IRAs

Investing in Your Future

Stifel Nicolaus

Retirement Plans

About Stifel Nicolaus

Stifel Nicolaus is a full-service Investment firm with a distinguished history of providing securities brokerage, investment banking, trading, investment advisory, and related financial services to individual investors, institutions, corporations, and municipalities. Established in 1890 and headquartered in St. Louis, Missouri, Stifel Nicolaus is one of the nation's leading firms.

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Investing in Your Future

You've made the commitment to plan and invest for a secure, comfortable retirement. And you've already taken the first step. How? Simply by making the decision to work toward tomorrow's goals by saving today.

Whether you're nearing retirement or simply planning ahead, you've probably asked yourself the same question that so many other individuals have asked themselves: "Am I saving enough to enjoy my retirement years?" For many individuals, unfortunately, the answer is, "No."

Why? Because we know that today few employers will completely fund an employee's retirement. And because of well-documented shortfalls in the social security system and longer life expectancies, we all are faced with increased retirement needs.

For those and other reasons, many of us are compelled to assume more and more responsibility when it comes to ensuring our own retirement goals. To encourage people to put aside money for tomorrow, the government offers tax benefits when you save for your retirement today.

For many investors, a retirement planning tool called an Individual Retirement Account (IRA) is an attractive savings vehicle that can help them reach their financial objectives.

This brochure will explain to you the advantages, choices, and eligibility requirements of today's IRAs and help you identify ways to utilize these vehicles in pursuing your retirement goals.

IRA Contribution Limits. Traditional and Roth contribution limits are $5,000 for 2011. Individuals 50 years of age or older can contribute an extra $1,000 due to a special "catch-up" provision. Also, the contribution limit for Education Savings Accounts (ESAs) is $2,000.

The maximum annual contribution limits for all IRAs are outlined below:

Traditional and Roth IRAs	
Year(s)	**Limit**
2011 and beyond	*$5,000*
Possible cost of living adjustments ***2012 and beyond***	*$500 increments*
Catch-up contribution for individuals age 50 or older ***2011 and beyond***	*$1,000*
Education Savings Accounts (ESAs)	
2005 and beyond	*$2,000*

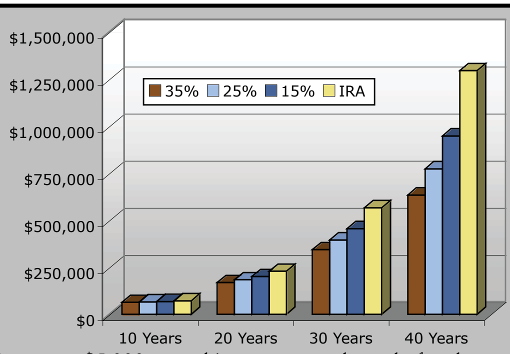
Note: The increase in limits under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) were due to expire in 2010. However, the Pension Protection Act of 2006 (PPA), which was signed into law in August 2006, makes the provisions under EGTRRA permanent. In addition, PPA also provides for inflation indexing of adjusted gross income (AGI) limits for determining Traditional IRA deductibility and Roth IRA eligibility.

The Advantages of IRAs

Never before have individuals had so many IRA savings choices and the opportunity to save as much in an IRA. But before we examine the varied benefits and eligibility requirements that distinguish the Traditional, Roth, and other IRAs, let's consider the overall, primary advantages of an Individual Retirement Account.

Tax-Deferred Growth/Compounding Interest. With an IRA, your money does more than accumulate — it compounds. What is compounding? Simply, compounding is interest earned on interest earned on interest. And that helps your money grow.

Perhaps the most important value of an IRA is that it allows investors to maximize the benefits of tax-deferred income — an important investment strategy in meeting tomorrow's goals. In an IRA, your earnings won't be taxed along the way, as they would in other taxable accounts. The chart below compares the advantages of tax-deferred growth in an IRA to after-tax growth in various tax brackets. Of course, income taxes will be due upon withdrawal of your IRA.



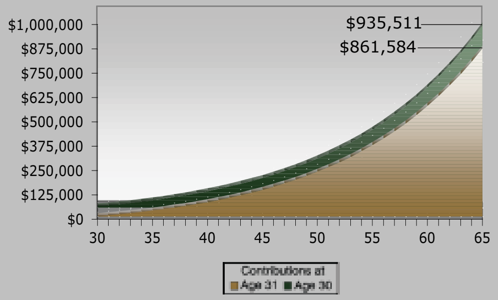
Assumes: $5,000 annual investment at the end of each year and 8% return per year.

Note: Withdrawals prior to age 59 ½ may be subject to a 10% penalty. This illustration is hypothetical only and is not intended to reflect actual investment performance.

Long-Term Growth. The earlier you begin contributing to an IRA the better. In fact, waiting a single year or skipping a single contribution can make a big difference, and the cost may be more than you think.

The following scenario will give you an idea of the difference just one year's contribution to an IRA can make.

If Greg began making a $5,000 annual contribution at the age of 30, and continued until he was 65, his account could grow to $935,511. However, if he didn't begin contributing to his IRA until he was 31 and continued until he was 65, his account may total only $861,584.



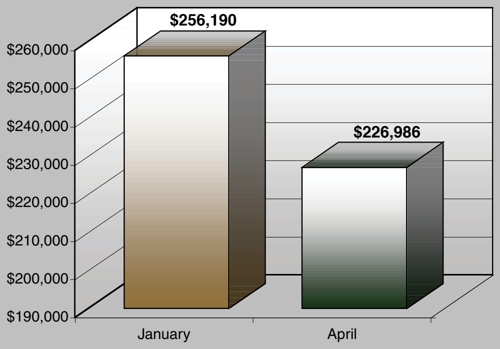
By waiting just a single year, the difference for Greg could be $73,927.

Assumes: 8% rate of return, compounded annually.

These illustrations are hypothetical only, and are not intended to reflect actual investment performance.

Waiting Can Be Costly. Also important, but often overlooked, are the benefits of making annual IRA contributions prior to the April 15 deadline. Instead of making your contribution at tax time, consider making it earlier in the tax year. By contributing earlier, your IRA can grow even faster. The following example will illustrate this point:

Over the course of 20 years, a $5,000 contribution invested in January of each tax year versus on April 15 of the following year can make a significant difference:



Assumes: 8% rate of return, compounded monthly.

As you can see, by waiting just 15 months the cost could be $29,204. By making IRA contributions earlier, the account's value can grow substantially.

The Traditional IRA

Eligibility. All individuals under age 70 ½ with earned income may contribute to a Traditional IRA. A nonworking spouse is also eligible to contribute to an IRA as long as the couple's contributions do not exceed their combined earned income.

Contributions. The maximum IRA contribution is the lesser of $5,000 or 100% of earned income for 2011. Married couples filing jointly can contribute up to the maximum for each spouse, even when one spouse is not working, as long as the contributions do not exceed their earned income. In addition, a $1,000 "catch-up" provision is available for those individuals age 50 or older. Contributions for a particular tax year may be made through April 15 of the following year.

Deductibility. IRA contributions are fully deductible unless the individual is an active participant in an employer-sponsored retirement plan. If covered by an employer-sponsored plan, the deductibility of an IRA contribution will depend on the adjusted gross income (AGI) of the IRA owner and, in the case of married couples, their spouse.

	Joint Returns (AGI)	Individual Returns (AGI)
2011	$90,000 - $110,000	$56,000 - $66,000

Active participants in an employer-sponsored plan can make fully deductible IRA contributions if their income is below the range, partial contributions if between the range, and non-deductible contributions if income exceeds these levels.

Active participant status is considered independent of a spouse. If one spouse is an active participant in an employer-sponsored retirement plan, the spouse who is not may make a fully deductible IRA contribution if the couple's AGI is less than $169,000 for 2011.

Distributions

- Income tax is due only when distributions are taken from the account.
- The IRS imposes a 10% penalty for distributions prior to age 59 ½.
- Distributions can be taken penalty-free under the following circumstances:
  – Attainment of age 59 ½ or older;
  – Incurring a disability;
  – Payment for certain health insurance or medical expenses;
  – Payment for the purchase of a first home ($10,000 lifetime maximum);
  – Taking equal, periodic payments based on life expectancy (for five years or until the age of 59 ½, whichever is longer);
  – Death (payment to beneficiaries);
  – Payment for higher education expenses;
  – For certain declared Presidential disaster area relief; or
  – For individuals called to active duty.

Retirement

- Distributions are required to begin at age 70 ½ and are based on life expectancy. The first one must be taken by April 1 following the year an IRA holder reaches age 70 ½. Subsequent distributions must be taken by December 31 each year.

Since Traditional IRA deductions are not available to everyone, many people simply cannot take advantage of the full benefit of the Traditional IRA. While an individual who does not qualify for an IRA deduction may make non-deductible contributions, the earnings on the IRA are still taxed upon distribution. As a result, a Roth IRA may be more appropriate for those who qualify.

The Roth IRA

The Roth IRA presents a unique investment opportunity because of its tax-free advantages. With the Roth IRA, contributions are not deductible, but distributions — including earnings — can be withdrawn tax-free under certain conditions.

Contributions. The maximum IRA contribution is the lesser of $5,000 or 100% of earned income for 2011. Married couples filing jointly can contribute up to the maximum for each spouse, even when one spouse is not working, as long as the contributions do not exceed their earned income. In addition, a $1,000 "catch-up" provision is available for those individuals age 50 or older. Unlike the Traditional IRA, Roth IRA holders may make contributions after age 70 ½, provided they have earned income. Contributions for a particular tax year may be made through April 15 of the following year.

Eligibility

Single taxpayers with 2011 AGI of:

- Less than $107,000 are eligible to contribute up to the maximum;
- Between $107,000 and $122,000 may make partial contributions; or
- Over $122,000 are not eligible to contribute to a Roth IRA.

Married taxpayers filing jointly with 2011 AGI of:

- Less than $169,000 are eligible to contribute up to the maximum;
- Between $169,000 and $179,000 may make partial contributions; or
- Over $179,000 are not eligible to contribute to a Roth IRA.

Distributions. Contributions (but not earnings) may be withdrawn at any time tax-free and penalty-free.

Qualified distributions

- Qualified distributions are not subject to taxation or penalty. A qualified distribution is one that is made after five years (beginning with the first day of the year in which the first contribution or conversion was made) and one of the following events occur:
  – Attainment of age 59 ½;
  – Full disability;
  – Payment for the purchase of a first home ($10,000 lifetime maximum); or
  – Death (payment to beneficiaries).
- Distributions are not required to begin at age 70 ½.

Nonqualified distributions

- Nonqualified distributions are subject to taxation and a 10% penalty to the extent that they exceed total contributions. The 10% penalty is waived in the case of:
  - Attainment of age 59 ½;
  - Full disability;
  - Payment for certain health insurance and medical expenses;
  - Payment for the purchase of a first home ($10,000 lifetime maximum);
  - Taking equal, periodic payments based on life expectancy (for five years or until the age of 59 ½, whichever is longer);
  - Death (payment to beneficiaries);
  - Payment for higher education expenses;
  - For certain declared Presidential disasaster area relief; or
  - For individuals called to active duty.
- Distributions are not required to begin at age 70 ½.

Retirement

Which IRA Is Best For You?

Your IRA choice should be based on your eligibility, your particular tax situation, and when you plan to begin withdrawals from your IRA.

You may want to consider a Traditional IRA if:

- Both you and your spouse are eligible to make a deductible contribution.
- A tax deduction now is more important to you than a tax-free distribution in retirement.
- You anticipate taking distributions from your IRA during retirement.
- You do not intend to withdraw money from your IRA until you reach age 59 ½.
- You are not eligible to contribute to a Roth IRA due to your income level.

You may want to consider a Roth IRA if:

- Both you and your spouse are eligible to contribute to a Roth IRA.
- You are not eligible to make tax-deductible contributions to a Traditional IRA.
- Tax-free distributions in retirement are more important to you than a tax deduction now.
- You would like to continue making contributions and not be required to take withdrawals after age 70 ½.
- You would like to have the option to withdraw contributions prior to age 59 ½ without being subject to taxes.

You should consult with your tax advisor for advice and complete information concerning your particular situation when determining IRA eligibility and reviewing IRA options.

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In partnership with your tax advisor, Stifel Nicolaus can help you determine whether to make contributions to a Traditional IRA, a Roth IRA, or partial contributions to both.

The Conversion Roth IRA

In addition to contributions, it is also possible for investors to convert a Traditional IRA or other retirement plan, such as a 401(k), to a Roth IRA. Eligibility to convert is no longer based on income; however, retirement plan participants must meet the plan's distribution eligibility. Income taxes must be paid on all pre-tax dollars being converted in the year of the conversion. Converting to a Roth IRA would allow investors to take advantage of the tax-free benefits of the Roth IRA, including tax-free distributions of converted amounts prior to the age of 59 ½.

A conversion may be accomplished by either a transfer or a rollover. Under a provision in the

Pension Protection Act of 2006, rollovers from qualified retirement plans directly to Roth IRAs are now permitted. Previously, a rollover from a qualified retirement plan had to first be made to a Traditional IRA and then be converted to a Roth IRA.

Transfers. Your custodian may move money automatically (without you taking possession of it) from your IRA or retirement plan to a new Roth IRA. Transfers can be done an unlimited number of times per year.

Rollovers. You may withdraw your money from one IRA (taking possession of it) and deposit it into another IRA. The deposit into a Roth IRA must occur within 60 days from the date of withdrawal to be eligible for a conversion. Normally, only one rollover per account may occur in a 12-month period. This rule is waived in instances of conversion.

Taxation. Taxes must be paid on all pre-tax dollars distributed from the Traditional IRA or qualified plan and deposited to the Roth IRA. The 10% premature penalty tax that normally applies to distributions before the age of 59 ½ does not apply to converted amounts. However, distributions of converted amounts from the Roth IRA before five tax years may be subject to the 10% penalty.

Again, you should consult your tax advisor when determining if a Roth IRA conversion is right for you.

The Education Savings Account

The Coverdell Education Savings Account, commonly referred to as an Education Savings Account, or ESA, allows investors to make annual, nondeductible contributions to IRAs established for the benefit of minor children in order to finance education expenses.

Eligibility.
Single taxpayers with AGI:
- Of less than $95,000 may contribute up to $2,000 per child (the beneficiary).
- Between $95,000 and $110,000 may make partial contributions.
- Over $110,000 are not eligible to contribute to an ESA.

Married couples filing jointly with AGI:
- Of less than $190,000 may contribute up to $2,000 per child (the beneficiary).
- Between $190,000 and $220,000 may make partial contributions.
- Over $220,000 are not eligible to contribute to an ESA.

Contributions. The maximum contribution limit is $2,000 per beneficiary per year, regardless of the number of donors. No contributions are allowed after the beneficiary attains age 18. Contributions to an ESA do not affect the eligibility of the donor to contribute to an IRA for their own benefit. And, a donor need not be related to the beneficiary to be eligible to contribute. The deadline for ESA contributions is April 15 of the following year.

Distributions. Contributions as well as earnings may be withdrawn tax-free as long as the proceeds are used for qualified education expenses. These include: tuition, fees, special needs services, academic tutoring, supplies, books, equipment, room and board (must be at least half-time student), uniforms, transportation, educational computer technology, and Internet access. Distributions for any other purpose are taxable in the year of distribution and may be subject to the 10% penalty normally charged for distributions occurring before age 59 ½. In addition to college expenses, an ESA may also be used to fund qualified expenses incurred for any elementary or secondary school (kindergarten through grade 12), as determined under state law, including public, private, or religious schools.

If the ESA is not used toward education expenses, the money must be withdrawn before the beneficiary turns 30. All earnings in excess of the base contributions will be taxed as ordinary income, and the 10% penalty may apply.

Rollovers. An ESA for one child in a family may be rolled over to an ESA for another qualified family member under the age of 30.

Hope and Lifetime Coordination.
Taxpayers are allowed to claim Hope or Lifetime Learning Credits for the same year an ESA distribution occurs, provided they do not cover the same education expenses.

Sunset Provision. ESAs are expected to change dramatically, as provisions are scheduled to revert to prior laws after 2012.

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Retirement

Flexibility of Investment Choices

A Stifel Self-Directed IRA provides you the versatility and freedom to choose the investment vehicles that meet your financial needs. Your goals and the number of years until you start taking distributions will determine whether you choose CDs, mutual funds, bonds, money market instruments, stocks, or annuities in your IRA. Your Stifel Nicolaus Financial Advisor can help you find the right IRA and the right investments to help you plan for your retirement goals.

Stifel Nicolaus Can Help You. As you can see, Individual Retirement Accounts offer many benefits. IRA options are numerous, and choosing the right one requires careful consideration. Stifel Nicolaus offers experience, personal service, and professional ability to help you best identify the right IRA vehicle for your retirement planning.

Stifel Services

- Annuities
  - Variable, Immediate, and Fixed
- Asset Allocation
- Cash Management (Stifel Prestige® Accounts)
  - Check Writing
  - Debit MasterCard®
  - Bill Payment Services
  - Stifel @ccess (Online account access)
- College Planning
  - 529 College Savings Plans
  - Education Savings Accounts
- Common Stocks
- Consulting Services (Fee-Based Programs)
- Corporate Executive Services
  - Cashless Stock Option Exercise
  - Control and Restricted Stock Transactions
- Corporate Finance
- Equity Line of Credit
- Exchange Traded Funds and Notes
- Financial Planning
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  - Collateralized Mortgage Obligations (CMOs)
  - Corporate Bonds
  - Government and Agency Securities
  - Municipal Bonds
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  - Business Owner Needs
  - Disability Insurance (Individual and Group)
  - Life Insurance (Individual and Business Policies)
  - Long-Term Care Insurance
- IRAs
  - Traditional, Roth, and Rollovers
- Managed Money
- Money Market Funds
- Mutual Funds
- Options
- Preferred Stocks
- Public Finance
- Research
- Retirement Planning
- Retirement Plans
  - 401(k) Plans
  - 403(b) Plans
  - Profit Sharing Plans
  - Money Purchase Plans
  - SEP IRAs
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- Syndicate Offerings
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