

Individual Retirement Accounts





Planning for retirement is one of the most important steps you can take to secure your financial future. FNB can help you establish the appropriate Traditional or Roth IRA and enjoy a comfortable retirement.

Why do I need an IRA?

Whether you've just started thinking about saving for retirement or you're enrolled in another retirement program through your employer and want to do more, there are lots of reasons to establish an FNB IRA:

- The sooner you start saving the more you earn
- Diversifying investments allows you to take advantage of tax savings now and in the future
- You can never have too much retirement income

Important! Tax rules can often be complicated. This brochure is meant solely as an overview. Before making any decision, you should speak with a qualified tax advisor.

How much can I contribute?

Age	2009 & 2010 Contribution Limits
Under 50	\$5,000
50 and Better	\$6,000

Contributions are limited to a specific dollar amount each tax year, based on whether you are under age 50, or age 50 and better. Future limits are subject to cost-of-living adjustments. Contributions may not exceed 100% of your compensation (what you earn in wages, salaries, tips, professional fees, bonuses, etc.). If either you or your spouse has little or no compensation, the spousal rules allow each of you to contribute the full amount to your individual IRAs.

When can I make contributions?

Contributions for a year may be made until the tax-filing deadline (usually April 15th) for that year, not including extensions.

Which IRA is right for me?		
	Traditional IRA	Roth IRA
Maximum Age to Make Contributions	70-1/2	No maximum age limit
Age to Start Taking Distributions Without Penalty	59-1/2	59-1/2
Maximum Income Limits	None	\$120,000 for single taxpayers; \$176,000 (\$177,000 for 2010) if you are married filing jointly
Tax Advantages	Tax deductible contributions now and tax-deferred earnings when you retire	Tax-free distribution of contributions and earnings when you retire

TRADITIONAL IRA

Build wealth for retirement while enjoying tax advantages today!

Traditional IRAs offer the best of both worlds, worry-free saving for retirement with tax-deferred earnings, plus, tax-deductible contributions to lighten your tax burden from now until retirement. A Traditional IRA allows you to sit back and relax, knowing your retirement earnings are 100% free from federal income tax until you take distributions. What's more, the money in your Traditional IRA is always accessible; you can withdraw funds at any time.

The advantage of a Traditional IRA is that if you wait until you retire to withdraw the money from your account, you could be in a lower tax bracket, meaning you could pay less tax. Plus, a Traditional IRA gives you the flexibility to easily move funds if your investment goals change.

What is a Traditional IRA?

A Traditional IRA is a special tax-favored savings account. It allows for tax-deductible contributions for most people. Earnings are not taxed until you withdraw from your IRA.

Who can contribute to a Traditional IRA?

If you are under age 70-1/2 and have earned income, you may contribute to a Traditional IRA, even if you are already enrolled in another retirement plan, such as one sponsored where you work. No minimum income level is required to contribute to an IRA. If you are married, both you and your spouse may each have your own IRA; however, you may not have a joint IRA.

Are my Traditional IRA contributions tax-deductible?

Yes, your contributions are fully deductible if you (or you and your spouse) do not actively participate during the year in a retirement plan where you work. However, if you (or your spouse) participate in a

retirement plan at work, you may be eligible for full or partial deduction based on your tax-filing status, and whether or not your income falls within certain allowable ranges. If your income exceeds the established limits, no deduction will be allowed.

When can I withdraw money from my Traditional IRA?

You may withdraw from your Traditional IRA at any time. The taxable portion of the withdrawal will be taxed as ordinary income. Be advised, though, that distributions taken before you reach age 59-1/2 may be subject to the IRS 10% early withdrawal penalty.

Is there any way I can take money out early without incurring the IRS penalty?

In certain situations, you can take money out prior to age 59-1/2 without the IRS penalty. These include distributions that are:

- Paid while you are disabled
- Used for a qualifying first-home purchase (\$10,000 lifetime maximum)
- Used for certain higher education costs
- Paid-out over your projected life expectancy (substantially equal periodic payments)
- Converted to a Roth IRA

Note: Many of these exceptions to the IRS 10% penalty contain limitations. If you think any apply to you, it is best that you determine your eligibility before you withdraw money from your Traditional IRA prior to age 59-1/2. Once you reach age 59-1/2 and withdraw money, the taxable portion of any distribution you take is taxed as ordinary income; however, the IRS 10% early withdrawal penalty no longer applies.

ROTH IRA

Tax-free withdrawals make for a greener path to retirement!

Roth IRAs can make your retirement a whole lot greener, because the money you put into your Roth IRA today comes back to you tax-free at retirement - along with the tax-free interest your money earns while it's in there.

Provided you follow certain guidelines, every dollar you invest in a Roth IRA grows tax-free and is distributed to you tax-free when you cash out at retirement. Uncle Sam doesn't get a dime. And if you need it, the money in your Roth IRA is always accessible; you can withdraw funds at any time. A Roth IRA is an integral part of any financial plan. Unlike a Traditional IRA, you don't have to start taking distributions at age 70-1/2, which means you can pass it on to your heirs.

What is a Roth IRA?

A Roth IRA is one of the most exciting personal savings options available today. While contributions to your Roth IRA are not tax deductible the best part about owning a Roth IRA is what happens when you withdraw from the account: neither your contributions nor the investment gains/earnings are subject to federal income tax. As long as certain conditions are met, everything in a Roth IRA is paid out tax-free and penalty-free.

Who can contribute to a Roth IRA?

As long as you have income from working and do not exceed the income limit, you may contribute to a Roth IRA. There is no maximum age limit for contributing. If married, you and your spouse may each set up your own Roth IRA. If one spouse has little or no compensation, the spousal rules allow each of you to contribute to your Roth IRAs.

A maximum income limit applies to Roth eligibility. If you are a single taxpayer and your total income exceeds \$120,000 for 2009 or 2010 or you are married, filing jointly, and your total income exceeds \$176,000 for 2009 (\$177,000 for 2010), you may not contribute to a Roth IRA. There is no maximum age limit. If you are working, contributions can be made for the year you turn age 70-1/2 or for any later year.

Can I convert other retirement funds to a Roth IRA?

Yes. While you will pay the taxes on the funds you convert, think of it as an upgrade: paying tax on the proceeds of your Traditional IRA or workplace retirement plan now so you can reap the rewards of tax-free earnings later. And, there is no IRS 10% penalty on a conversion. In addition, funds that are converted in 2010 are not taxable for 2010. Instead, half the taxable amount will be taxable for 2011 and the other half will be taxable for 2012.

When can I withdraw funds from my Roth IRA?

You may remove contributions from your Roth IRA at any time without penalty. You are also never required to take anything from your Roth IRA until you are ready, not even when you are age 70-1/2. Your account can continue to grow until you need it, or if you don't need it, you can pass it on to your heirs.

For tax purposes, funds from your Roth IRA are paid out in the following order:

- 1) Regular Contributions come out first, penalty free and tax-free.
- 2) Converted Funds come out next, tax-free. They are also withdrawn penalty-free, provided they are withdrawn after a required five-tax-year period or if an exception applies (reaching age 59-1/2, becoming disabled, using money for higher education expenses, etc.).
- 3) Earnings come out last. They are penalty-free and tax-free if withdrawn after the required five-year-tax period AND one of these four situations applies: you are over age 59-1/2, disabled, withdrawing for a first-time home purchase, or you have died. There are other exceptions that allow you to withdraw earnings without penalty but the tax will still be due.