WELLS FARGO Advisors

Retirement saving with IRAs

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Retirement as we've known it is changing. You will probably be more active, live and work longer, and you may need to rely more on what you've saved for income than prior generations. If you have a qualified employer sponsored retirement plan (QRP), such as a 401(k), 403(b), or governmental 457(b), at work and regularly contribute, that might not be enough to accumulate the savings you need. Fortunately, you can contribute to both your QRP and an IRA.

A Wells Fargo Advisors IRA can help you:

- Supplement your current savings in your QRP.
- Create a retirement savings account if you don't have one with your employer.
- Access a wide range of investment choices.
- Take advantage of tax-deferred or tax-free growth potential.

While the information in this brochure offers education to get you started, your Wells Fargo Advisors financial advisor can meet with you one-on-one to provide personalized guidance. We start by taking the time to understand who you are, what you care about, and what a realistic retirement strategy looks like for you.

Your Individual Retirement Account (IRA)

Why invest in an IRA?

IRAs allow you to save for retirement and take advantage of tax benefits. Depending on which IRA you choose, your tax benefits could include:

- Tax-deferred accumulation
- Contribution deduction
- Tax-free distributions

Flexible saving

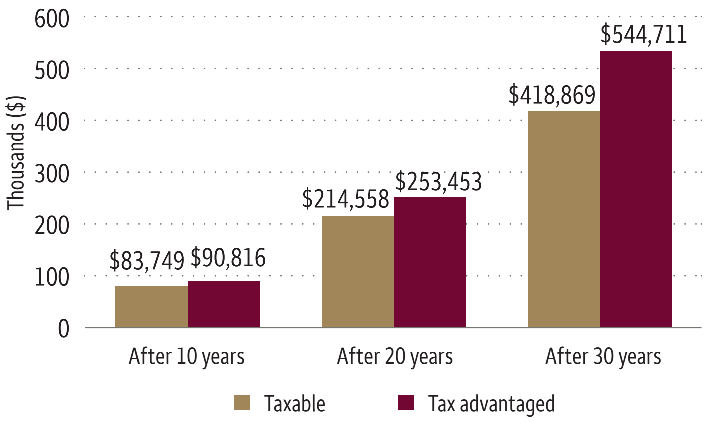
IRAs offer investors great flexibility when saving for retirement because they can hold a wide range of investments, including stocks, bonds, mutual funds, etc. This flexibility allows you to diversify your assets and invest based on your risk tolerance and time frame.

You or your spouse, if filing jointly, must have earned income to make an IRA contribution, up to a maximum amount set annually by the Internal Revenue Service (IRS). In addition, if you are age 50 or older, within a particular tax year, you may qualify for "catch-up" contributions, which allow you to invest more in your IRA and increase your savings as you approach retirement.

Tax advantages increase earning potential

IRAs offer the potential for growth in a tax-advantaged account. Over time, that can make a significant difference in your retirement savings.

Hypothetical value of $6,500 annual contributions over 30 years



This hypothetical example assumes an annual fixed rate of return of 6% and a 24% cumulative tax rate with $6,500 annual contributions and taxes in the taxable account paid annually. This example does not consider the advantage of deductible contributions. The growth of the tax-deferred account is before-tax and distributions from the account will be taxed at an ordinary income tax rate at the time of withdrawal (depending upon your age at withdrawal, the 10% additional tax for early or pre-59 ½ distributions [10% tax] may also apply). It does not represent the returns of any particular investment and should not be used to predict or project performance. There is no guarantee you will earn 6% on investments and your account value may fluctuate over time. It assumes all earnings are reinvested and does not include transaction costs, fees, or expenses associated with the account or any individual investment made in the account. If potential costs, fees, and expenses of the account and hypothetical investment had been reflected, the ending value of the tax-deferred investment would be lower.

Understanding your IRA choices

There are two main types of IRAs — Traditional and Roth. Both types of IRAs offer investment flexibility, tax advantages, and the same contribution limits.

Traditional IRA — offers tax-deferred growth potential. You pay no taxes on any investment earnings until you withdraw or "distribute" the money from your account, presumably in retirement.[1] Additionally, depending on your income, your contribution may be tax deductible. You can contribute even if you don't qualify for the deduction. Traditional IRA contributions can be made at any age as long as you have earned income.

Roth IRA — offers tax-free growth potential. Investment earnings are distributed tax-free in retirement, if the account was funded for more than five years **and** you are at least age 59½, or as a result of your disability, or using the first time homebuyer exception or taken by your beneficiaries due to your death.[1] Since contributions to a Roth IRA are not deductible, there is no tax deduction regardless of income. If your income exceeds the modified adjusted gross income (MAGI) limit, you are not eligible to contribute to a Roth IRA.

Thinking about your options

When deciding which IRA might be appropriate for your situation, be sure to consider such factors as:

- Your current and future tax rates, as well as your current income
- When you will need these funds and for what purpose
- Potentially tax-free income in retirement or a tax deduction now
- Whether you'd like the flexibility of not taking required minimum distributions (RMDs) beginning at age 73
- Your access to other forms of retirement income

	Traditional IRA	Roth IRA
Tax benefits	• Tax-deferred earnings • Contributions may be tax deductible subject to MAGI limits. For details, visit **irs.gov**	• Tax-advantaged earnings • Tax-free qualified distributions
Eligibility	• You can contribute as long as you have earned income • Your non-working spouse can contribute if you file a joint tax return	• You can contribute at any age as long as you have earned income • Your non-working spouse at any age is eligible, if you file a joint tax return • Contributions are phased out based upon MAGI. For details visit **irs.gov**
Deduction of contributions	• Ability to deduct contributions is based on MAGI and whether you — or your spouse — are covered[2] by a workplace retirement plan (WRP). For details, visit **irs.gov**	• Contributions are not deductible
Catch-up contributions	• Individuals age 50 or older (by the end of the calendar year for which their contribution is being made) can contribute an additional $1,000 annually , indexed for inflation beginning in 2024	• Individuals age 50 or older (by the end of the calendar year for which their contribution is being made) can contribute an additional $1,000 annually, indexed for inflation beginning in 2024
Taxes on distributions	• Deductible contributions and any earnings are subject to ordinary income tax when distributed • A distribution may be subject to the 10% additional tax unless an exception applies[3]	• Contributions are always distributed tax-free • Qualified distributions, which are tax-free and not included in gross income, are when your account has been open for more than five years **and** you are at least age 59½, or as a result of your disability, or using the first time homebuyer exception or taken by your beneficiaries due to your death • A non-qualified distribution may be subject to tax and a 10% additional tax, unless an exception applies[3]
RMDs	• RMDs begin by April 1 following the year you reach age 73 and annually thereafter	• Not subject to RMDs during the lifetime of the owner

Roth conversions

Because qualified distributions from Roth IRAs are tax-free and not included in gross income, you may want to consider converting some or all of your Traditional IRA and/or QRP assets to a Roth IRA. At the time of conversion, you will pay the appropriate taxes due, but the benefits of tax-free income in retirement may justify the conversion. Earnings taken before the account has been open for longer than five years and you are at least age 59½, or you are disabled, or you are using the first-time homebuyer exception, are subject to tax and the 10% additional tax, unless another exception applies.

A Roth conversion may be a good strategy for any non-designated Roth account after-tax contributions in your QRP. It is often appropriate for high-net-worth investors because a Roth conversion transfers assets to a potentially tax-free account your heirs can inherit. The beneficiary category of your named IRA beneficiaries will determine their options for distributing the money. Converting to a Roth IRA may also result in tax savings at the time of your death.

If you are thinking about a Roth conversion, we suggest you speak with your tax advisor as well as your financial advisor with Wells Fargo Advisors. They will be able to review your specific situation and discuss a Roth conversion in more detail.

Features

- Potential tax savings. If you are expecting to be in a higher tax bracket in the future, paying tax now at a lower rate may be wise.
- No RMDs during your lifetime. RMDs from Traditional IRAs begin by April 1 following the year you reach age 73 and annually thereafter.
- Generally tax-free distributions for beneficiaries, a feature which supports important estate planning options.
- Tax diversification potential. Tax-free distributions allow for more flexibility to manage taxable income in retirement.

Keep in mind

Roth conversions are not for everyone. Consider the following before making a decision to convert:

- What is your tax situation and ability to pay for the conversion? Because, once you convert, you can no longer recharacterize, or undo the conversion.
- Will a conversion push you into a higher tax bracket for the year?
- Do you expect to be in a lower tax bracket in retirement?
- Are you planning to retire in a state without income tax but currently live in a state with income tax? If so, converting now may cost you more.
- Do you need the converted Roth funds within the next five years?
- Do you have funds outside of the IRA to pay the taxes on the conversion?

Roth conversion factors to consider

There are numerous factors that are critical in your decision-making. Three of the most important factors to consider are: your expected tax bracket in retirement, availability of funds outside of a retirement account to pay income taxes, and the accumulation period.

Retirement asset consolidation

Most investors have accumulated a number of retirement accounts over the years. These may include Traditional and Roth IRAs, as well as QRPs. To simplify your finances, consider consolidating your financial assets with one provider.

Reasons to consider consolidating

Combining retirement assets into an IRA at Wells Fargo Advisors can offer you the following:

- Ease in managing your investment strategy — Maintaining multiple investment accounts is not the same as diversification. Your financial advisor can help ensure that your asset allocation meets your goals and risk tolerance. Through regular financial checkups, you can adjust your investment selections according to varying economic and market conditions or to changes in your personal situation.
- One monthly statement — This can make it easier to monitor your account(s) and lessen the chore of handling paperwork.
- Potentially fewer fees — You may be able to eliminate multiple account fees.
- RMD simplification — For investors who are age 73 and older, annual RMDs must be taken from your Traditional, SEP, and/or SIMPLE IRAs, as well as from any QRPs, including designated Roth accounts left with former employers. Roth IRA owners do not have to take RMDs. Failure to take your RMD on time or in the right amount may subject you to an IRS 25% excise tax. This tax can be reduced to 10% if corrected within two years from the date the tax is imposed.
- Effective beneficiary planning — Having your assets at one provider can make it easier to update your beneficiaries and keep them in line with your estate planning objectives.
- Account Management — The optional Brokerage Cash Services features of your Wells Fargo Advisors IRA combines investing with easy access to online and mobile cash management to help you better manage your financial life.

- Planning Tools — Our planning process can help provide clarity in an uncertain world. Our process is designed to help you identify and prioritize your goals. This unique process creates an effective, easily followed roadmap with personalized milestones to help you discover whether you have the financial resources to live your life the way you want.

When considering rolling over assets from an employer plan to an IRA, keep in mind that rolling over assets to an IRA is just one of multiple options, including leaving assets in your former employer's plan (if the plan allows), moving assets into a new employer's plan (again, if the plan allows), and, finally, cashing-out or taking a lump-sum distribution. Factors that should be considered and compared between the employer plan and the IRA include fees and expenses, services offered, investment options, when withdrawals not subject to the additional tax are available, treatment of employer stock, when required minimum distributions begin, protection of assets from creditors and bankruptcy. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with employer-sponsored retirement plans. Your Wells Fargo Advisors financial advisor can help educate you regarding your choices so you can decide which one makes the most sense for your specific situation. You should consult with the plan administrator and a professional tax advisor before making any decisions regarding your retirement assets.

Our approach to retirement planning

Wells Fargo Advisors has a valuable application to help you plan for your retirement and your life. Our planning process uses goal-based guidance to provide you with an effective, easy-to-understand process for helping you achieve your most important life goals.

The process begins when you sit down with your financial advisor from Wells Fargo Advisors to discuss important goals, such as:

- The age you want to retire
- The annual income you want at retirement
- Dreams and major purchases
- Your estate and legacy

Next, you'll prioritize which goals are most important to you and your family. Your financial advisor will then evaluate your financial situation and discuss investment recommendations.

1. Traditional IRA distributions are taxed as ordinary income. Qualified Roth IRA distributions are not subject to state and local taxation in most states. Qualified Roth IRA distributions are also federally tax-free, provided a Roth account has been open for more than five years and the owner has reached age 59½ or meets other requirements. Both may be subject to a 10% additional tax if distributions are taken prior to age 59½.

2. The "Retirement Plan" box in Box 13 of your W-2 tax form should be checked if you were covered by a WRP.

3. Exceptions to the 10% additional tax include age 59½, death, disability, eligible medical expenses, certain unemployed individuals' health insurance premiums, qualified first-time homebuyer ($10,000 lifetime maximum), qualified higher education expenses, Substantially Equal Periodic Payments (SEPP), Roth conversions, qualified reservist distribution, certain qualified disaster distributions defined by the IRS, birth or adoption expenses (up to $5,000) or IRS levy. Visit **www.irs.gov** for a complete list.

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