distribution.

Tax deferral for IRAs

Under a nonqualified account, you must pay taxes annually on investment income (interest, dividends and capital gains), which over time can erode your nest egg. However, with an IRA, all investment income is fully reinvested each year and is taxed only when withdrawn from the IRA. This favorable tax-deferred treatment of investment income may help you maximize the value of your IRA.

Phase 2: income distribution

Are you ready to receive income?

You do not have to be retired to withdraw from your IRAs. Once you start to withdraw from your IRA assets, the second phase of the wealth management life cycle begins for you — income distribution.

Unlike qualified retirement plans, there are no withdrawal restrictions under an IRA. Withdrawals can be made at any time for any reason. However, federal income tax rules impose an additional 10% early withdrawal penalty on the taxable portion on a withdrawal made prior to age 59½. Under Internal Revenue Code 72(t), there are situations where the additional 10% penalty tax does not apply.

For traditional IRAs, withdrawals of deducted annual contributions and any investment gains are subject to ordinary income tax at your then-current tax rate. In addition, traditional IRA owners must begin to receive and continue to take annual lifetime RMDs, unless a waiver applies.

RMDS — For traditional IRAs (including SEP IRAs and SIMPLE IRAs), there are required minimum distributions that are based on an owner's age and the new effective dates enacted by the SECURE Acts.

If an owner was born before July 1, 1949, lifetime RMDs are based on age 70½. If an owner was born after June 30, 1949 and before January 1, 1951, lifetime RMDs are based on age 72. If an owner was born after December 31, 1950 and before January 1, 1960, lifetime RMDs are based on age 73. If an owner was born after December 31,1959, lifetime RMDs are based on age 75 (proposed and final regs).[2]

Your after-tax contributions, made to Roth IRAs, but not any investment gains, can be withdrawn free of income tax at any time. Distributions from Roth IRAs (including any investment gains) can also be withdrawn free of income tax provided the distribution meets the requirements set by the IRS as a qualified distribution.

While distributions are made from your IRA, you will continue to enjoy the benefits of any tax-deferred growth, potentially helping you to maximize the value of your account.

Notable exceptions to the additional 10% early withdrawal penalty

Examples of the exceptions to the 10% early withdrawal penalty are in cases of:

- Death
- Disability
- Certain medical expenses
- Certain higher education expenses
- Certain expenses for childbirth or adoption of a child, up to $5,000
- Distributions in the form of an annuity
- Qualified reservist distribution

Converting a traditional IRA to a Roth IRA

You have the option of converting your traditional IRA into a Roth IRA at any time. You must pay ordinary income taxes on any investment gains and on any deductible contributions made to the traditional IRA. The taxes due do not need to come from the converted amount, and may come from other funding sources.

2 IRS.gov.

When are distributions from a Roth IRA taxable?

Distributions of investment gains under a Roth IRA are always subject to ordinary income tax unless the distribution is a qualified distribution. In addition, the distribution of investment gains may be subject to an additional 10% federal income tax penalty if withdrawn prior to age 59½.

In order for a Roth distribution to be withdrawn income tax-free, the distribution must consist of:

- An annual contribution made for the current year or from previous year(s).
- A qualified distribution.

What is a qualified distribution?

A qualified distribution is any payment or withdrawal made from your Roth IRA that meets the following requirements:

- It is made after the 5-year holding period beginning with the first taxable year for which a contribution was made to a Roth IRA set up for your benefit.
- The payment or distribution is made:
  - On or after the date you reach age 59½.
  - Because you are disabled.
  - To a beneficiary or to your estate after your death.
  - To be used in the purchase, building or rebuilding of your first home (up to a $10,000 lifetime limit.)

Example 1: Joe, age 40, has a Roth IRA opened for 3 years and becomes disabled. Any withdrawal Joe makes above the sum of his annual contributions is **not** a qualified distribution, since his Roth IRA has been opened for fewer than 5 years. Joe's withdrawal did not meet the first requirement, and any investment gains would be subject to ordinary income tax. However, the investment gains portion of Joe's distribution would not be subject to the additional 10% federal income tax penalty (if it meets specific requirements) since Joe is disabled.

Example 2: Mary, age 45, has a Roth IRA opened for 7 years and becomes disabled. Mary's withdrawal is a qualified distribution, since her account has been opened for more than 5 years, and she is disabled. Mary's withdrawal meets both requirements.

Example 3: Roger, age 60, has a Roth IRA opened for 3 years and he is not disabled. Any withdrawal Roger makes above the sum of his annual contributions is **not** a qualified distribution, and is subject to ordinary income tax, since his account has been opened for fewer than 5 years. Roger's withdrawal did not meet the first requirement.



5-year holding period

The 5-year holding period begins with your first Roth IRA. When holding multiple Roth IRAs, the age of your first opened Roth IRA will determine whether a distribution is a qualified distribution from any of your Roth IRAs.

Phase 3: wealth transfer

Passing on your assets in the form of a legacy

Each IRA — traditional IRA or Roth IRA — could be an efficient means for passing on your assets as a legacy to your loved ones. By naming an individual(s) as the designated beneficiary(ies) on the account, the assets held within the IRA avoid probate, and your designated beneficiary(ies) can gain immediate access to your legacy.

By naming your spouse as the beneficiary, they have the right to roll over the assets into their own compatible IRA. A spouse is permitted to do a rollover at your death only if the spouse was named as your beneficiary on your traditional IRA or Roth IRA.

If your spouse does not need the income, they may be able to disclaim your IRA. In that case, your IRA will be payable at your death to your contingent beneficiary(ies) or default beneficiaries per your IRA. In essence, your legacy would skip your spouse and be passed to whomever you named as the contingent beneficiary, such as your children or grandchildren.

Beneficiary options

Distributions to your spouse

If your spouse is the designated beneficiary of the IRA, they have four options for accessing your legacy within the IRA:

1. Assume ownership of the existing IRA.
2. Roll over to their own compatible IRA.
3. Inherit your IRA, leaving your name on the contract, and take immediate distributions.
4. Inherit your IRA, leaving your name on the contract, but defer taking distributions for a later year (any time until the year you would have been required to take RMDs).

Tax-free status remains for Roth IRAs

If you were receiving tax-free qualified distributions from your Roth IRA at your death, your beneficiaries will continue to receive distributions on a tax-free basis. This potential allows for a greater distribution of your Roth IRA to your heirs.

Lump-sum distribution

With a lump-sum distribution, the designated beneficiary(ies) withdraws the full amount remaining in the IRA and therefore has immediate access to these assets. However, by receiving a lump sum, your beneficiary is subject to immediate income tax on the distribution received.

Distribution deferral

If you pass away, your beneficiary can defer distributions to avoid current income tax and continue tax-deferred growth.

Here are the general rules if you pass away after December 31, 2019:

- If you name an individual who is a designated beneficiary, the entire balance must be distributed in 10 years after you pass away. Your designated beneficiary must also take annual distributions if you pass away after your RMD age.
- If you name an individual who is an eligible designated beneficiary, an inherited IRA or stretch IRA can be elected. An eligible designated beneficiary is a surviving spouse, your minor child, a disabled or chronically ill person or a person not more than 10 years younger than you. If a minor is the beneficiary, the 10-year rule will apply when they reach majority. Your beneficiary may have the flexibility to receive more than the RMDs if the need arises. Annual distributions are required and any taxes due on the distribution will be payable by your beneficiary.
- If you name a nondesignated beneficiary (e.g., estate or charity), your beneficiary is subject to a 5-year distribution rule. If you pass away after your RMD age, annual distributions are also required.
- If you name a trust as beneficiary, an inherited IRA may be available if an eligible designated beneficiary is the trust beneficiary and the trust meets certain requirements.

Example of how beneficiaries might defer current income

Tax assets pass to your spouse, provided they are the beneficiary.

↓

Spouse assumes ownership and names children as new beneficiaries, and grandchildren as contingent beneficiaries.

↓

Upon your spouse's death, your adult children must receive the entire IRA balance in 10 years.

↓

If your children disclaim the distribution, your grandchildren will receive the IRA assets, and must receive the entire IRA balance in 10 years.

Developing your IRA strategy

After reviewing how IRAs can potentially help you prepare for the three phases of wealth management, you can now make an informed decision as to which type of IRA may be suitable for your needs today and retirement goals tomorrow.

If you need to reduce the amount you owe in taxes, then a traditional IRA may be the choice for you. If you are filing jointly, a spousal IRA may permit you to double the amount of deductions for traditional IRA contributions, depending on your modified AGI.

If you need income during retirement, then a traditional IRA may be the choice for you. Although the income would be taxable, you may be in a lower tax rate compared to when you made the deductible contributions to fund the IRA. Depending on your beneficiaries need for income, your beneficiaries may be able to defer distributions over a certain time frame to avoid current income tax when you pass away.

If you are looking for tax-free income during retirement, then a Roth IRA may be the choice for you. The tax-free status on the withdrawals may also be available to your designated beneficiary(ies) at your death.

If you need tax deductions and want to receive tax-free income in retirement, then you may wish to set up both a traditional IRA and a Roth IRA. Please note, only the contributions made to the traditional IRA may be tax-deductible, depending on your modified AGI, and only the withdrawals from the Roth IRA are potentially tax-free.

A traditional or Roth IRA is an effective means for passing IRA assets to your beneficiary(ies). They can defer distributions over certain time frames to help continue the tax-deferred growth you established, and giving you the comfort of knowing you have provided for them.



Rolling over assets held in previous employer-sponsored qualified plans, or consolidating multiple compatible IRA accounts into one, is a great way to start your IRA strategy. It is an easy step for you to take because you are using assets you had already earmarked for your retirement needs. Consolidating your qualified accounts also offers the opportunity to review the appropriateness of your investment portfolio and to reevaluate your investment strategy.

The IRA strategy that you choose depends on your individual circumstances and needs. Speak with your financial professional; they can help you determine the IRA strategy that may best suit your retirement needs and goals.



Financial products for your IRA strategy

There are different financial products available for your IRA assets to help you reach your goals. Along with an IRA strategy, it is important to select investments with the help of your financial professional that may best suit your circumstances, time horizon and tolerance for accepting market risk.

Advisory accounts	Provide a customized portfolio of investments based on your risk tolerance and financial objectives. A professional investment manager determines which securities to buy and sell within your account to keep your portfolio aligned with your goals. Managed accounts combine the advantage of investing directly in the stock market, and having a professional oversee your investments on a continuous basis. Rather than paying a transaction fee for each trade, you typically pay an annual advisory fee for this service.
Mutual fund accounts	Can be an integral part of a sound investment plan because they offer full-time professional investment management and diversification across a large number of securities. There are thousands of mutual funds, each with different risk and return potentials. Your investment is pooled with those of other investors in a single, managed portfolio of securities, based on your specific investment objectives, time horizon and tolerance for risk.
Brokerage accounts	Provide you with a broad range of investment choices in one comprehensive asset management tool. You can invest in mutual funds, exchange-traded funds (ETFs), individual equities, fixed-income securities, CDs or variable annuities. Some brokerage accounts provide check-writing functionality for further simplifying your financial life.
Annuities	Are long-term financial products designed for retirement purposes. These investments can be immediate or deferred, fixed or variable. They can also provide you with income either immediately upon purchasing the annuity or at a later date, which is determined by you and/or the contract's provisions. You do not gain any additional tax deferral benefit beyond what is already provided by the Internal Revenue Code to your IRA; this is why an annuity should be purchased for its benefits and features other than tax deferral. Some annuities can help ensure you don't outlive your resources, and help to make sure money is not lost at time of death.

Important notes

This list does not represent the entire suite of products available to you. The descriptions here merely give you a brief summary of these products. For more information about these and other available products you may wish to consider, speak with your financial professional. Please be aware there are fees associated with many of the products listed on the previous page.

An effective strategy

Using an IRA strategy requires knowledge and planning, but it can contribute significantly to achieving your goals and creating the lifestyle you desire in retirement. When you know where you're going, you're more likely to reach your destination.

Opening an IRA — traditional or Roth — can be the first step toward creating the retirement you want. Please contact your financial professional to help plan the retirement you deserve.

Your next steps

Step 1 Gather your personal and financial information. Your financial professional can help you fill in the gaps of anything that may be missing.

Step 2 Make an appointment with your financial professional so you can begin the discussion on which IRA strategy to develop for you.

Step 3 After consulting with your tax and legal advisors, implement your IRA strategy. The cost of waiting to contribute toward your retirement can be detrimental.



Investors should consider the charges, risks, expenses and investment objectives of these products before investing. For a prospectus containing this and other information, please ask your financial professional or contact the company. Read the prospectus and consider this information carefully before you invest or send money.

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