Frequently asked questions

Whether you are considering opening an IRA with Mercer Securities, a division of MMC Securities Corp., or are already an account holder, you may have some questions about IRAs. Read on for answers to some of the most commonly asked questions. If your question isn't answered, just call 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with an experienced Mercer Securities representative.

What's an IRA?

What exactly is an IRA?

An IRA – which stands for Individual Retirement Account – is a tax-deferred account that you can use to save for your retirement. If you're still employed, you can contribute up to the Internal Revenue Service's IRA maximum for the year – $4,000 in 2007 (or $5,000 if you're age 50 or older). If you aren't employed, you cannot contribute to an IRA. However, if your spouse is working and you aren't, your spouse can contribute on your behalf (subject to certain restrictions). IRA contributions can then be used to purchase a variety of investments including stocks, bonds, and CDs.

There are several types of IRAs, but the most popular are the rollover IRA, Traditional IRA, and Roth IRA.

What's a rollover IRA?

Typically, a rollover IRA is funded with eligible distributions from a qualified company-sponsored retirement plan. When you first roll money into an IRA, it is initially invested in this type of account. If you wish to continue saving for your retirement, you may contribute additional money to your account. However, if you add new contributions to your rollover IRA, you will lose the ability to roll your account into a new company-sponsored retirement plan in the future. That's because when you add new contributions to your account it will be converted into either a Traditional or Roth IRA. For this reason, you may want to keep your rollover IRA separate and create a new account for any additional contributions.

What's the difference between a Traditional IRA and a Roth IRA?

The main difference is when you pay taxes on your savings. A Traditional IRA is tax deductible (provided you meet certain IRS qualifications), which means that you can claim your IRA contributions on your year-end tax return. This effectively reduces your current taxable income and the taxes you pay now.

However, a Roth IRA is not tax deductible, which means that you receive no tax deduction but can later withdraw any earnings tax free provided that a) you are age 59½ or older (or following death or disability) and b) the account has been open for at least five years.

Also, the withdrawal and distribution rules vary. For a Traditional IRA, you may begin taking withdrawals without penalties at age 59½ and must begin taking mandatory distributions at age 70½. For a Roth IRA, you don't have to take mandatory distributions at a certain age and you can typically take withdrawals at any time without penalties, as long as you follow the Roth IRA withdrawal rules.

Wondering which type of IRA is appropriate for you? Consider the following:

A Traditional IRA may be appropriate if you:	A Roth IRA may be appropriate if you:
Prefer to contribute money that may be fully or partially deductible – meaning you can claim your IRA contributions on your year-end tax return (reducing your current taxable income and the taxes you pay now)	Prefer to pay all your taxes up front in exchange for not having to pay taxes on any earnings upon distribution (provided you meet certain qualifications)
Want your savings to have the potential to grow tax deferred	Want your earnings to have the potential to grow tax free
Prefer to defer paying taxes until you take a distribution from your account, which may be advantageous if you expect your tax rate to be lower when you retire or withdraw your money	Expect to be in a higher tax bracket when you retire or withdraw your money
Cannot save through a Roth 401(k) because your income exceeds the limit (See *"Are there any income or age limits that I must meet before contributing to an IRA?"*)	Have an income level that doesn't prevent you from saving through a Roth IRA (See *"Are there any income or age limits that I must meet before contributing to an IRA?"*)

For help with deciding whether a Traditional IRA or a Roth IRA is appropriate for you, use the Roth IRA calculator.

Can I convert a Traditional IRA to a Roth IRA?

Yes, you can, as long as you do not exceed the compensation limit of $100,000. To do so, you'll need to withdraw your savings from the Traditional IRA, at which time it will be taxed. Then, you can invest it in a Roth IRA and any future earnings and additional contributions can be withdrawn tax free as long as a) you are age 59½ or older (or following death or disability) and b) the account has been open for at least five years.

To help you decide whether to convert your Traditional IRA to a Roth IRA, use the "Should I convert to a Roth IRA?" calculator.

Are there any income or age limits that I must meet before contributing to an IRA?

For a Traditional IRA, you must have earned income (investment income does not qualify) and be under age 70½ to contribute. It doesn't matter how much you make; you can still contribute to a Traditional IRA. Exception: If you are over age 70½ with earned income, you may contribute to your non-working spouse's IRA as long as your spouse has not reached age 70½.

But keep in mind that if you earn more than a certain amount (adjusted gross income) and also participate in an employer-sponsored retirement plan, your IRA contributions may not be tax deductible. If you participate in your employer-sponsored retirement plan, review the following chart to see if your IRA contributions may be tax deductible.

2007 filing status	Maximum income for full deduction	Maximum income for partial deduction
Single/Head of household	Up to $52,000	$52,000–$62,000
Married filing jointly	Up to $83,000	$83,000–$103,000
Married filing separately	N/A	$0–$10,000

You can contribute to a Roth IRA at any age as long as you are still earning income. However, you must earn less than a certain amount each year to be eligible to save through a Roth IRA. See what kind of contribution you can make based on your adjusted gross income.

2007 filing status	Maximum income for full contribution	Maximum income for reduced contribution
Single/Head of household	Up to $99,000	$99,000–$114,000
Married filing jointly	Up to $156,000	$156,000–$166,000
Married filing separately	N/A	$0–$10,000

What are the IRA annual contribution limits?

IRA contribution limits are set by the IRS and generally increase over time. You can contribute to both a Traditional IRA and a Roth IRA as long as you're eligible and your total combined contribution does not exceed the limit. To help older Americans save more for retirement, the IRS allows them to save more through the catch-up contribution provision. Over the next two years, IRA contribution limits will be:

	Under age 50	50 or older
2007	$4,000	$5,000
2008	$5,000	$6,000

For more information, use the "How much can I contribute to an IRA?" calculator.

Can I save in both my employer's 401(k) plan and in an IRA?

Yes. Remember that you'll need to follow the separate contribution limits for both your 401(k) and IRA contributions. For 2007, you may contribute up to $15,500 to a company-sponsored 401(k) plan if you're under age 50 and $20,500 if you're age 50 or older. Also in 2007, you can save up to $4,000 in an IRA if you're under age 50 and up to $5,000 if you're age 50 or older. That means that over the course of this year, you can save a combined total of $19,500 (or $25,500 if you're age 50 or older).

However, keep in mind that your participation in your company-sponsored 401(k) plan may affect the tax deductibility of your IRA contributions. See *"Are there any income or age limits that I must meet before contributing to an IRA?"*

How do I open a Mercer Securities IRA?

If you're interested in opening a Mercer Securities IRA, simply dial 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative. Or, download an IRA application.

How can I roll my 401(k) to an IRA?

If I'm still an employee at my company, can I roll my company-sponsored 401(k) plan savings to an IRA?

Generally, you cannot roll your savings into an IRA (or take another withdrawal or distribution) until you experience one of the following circumstances:

- Layoff or other separation from employment
- Disability or illness
- Reaching age 59½
- Retirement
- Death

One common exception – you may withdraw or roll over after-tax contributions in your 401(k) plan at any time. For more information on the details of your company-sponsored retirement plan, refer to the plan's Summary Plan Description.

Why should I roll my 401(k) plan savings to an IRA?

When you're leaving your job or retiring, you may wonder how to best handle the savings you've accumulated in your 401(k) plan. You have options: You may be able to keep it in your former employer's 401(k) plan, roll it over to a new employer's plan, cash it out, or roll it into an IRA. Each of these options has its merits and downsides. If you're looking for the most investment flexibility, an IRA may be appropriate for you. That's because an IRA provides you with a greater variety of investments – such as stocks, bonds, and CDs – than you would find in a typical employer's retirement savings plan. Also, an IRA helps you continue saving for retirement, unlike cashing out your balance, which can trigger severe taxes and penalties.

Consider your options by looking at the comparison table on the next page.

Key advantages	Stay in current plan	Roll over to an IRA	Roll over to a new employer's plan	Cash out
Your savings has the potential to continue to compound tax deferred *(Traditional IRA or 401(k))* or your earnings have the potential to compound tax free *(Roth IRA or 401(k))*	✓	✓	✓	
Taxes are postponed until savings is withdrawn *(Traditional IRA or 401(k))*	✓	✓	✓	
You will typically have a broader range of investments to choose among		✓		
You will be able to consolidate both former employers' retirement plan balances and other retirement assets		✓		
You may be able to take a loan			✓	

For assistance with deciding which option is right for you, call 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative.

What's the difference between a direct rollover and an indirect rollover?

First of all, a rollover is a nontaxable transfer of assets from one qualified retirement plan to another or to an IRA. A *direct* rollover means that 100% of your balance is transferred (typically by check or wire) to your new employer's qualified plan or an IRA. An *indirect* rollover means that 100% of your balance is distributed to you, and it's your responsibility to transfer that money to a new qualified plan or IRA within 60 days. If you don't transfer the money within that time period, it will typically be treated as a taxable distribution and may be subject to penalties.

Can I roll my after-tax savings to an IRA?

Yes, but before you roll it over, make sure you understand the accounting requirements and tax treatment. Both before-tax and after-tax assets must be kept in separate accounts (both in your 401(k) and in your new IRA) because of their different tax treatments. You've already paid taxes on your after-tax contributions, so only earnings will be taxable upon withdrawal. If you made before-tax contributions, you will be taxed on both your savings and any earnings upon withdrawal.

To find out more about tax consequences, visit www.irs.gov.

This information is not meant as tax or legal advice. You should consult with the appropriate professional advisor regarding your particular circumstances.

Can I roll my Traditional 401(k) plan balance into a Roth IRA?

No, you cannot roll a Traditional 401(k) balance to a Roth IRA. However, you can roll your money to a Traditional IRA and then convert the Traditional IRA to a Roth IRA (as described in *"Can I convert a Traditional IRA to a Roth IRA?"*).

I have a lot of company stock in my 401(k) plan account. Is there anything I should know before I roll it over to an IRA?

Yes. You may be able to save on taxes by taking advantage of the federal net unrealized appreciation (NUA) rule. Instead of rolling your 401(k) plan account into an IRA, consider taking a distribution of your entire account – take the company stock in certificate form and the remainder in cash (which can retain its tax-deferred status if you roll that portion over to an IRA or new employer's 401(k) plan after the distribution).

By doing so, you can benefit from the NUA (net unrealized appreciation) rule. Net unrealized appreciation is the difference between the price at which you bought the company stock (called the "cost basis") and the stock's current price. For example, if you bought a stock share for $10 and it grew to $60, the NUA would be $50.

Under the NUA rule, when you distribute your account as a lump sum, only the cost basis is subject to income tax (and potentially an early withdrawal penalty) – not the stock appreciation (NUA). The NUA is not subject to tax until the company stock is sold, and it will never be subject to an early withdrawal penalty. At that time, the taxes assessed will be at capital gains rates and not at ordinary income tax rates, which are usually much higher.

For more information about this rule, refer to the NUA Fact Sheet. Because this is a complicated tax law, please consult your tax or financial advisor before making a decision.

This information is not meant as tax or legal advice. You should consult with the appropriate professional advisor regarding your particular circumstances.

How do I roll my savings from my 401(k) plan to a Mercer Securities IRA?

If you're interested in rolling your savings to a Mercer Securities IRA, simply dial 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time to speak with a Mercer Securities representative. Or simply download an application.

When you speak with a Mercer Securities representative, he or she will help you complete paperwork, open a rollover IRA, and transfer your balance. Keep in mind that your savings will initially be invested in a rollover IRA. If you wish to continue saving for retirement in your IRA, you add additional money – at which point your rollover IRA will be converted to a Traditional or Roth IRA – or you can open another IRA. See *"What's the difference between a Traditional IRA and a Roth IRA?"* for more information about which type of IRA may be appropriate for you.

I have a lot of retirement accounts in a lot of places. Why should I consolidate them in a Mercer Securities IRA?

It's easier to track your savings progress if all your accounts are in one place. By consolidating your accounts, you'll streamline your statement reviews, asset allocation analyses, and rebalancing sessions. Also, when you're looking at your total retirement savings you'll be better able to see if you're investing too heavily in a certain asset class – enabling you to potentially manage risk better. Finally, by consolidating your accounts with Mercer Securities, you'll have one website and one phone number that you can use to access your account information.

Instead of searching through dusty papers in an attempt to locate retirement savings information from multiple former employers' accounts, tabulating your savings on a calculator, and trying to remember which investments you've chosen – consolidate your accounts with a Mercer Securities IRA. We'll help; just call 1-866-727-7277.

How do I manage my IRA?

I've recently opened a Mercer Securities IRA. What are some tools I can use to manage my account?

We offer a variety of online account management tools; two of the most useful are FundScan® and Portfolio Evaluator. FundScan helps you explore a wide range of mutual funds in order to find those that best meet your selection criteria and investment objectives. Portfolio Evaluator provides a complete, at-a-glance look at your portfolio holdings. (An additional fee may apply; ask a Mercer Securities representative for details.) In addition to these specialized tools, we also offer extensive investment research, tracking, and index information.

You can also manage your account and make trades by phone at 1-866-727-7277. If you'd like assistance with using the website or phone tools, simply dial the same toll-free number to speak with a Mercer Securities representative.

How do I diversify my Mercer Securities IRA?

It's good that you're concerned about appropriately diversifying your IRA. As you may know, diversification – spreading your money across different asset classes and investment styles – is a key principle of long-term investing. That's because, at any given time, economic and market conditions will favor one type of investment over another. Since it's impossible to predict which type of investments will lead the market (and which will lag), owning different types of investments can increase your exposure to market opportunities while reducing your portfolio's overall risk in an unpredictable market.

To help you appropriately diversify your portfolio, we offer a variety of individual stocks and bonds as well as mutual funds that cover every asset class and investment style including growth, value, blend, income, and capital preservation. You can diversify your portfolio by selecting among these choices, or you can consider selecting a single prediversified fund that's targeted to your tolerance for investment risk or the year in which you anticipate withdrawing money from your IRA. For more information about prediversified options, see *"What's a prediversified "ready-mixed" portfolio?"*

Diversification does not guarantee a profit or protect against a loss. It is possible to lose money in a diversified portfolio.

What's a prediversified "ready-mixed" portfolio?

Ready-mixed portfolios are designed to provide you with an easy, one-step approach to investment diversification. Each ready-mixed portfolio is diversified across an array of funds that invest in different styles and include a mix of stocks, bonds, and capital preservation investments. If you invest in a ready-mixed portfolio, your portfolio will be automatically rebalanced for you on a periodic basis. Although diversification and rebalancing will not necessarily prevent you from losing money, they may help reduce volatility and potentially limit downside losses.

Because the portfolio is already diversified, it should generally not be used in combination with another portfolio or other investment options. There are two basic types of ready-mixed portfolios – risk-based and age-based. Risk-based portfolios are diversified to strive for a certain level of risk, for example, conservative or aggressive. Age-based portfolios are diversified based on the investors' target retirement year. For example, if the target date of the portfolio is far off, the portfolio is generally weighted more heavily toward more aggressive, higher-risk investments. As the target date nears, the portfolio is gradually reallocated to more conservative investment allocations.

Is a ready-mixed portfolio appropriate for you? Consider selecting one if you want to:

- Make a single investment choice based on your risk tolerance or the year you plan to start withdrawing assets
- Invest in a comprehensive portfolio that is professionally diversified across investment styles
- Have your portfolio automatically rebalanced on a regular basis

If you'd like to find out more about diversifying your IRA by selecting a ready-mixed portfolio, call 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative.

What's dollar cost averaging?

Dollar cost averaging can be an effective investing method, especially in a volatile market. It's a practice of buying shares of a stock or mutual fund by investing a certain dollar amount regularly whether the market is up or down. The foundation of this principle is that you buy fewer shares when the investment is doing well and more when the investment is not doing as well. This means that the average share price you pay may be lower than the average share price over time. See the following example, which uses a monthly IRA contribution of $100.

	Share price	Number of shares purchased
January	$9	11.1 ($100 ÷ $9)
February	$8	12.5
March	$9	11.1
April	$11	9.1
May	$9	11.1
June	$10	10.0
July	$11	11.1
August	$9	9.1
September	$13	7.7
October	$12	8.3
November	$10	10.0
December	$13	7.7

Total number of shares purchased = **118.8**

Total amount spent = **$1,200**

Average price per share = **$10.33**

(Total of share prices ÷ 12)

Average cost per share = **$10.10**

($1,200 ÷ 118.8)

As you can see, even though the average price per share was $10.33 during the investment time period, the investor only paid an average of $10.10 per share.

Alternatively, if the investor waited to invest once or twice a year, she might buy the stock at $9 per share, but she might also buy the stock at $13 per share, resulting in a different average share price (for example, if half the stock was purchased at $9 per share and the other half at $13 per share, the average share price would be $11). Therefore, the investor might potentially have fewer shares in the long run.

Dollar cost averaging will not guarantee a positive return in a declining market.

What's rebalancing?

Over time, as certain investments gain and others lose, your IRA can naturally shift from your original investment allocation. By rebalancing your portfolio – selling some of your investments that have grown and investing in areas that have fallen behind – you can help your IRA stay on track. Also, you can help maintain the same level of investment risk that you originally selected for your account. It's recommended that you review your portfolio and rebalance it on a quarterly or yearly basis.

If you decide to invest your IRA in a ready-mixed portfolio, you won't need to worry about rebalancing your account because it will be automatically done for you. See *"What's a prediversified "ready-mixed" portfolio?"* for more information about investing in this type of portfolio.

Rebalancing does not guarantee a profit or protect against a loss in declining markets.

How do I trade in my Mercer Securities IRA?

We offer three ways to trade so that you can pick the method(s) you're most comfortable using. Remember, you can trade between regular market hours: 9:30 a.m. and 4:00 p.m. Eastern Time. Outside of these hours, you can take advantage of our extended hours trading for certain securities.

To trade online, simply log on to www.mercerwealthsolutions.com, and to trade via our interactive voice response system, call 1-866-727-7277. You can also trade with the assistance of a Mercer Securities representative by calling the same toll-free number between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday.

What are the fees associated with my Mercer Securities IRA?

Mercer Securities charges fees for completing trades and maintaining and servicing accounts. To learn about the specific fees, view the commission and fee schedule.

What should I know about taking a withdrawal from my IRA?

Can I take a loan from my IRA?

IRS regulations do not allow you to take a loan from an IRA.

When can I withdraw money from my IRA?

You can withdraw money at any time. However, you must be age 59½ or older (or die or become disabled) to withdraw money without federal tax penalties. If you withdraw money before that time, you'll have to pay a 10% IRS early withdrawal penalty on the savings and any earnings in a Traditional IRA and on the earnings in a Roth IRA.

If you want to withdraw your money before age 59½ without incurring this early withdrawal penalty, you can take substantially equal periodic payments. Also keep in mind that if you withdraw money from a Roth IRA before your account is open for five years, your earnings will no longer be tax free.

Typically, you should try to leave your money in your IRA until you retire. In addition to avoiding costly tax penalties that can take a chunk out of your savings, leaving your money in your IRA gives it the potential to grow on a tax-advantaged basis. That means that it can potentially turn into an even larger nest egg. Particularly if you have a Traditional IRA, it makes sense to wait until retiring before withdrawing money because you may be in a lower tax bracket and may pay less in taxes when you withdraw your money.

A Traditional IRA requires you to begin withdrawing money from your account beginning at age 70½ (whether you're retired or not); however, a Roth IRA does not require you do so.

Are there any cases in which taxes or penalties on IRA withdrawals can be waived?

Yes, there are several special circumstances in which taxes and/or penalties can be waived. This can occur if you:

- Take substantially equal periodic payments (SEPPs) – see *"What is a 72(t) distribution or SEPP?"* for more information
- Die or experience a qualified disability
- Have medical expenses that exceed 7.5% of your adjusted gross income
- Receive unemployment compensation for more than 12 weeks
- Need to pay for qualified higher education (up to $10,000)
- Are a qualified first-time home buyer (up to $10,000)
- Convert a Traditional IRA to a Roth IRA

Because these circumstances involve complicated tax laws, please consult a tax or financial advisor. If you'd like to review these tax laws in detail, visit www.irs.gov.

What is a 72(t) distribution or SEPP?

If you would like to begin withdrawing money before age 59½, you can take a 72(t) distribution from your IRA and begin receiving substantially equal periodic payments (SEPPs). By doing so, you'll avoid the 10% early withdrawal penalty and can preserve the tax status of your remaining savings. For a Traditional IRA, that means your savings has the potential to continue to compound tax deferred, and for a Roth IRA, your earnings have the potential to grow tax free.

Wondering if a 72(t) distribution is right for you? Well, if you need supplemental income and have exhausted other means, or if you are taking an early retirement, it may be worth considering. But keep in mind that you're draining a savings vehicle that's designed to help support you during your later years.

The amount of your SEPPs primarily depends on your IRA balance and your life expectancy, which is calculated using your current age. The IRS has approved three methods for figuring out your exact SEPP amount:

The amortization method – Under this method, the annual payment is the same every year and is determined by using your age, your beneficiary's age (if you have one), and a chosen interest rate.

The annuitization method – Like the amortization method, the annuitization method payments are the same every year. The amount is determined by using an annuity factor derived from an IRS mortality table and is based on your age, the age of your beneficiary (if you have one), and a chosen interest rate.

The required minimum distribution (RMD) method – The annual payment for each year is determined by dividing the account balance for that year by your life expectancy factor and your beneficiary's factor (if you have one). Under this method, the annual amount must be figured each year, and as a result, will fluctuate.

Once you start taking SEPPs, you must continue taking them until you reach age 59½ or until you've taken them for five consecutive years (whichever is longer). If you terminate your SEPPs before this time, you will typically be required to pay the IRS all the penalties that were waived on your payments, plus interest.

For assistance with deciding which 72(t) distribution method is right for you, use the "Compare 72(t) early distribution alternatives" calculator.

This information is not meant as tax or legal advice. You should consult with the appropriate professional advisor regarding your particular circumstances.

What are the consequences of cashing out my IRA?

Cashing out your account can seriously impact your future financial security. By taking your money out of the market, you remove the potential for your savings to generate investment income and benefit from compounding (where the earnings on your savings is reinvested to potentially earn even more). Also, if you cash out your account when the market is down, you may be selling your investments at a loss instead of allowing them to remain invested and potentially ride out the market's fluctuations.

If you cash out your account before age 59½, your account will incur a 10% penalty (on your savings and earnings if you have a Traditional IRA and on the earnings if you have a Roth IRA). See the following example for the high cost of cashing out a Traditional IRA before age 59½.

If your IRA balance is:	**$100,000**
Your federal income tax (at 25% rate) will be:	**- $25,000**
Your 10% early withdrawal penalty will be:	**- $10,000**
Your remaining balance will be:	**$65,000**

I just retired. What's the best way to make my savings last?

Be sure to take into consideration your total savings – IRAs, former employer-sponsored retirement plans, Social Security, CDs, and other savings vehicles – and then think about how much you plan on spending throughout your retirement. As you know, more people are living longer, healthier, and more productive lives. In fact, if you retire at age 65, you may spend more than 20 years in retirement.

Generally, if you withdraw no more than 6% of your savings a year, you'll be far less likely to run out of money in retirement than if you take money out at a faster rate. The following chart shows the impact that various rates of withdrawal could have on a retirement portfolio of 60% stocks, 30% bonds, and 10% cash as represented by the S&P 500® Index, U.S. Intermediate-Term Government Bonds, and 30-Day T-Bills.

Annual withdrawal amount	Life of portfolio
10%	11 years
9%	12 years
8%	14 years
7%	17 years
6%	20 years
5%	25 years

This chart illustrates withdrawal percentages and probabilities of success based upon a 1,000-iteration Monte Carlo simulation. The chart is for illustrative purposes only and is not indicative of any investment. Withdrawals from a more conservative portfolio may result in a faster depletion of the portfolio than that depicted. S&P 500 Index is an unmanaged index of common stocks frequently used as a general measure of stock market performance. S&P 500 is a registered trademark of The McGraw-Hill Companies, Inc. Past performance is no guarantee of future results.

Also, resist the temptation to reallocate your retirement savings portfolio to a very conservative investment allocation because your portfolio still needs to strive for both income protection and growth to help keep pace with inflation.

For assistance, call 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative.

What are required minimum distributions (RMDs) and when must I begin taking them?

If you have a Traditional IRA, you must begin withdrawing assets from your account no later than April 1 of the year following the year in which you reach age 70½. If you don't take a withdrawal – known as a required minimum distribution (RMD) – the amount you should have taken will incur a 50% penalty tax. If you decide to postpone your first RMD until April 1 following the year you reach age 70½, then you are required to take another RMD for that calendar year.

Generally, your RMD is determined by dividing the adjusted market value of your IRA by your life expectancy. If you have multiple IRAs, you can take your RMD from one or more accounts. Keep in mind that this rule also applies to any before-tax savings you have in a company-sponsored retirement plan.

Unlike a Traditional IRA, a Roth IRA never requires you to take a withdrawal from your account, which can be beneficial if you plan on leaving all or a portion of your Roth IRA savings to an heir. For more information, see *"How can a Roth IRA help me leave money to my heirs?"*

Can my IRA live on after I die?

Do I have to name a beneficiary for my IRA?

No, but to make sure your wishes are carried out, it's important to select a beneficiary for your IRA. If you don't have a beneficiary on file, your IRA may be handled in accordance with your will, which means your IRA (which should be a non-probate asset) will now be subject to probate and the associated legal complications. Leaving your IRA by default to your estate means that it will be subject to any creditors and will be paid out soon after your death (eliminating any future tax advantages).

By designating a beneficiary, you ensure that your IRA passes on according to your wishes. You can designate any individual, organization, trust, or entity as your beneficiary, and you can even name more than one beneficiary by selecting the percentage of the value of your IRA that you want each to receive. You can also name secondary (or contingent) beneficiaries in case your primary beneficiary dies before you do.

If you name someone other than your spouse, you may need written spousal consent depending on your state's regulations. You can name a minor; however, at the time of your death, a guardian must hold and manage the money until the beneficiary reaches a certain age.

If you have a Mercer Securities IRA, you can designate your beneficiary by calling 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative in order to request a form or you may use the online system. Simply log on to your account and click "Customer Service" on the top navigation bar. Then select "Download Forms" from the left-hand navigation menu.

Can I change my beneficiary or have more than one?

You can change your beneficiary as frequently as you'd like, but you must update your on-file beneficiary information with your IRA provider. You can have different beneficiaries for each IRA, and you can also name multiple beneficiaries for a single IRA. However, you must allocate the value of your account to your beneficiaries in whole percentages.

If you have a Mercer Securities IRA, you can update your beneficiary by calling 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative in order to request a form or you may use the online system. Simply log on to your account and click "Customer Service" on the top navigation bar. Then select "Download Forms" from the left-hand navigation menu.

What happens to my IRA when I die?

It depends on the type of IRA you have and how your beneficiaries handle your IRA. No matter what type of IRA you have, it's important to name a beneficiary, otherwise your IRA will go to probate and will most likely lose any future tax advantages. If you have a Roth IRA, refer to *"How can a Roth IRA help me leave money to my heirs?"* for additional information. If you have a Traditional IRA, read on.

A spousal beneficiary has three options for the IRA:

1) **Treat the inherited account as his or her own** – If the beneficiary puts the IRA in his or her own name, the IRS treats the beneficiary as if he or she had always owned the account. That means the beneficiary won't have to take taxable required minimum distributions (RMDs) from the account until age 70½. Also in this case, the beneficiary can use a longer joint life expectancy figure to calculate the RMD amount (which means potentially smaller payments and associated taxes).

2) **Leave account in the deceased's name** – By leaving the IRA as is, the beneficiary will need to begin taking RMDs by December 31 of the year in which the deceased would have turned 70½. Also, the RMDs will be determined on a shorter single life-expectancy figure (potentially higher payments and associated taxes).

3) **Follow five-year rule (only available if deceased is under age 70½)** – The beneficiary can simply hold the IRA or take withdrawals; however, the assets must be entirely distributed by December 31 of the fifth year after the IRA holder's death. This is typically not the best option because the IRA loses all of its tax-deferred benefits – as opposed to options 1 or 2, in which at least a portion of the IRA has the potential to stay tax deferred for a longer time.

Deciding how to handle a deceased spouse's IRA can be a difficult decision. If your loved one had a Mercer Securities IRA, please contact a Mercer Securities representative at 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday.

How can a Roth IRA help me leave money to my heirs?

Because there are no required minimum distributions (RMDs) required from a Roth IRA – as there are from a Traditional IRA when you reach age 70½ – your account can continue growing tax free even after it's passed on to your heirs. In fact, if you're retired and foresee leaving all or a portion of your Traditional IRA to your heirs, it may be advantageous to convert it to a Roth IRA. By doing so, you pay the income taxes so your heirs don't have to. To learn more about such conversions, see *"Can I convert a Traditional IRA to a Roth IRA?"*

If your spouse is the sole beneficiary of your Roth IRA, he or she is not required to take RMDs. However, if you leave your Roth IRA to another beneficiary, payout is required within five years of your death or in the form of RMDs over the single life expectancy of the beneficiary. To provide for the maximum years of tax-free income, it's best to withdraw the smallest allowable RMD each year.

For example, John has a $100,000 Roth IRA. He dies and leaves his Roth IRA to his wife. She has enough retirement income of her own and she is not bound by RMDs, so she leaves the IRA to her son when she passes away. Her son must begin taking RMDs but he's only 45, so he can keep his distributions small until he retires and needs a larger income stream.

As you can see, your Roth IRA can benefit heirs for years to come. For more information about opening a Roth IRA, call 1-866-727-7277 between 8:00 a.m. and 6:30 p.m. Eastern Time, Monday through Friday, to speak with a Mercer Securities representative.

If you have any additional questions or would like to open a Mercer Securities IRA, call 1-866-727-7277. Or, get started online:
Download an IRA application.
View the Mercer Securities commission and fee schedule.

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