Invesco Aim

Individual Retirement Plans

Investor guide to traditional and Roth IRAs

Individual Retirement Plans

An individual retirement plan may be a beneficial addition to your overall retirement strategy.

How confident are you that you'll have a comfortable retirement? A recent survey reveals that 79% of workers feel at least somewhat confident that they'll have enough money to pay for basic expenses during retirement. However, 28% of respondents have yet to begin saving any money for retirement.[1]

Are you one of the procrastinators? Beginning today you should consider taking advantage of every asset building opportunity available — such as a traditional or Roth IRA — to help fund your future.

Maybe you have an IRA but want to change it from a traditional to a Roth — or back again. Or you're looking for a portable retirement plan that moves when you do. Or maybe you've received a distribution from an employer-sponsored plan and aren't sure what to do with it.

Whatever your reason, you've come to the right place for information. This guide describes the main features of traditional and Roth IRAs, tells you how to convert from one to the other and explains how you can take your savings with you when you change jobs.

Unless specifically stated otherwise, any tax information presented in this guide is based on federal income tax laws. State income tax laws may differ.

Of course, you should discuss your situation with your financial and tax advisors — this guide is not intended as tax advice.

1 Source: Employee Benefit Research Institute and Matthew Greenwald & Associates, Inc. Retirement Confidence Survey 2008

Traditional IRA

A traditional IRA provides tax-deferred growth for people who have earned income and are younger than 70½.

What is a traditional IRA?

A traditional IRA is an individual retirement plan that permits tax-deferred savings for workers under 70½.

Who can contribute?

Anyone under 70½ with earned income, including the self-employed. For married couples filing jointly, a nonworking spouse may also contribute.

What are the contribution limits?

For 2008 and 2009, you can contribute the lesser of 100% of your earned income or $5,000 ($6,000 if you're 50 or older). Combined contributions to traditional and Roth IRAs cannot exceed the maximum contribution allowed for the tax year.

Are contributions tax deductible?

They may be – check the charts on page 3 to see if your participation in an employer's retirement plan and your modified adjusted gross income (AGI) allow a full or partial tax deduction.

When is the contribution deadline?

Contributions must be made by April 15 to be considered a prior calendar-year contribution.

Conditions for a penalty-free withdrawal

You may request a distribution from your traditional IRA without incurring a 10% premature withdrawal penalty when you have met one of the following conditions:

- You're 59½ or older.
- You're permanently disabled.
- You're the beneficiary of an IRA whose owner has died.
- You're taking your distribution as a series of substantially equal periodic payments over your life expectancy. Ask your financial advisor for more details.
- You're following a court order to transfer IRA assets to an IRA for a former spouse as part of a divorce proceeding.

- You've incurred qualifying medical expenses in excess of 7.5% of your adjusted gross income.
- You're paying medical insurance premiums during a prolonged period of unemployment (at least 12 weeks).
- You're a first-time home buyer (subject to a $10,000 lifetime limit).
- You or a family member has qualified higher education expenses.
- You're paying an IRS tax levy.

Will Your Contribution to a Traditional IRA Be Deductible?
The charts below show the deductibility limits for traditional IRA contributions for tax years 2008 and 2009.[1]

2008 Filing Status	Modified AGI for 2008	Younger than 50 Maximum Deductible Contribution for 2008	50 or Older Maximum Deductible Contribution for 2008
Single	$52,999 or less	$5,000	$6,000
	$53,000-$62,999	$200-$5,000	$200-$6,000
	$63,000+	None	None
Married (Filing Jointly)	$84,999 or less	$5,000 per person	$6,000 per person
	$85,000-$104,999	$200-$5,000	$200-$6,000
	$105,000+	None	None

2009 Filing Status	Modified AGI for 2009	Younger than 50 Maximum Deductible Contribution for 2009	50 or Older Maximum Deductible Contribution for 2009
Single	$54,999 or less	$5,000	$6,000
	$55,000-$64,999	$200-$5,000	$200-$6,000
	$65,000+	None	None
Married (Filing Jointly)	$88,999 or less	$5,000 per person	$6,000 per person
	$89,000-$108,999	$200-$5,000	$200-$6,000
	$109,000+	None	None

1 Individuals filing a single return and not active participants in a qualified plan may deduct the full contribution amount. For married couples filing jointly, if neither person is an active participant in a qualified plan, the full contribution amount is deductible. For married couples filing jointly where one person isn't an active participant in a qualified plan but whose spouse is, the maximum deductible contribution is phased out for combined modified AGI between $159,000 and $169,000 for 2008 and between $166,000 and $176,000 for 2009.

Roth IRA

A Roth IRA provides after-tax contributions, tax-deferred savings and tax-free qualified distributions.

What is a Roth IRA?

An individual retirement plan that permits after-tax contributions and tax-deferred savings for qualified investors – and tax-free qualified distributions.

Who can contribute?

Anyone with earned income that does not exceed certain modified AGI limits can contribute – unlike a traditional IRA, which requires that you stop contributing at 70½.

What are the contribution limits?

For tax years 2008 and 2009, you can contribute the lesser of 100% of your earned income or $5,000 ($6,000 if you're 50 or older). Combined contributions to traditional and Roth IRAs cannot exceed the maximum contribution allowed for the tax year.

Are contributions tax deductible?

No – contributions are made on an after-tax basis only. However, qualified distributions are tax free.

When is the contribution deadline?

Contributions to a Roth IRA must be made by April 15 to be considered a prior calendar-year contribution.

Distribution guidelines

The major benefit of a Roth IRA is that you can withdraw the dollar amount of your Roth account contributions at any time without federal taxes or penalties.

Furthermore, after you have maintained a Roth IRA for five years, you can withdraw your investment earnings without paying a 10% premature withdrawal penalty or federal tax when you have met one of the following conditions:

- You're 59½ or older.
- You're permanently disabled.
- You're the beneficiary of an IRA whose owner has died.
- You're a first-time home buyer (up to $10,000).

In addition to these penalty- and tax-free withdrawal conditions, a Roth IRA also shares many conditions with traditional IRAs under which withdrawals would be considered only penalty free.[1] A list of these appears on pages 2 and 3.

With a Roth IRA, you're not required to start receiving distributions once you reach a certain age. In most cases, you can pass the assets in your Roth IRA to your heirs, allowing them to benefit from savings free of federal income taxes. Your heirs, however, will be required to follow IRS guidelines for required distributions. Contact your tax advisor for more information.

How Much Can I Contribute to a Roth IRA?
The charts below show the contribution limits for Roth IRAs for tax years 2008 and 2009.

2008 Filing Status	Modified AGI for 2008	Younger than 50 Maximum Deductible Contribution for 2008	50 or Older Maximum Deductible Contribution for 2008
Single	$100,999 or less	$5,000	$6,000
	$101,000-$115,999	$200-$5,000	$200-$6,000
	$116,000+	None	None
Married (Filing Jointly)	$158,999 or less	$5,000 per person	$6,000 per person
	$159,000-$168,999	$200-$5,000	$200-$6,000
	$169,000+	None	None

2009 Filing Status	Modified AGI for 2009	Younger than 50 Maximum Deductible Contribution for 2009	50 or Older Maximum Deductible Contribution for 2009
Single	$104,999 or less	$5,000	$6,000
	$105,000-$119,999	$200-$5,000	$200-$6,000
	$120,000+	None	None
Married (Filing Jointly)	$165,999 or less	$5,000 per person	$6,000 per person
	$166,000-$175,999	$200-$5,000	$200-$6,000
	$176,000+	None	None

1 The portion of these distributions attributable to earnings would be subject to ordinary income tax.

Roth IRA Conversion

Points to Consider

Do you have money outside your IRA to pay taxes due upon conversion to a Roth IRA?
Withdrawing money from your IRA to pay taxes may trigger income taxes and a 10% premature withdrawal penalty if you're younger than 59½.

Do you have other sources of retirement income so that you won't want to take minimum distributions from your IRA at 70½?
Minimum distributions are not required at any age in the Roth IRA.

Do you expect to be in the same tax bracket — or a higher one — when you retire?
Taxes due on contributions to a Roth IRA today may be less than those due on withdrawals from a traditional IRA in the future.

Why you might consider converting

Converting from a traditional IRA offers you the opportunity to take advantage of the federal-income-tax-free growth available in the Roth IRA. Ask your financial advisor and tax advisor if a Roth IRA conversion is appropriate for your financial situation. You can also refer to our online Roth IRA conversion calculator on invescoaim.com. Find it by clicking on Products & Performance > Retirement > Toolbox.

Who is eligible?

If your annual modified AGI is no more than $100,000, you can convert your traditional IRA to a Roth IRA, provided that you're single or married and filing jointly. Married couples filing separate tax returns can't convert to a Roth IRA. In 2010 the income limit for a Roth IRA conversion will be lifted.

How you'll be taxed

You must pay taxes on the amount you convert to a Roth IRA. However, by converting to a Roth IRA, the account will grow tax deferred, and you may never pay federal income tax on the distributions. Paying the tax now may be profitable in the long run. Whatever amount you convert to a Roth IRA will be included in your taxable income for the year in which you convert. Conversion withdrawals made during the first five years after the year of the conversion may be subject to a 10% premature distribution penalty. A conversion may be transferred back to a traditional IRA if it's completed before your tax filing due date. Subsequent reconversion to a Roth IRA can't be done until the following tax year.

Talk to your financial advisor about the possible advantages of converting your existing retirement savings into a Roth IRA.

Roth vs. traditional

The chart below illustrates the advantages of Roth and traditional IRAs. Both are powerful savings tools, but to maximize the benefits of an IRA, you should determine which one best fits your retirement plan. Make an informed decision about which IRA is best for you by talking with your financial and tax advisors, who know more about your specific goals. You can also access an interactive Roth vs. Traditional IRA Calculator and Retirement Planner at invescoaim.com.

How Today's IRA Choices Compare
Use the table below to determine which IRA might be right for you.

	Roth IRA	Traditional IRA (Deductible)[1]	Traditional IRA (Nondeductible)[1]
Earnings grow tax deferred	Yes	Yes	Yes
Contributions are taxed upon withdrawal	No	Yes	No
Earnings are taxed upon withdrawal	No[2]	Yes	Yes
Contributions are tax deductible	No	Yes	No
Contributions allowed after 70½	Yes	No	No
Minimum withdrawals required after 70½	No	Yes	Yes

1 Contributions to a traditional IRA may or may not be deductible depending on your (and your spouse's) participation in an employer-sponsored retirement plan. Talk to your financial advisor about the modified AGI levels that qualify for a tax-deductible IRA.

2 After the account has been open for five years, withdrawal of earnings from a Roth IRA is not subject to income tax or the 10% premature withdrawal penalty if the individual is at least 59½, dies, is disabled or uses up to $10,000 of the account's earnings for a first-time home purchase. Withdrawals of contributions are not subject to income tax and may not be subject to a 10% premature withdrawal penalty. For tax year 2008, individuals with a modified AGI above $116,000 and couples filing jointly with a modified AGI above $169,000 cannot contribute to a Roth IRA. For tax year 2009, individuals with a modified AGI above $120,000 and couples filing jointly with a modified AGI above $176,000 cannot contribute to a Roth IRA.

Rollover IRA

Talk to your financial advisor about your options for rolling over retirement savings from previous employers into an IRA.

Points to Consider

Can you afford to give away some of your retirement savings in taxes and penalties if you're younger than 59½?
By making a direct rollover into a rollover IRA instead of taking your distribution in cash, your savings may continue to grow instead of being diminished by taxes and penalties.

Could you simply save more each year to make up for the distribution amount you spent?
Yes, but because earnings accrue over time, the later you begin to save, the less time your assets will have to take advantage of compounding growth.

What is a rollover IRA?

A rollover (traditional) IRA allows your retirement savings from previous jobs to continue growing tax deferred until you're ready to withdraw them.

Who is eligible?

If you're retiring or changing employers, it may make sense to transfer the money that has accumulated in your company's pension, profit sharing, 401(k), 403(b) or governmental 457 plan into a rollover IRA.

How does it work?

If you directly roll over 100% of your distribution to a rollover IRA, no taxes will be withheld or penalties assessed, and all of your retirement assets will continue to grow tax deferred. Any cash distribution that is not rolled over to an eligible retirement plan within 60 days is subject to income taxes and the premature withdrawal penalty, if applicable. If you choose a cash distribution, 20% of the taxable portion of the amount eligible for rollover will be withheld from the payment. If you subsequently decide to roll over your entire retirement savings (versus only the cash you received), you must replace the amount withheld.

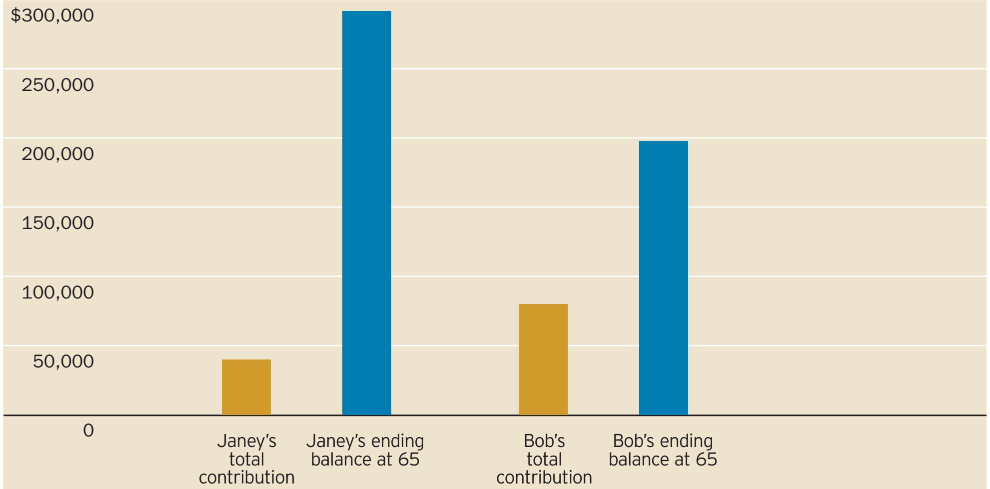
The Price of Procrastination

Begin saving for retirement early to give your investments the most time to grow.

There's no time like the present to start saving for your retirement. Consider the hypothetical case of Janey and Bob. At 36, Janey began putting $4,000 a year (about $333 a month) into an IRA. She continued to fund the account for 10 years and watched her investment grow significantly for 30 years. Bob began saving for retirement 10 years later at 46. He, too, invested $4,000 each year — but for 20 years instead of 10 — and never caught up with Janey.

The Importance of Starting Early

Janey invested $4,000 a year from ages 36 to 45. Bob invested $4,000 a year from ages 45 to 65. By starting to save for retirement 10 years earlier, Janey accrued $94,000 more than Bob by 65.



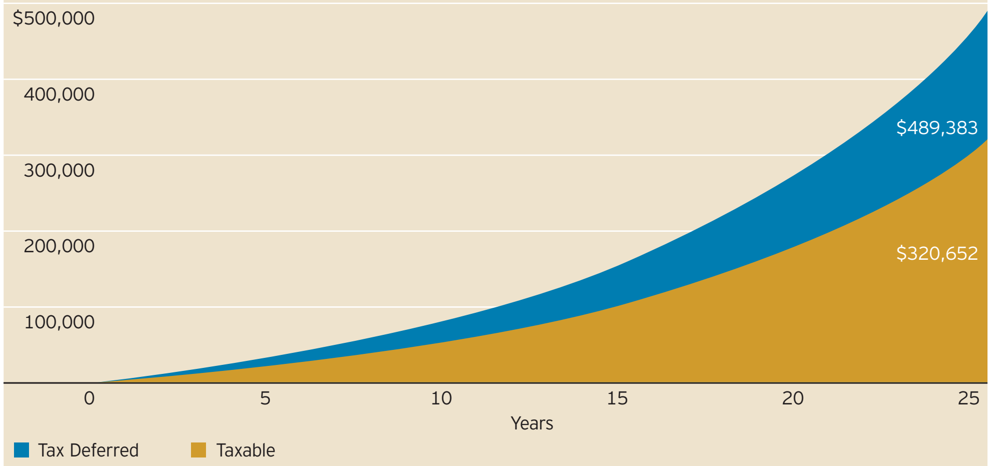
The example and estimate of an 8% average annual total return are for illustrative purposes only and are not intended to represent the performance of any particular investment product or a real investor. Your actual return isn't likely to be consistent from year to year, and there is no guarantee that a specific rate of return will be achieved.

The Power of Tax-Deferred Compounding

Contributions plus earnings are invested in your account and compound tax deferred until you withdraw them.

In a traditional IRA, your earnings are not taxed until you withdraw them. This may allow your assets to accumulate faster than if you had invested them in a taxable savings account, or worse, spent them. And the longer your assets compound tax deferred, the more you may benefit. In this hypothetical example, John and Margaret each saved $4,000 a year for 30 years at an 8% return compounded annually. John put his money in an IRA; Margaret put hers in a taxable investment. Both investors were in the same 28% tax bracket. After 30 years, John's tax-deferred investment accrued $168,731 more than Margaret's. Please keep in mind that any withdrawals made prior to 59½ may be subject to tax penalties. Also, consider your current and anticipated investment horizon and income tax bracket before making an investment.

Investing for the Long Run
This chart illustrates the growth of $4,000 invested annually at 8%, compounded annually for 30 years, tax deferred vs. taxable at 28%.



This example and estimate of an 8% average annual total return are for illustrative purposes only and are not intended to represent the performance of any particular investment product or a real investor. Your actual return and tax bracket aren't likely to be consistent from year to year, and there is no guarantee that a specific rate of return will be achieved. The example assumes that an individual with an income in the 28% tax bracket makes annual $4,000 investments. A 28% federal tax rate is based on a $82,251 to $171,550 income for an individual filing a single return and a $137,051 to $208,850 income for persons filing a joint return for tax year 2009. Tax rates and brackets are subject to change. You will be taxed on the money when you withdraw it from your retirement account. Lower maximum tax rates on capital gains and dividends would make the return of the taxable investment more favorable, reducing the difference in performance between the two. This information is not intended as tax advice. Investors should consult a tax advisor.

How Invesco Aim Makes Investing Easy for You

Current shareholders can check account balances anytime at invescoaim.com.

More reasons to invest with Invesco Aim

- **Diversification**
  Invesco Aim offers a broad range of investment alternatives across the risk spectrum. Invesco Aim's product line spans domestic and international equity, corporate bond, government bond, money market, target-maturity and target-risk funds to accommodate diverse financial objectives. Please keep in mind that diversification does not ensure a profit or eliminate the risk of loss.
- **Professional management**
  When you purchase shares of any AIM fund, you're hiring our experienced portfolio managers. Management continuously monitors the performance of each fund's portfolio of investments, applying a disciplined investment process.
- **Exchange privilege**
  As your goals change, you may exchange all or part of your shares for those of other funds within the same share class. The exchange privilege may be modified or discontinued for any AIM fund.
- **Toll-free access**
  Current shareholders can call our automated telephone system at 87-RETIRE-55 (877 384 7355) for 24-hour account information. Or, of course, you may contact your financial advisor for assistance.
- **invescoaim.com**
  As a current shareholder, you can check account balances 24 hours a day over the Internet. State-of-the-art encryption lets you send us questions that include confidential information without the fear of eavesdropping, tampering or forgery.
- **Easy-to-read statements and reports**
  A statement will be issued whenever there is a transaction that affects your fund share balance (e.g., contributions, exchanges, dividends or redemptions). Quarterly consolidated statements, year-end statements and year-end tax forms (1099-R, 5498) are also issued.

Notes:

Talk to your financial advisor

Your sights are set on a financial summit — a college degree, new home or secure retirement. One of the best ways to help reach your goal is to partner with a strong team: a financial advisor who can provide sound guidance based on your individual needs and an investment company that can deliver a broad range of diversified strategies. Talk to your financial advisor about how an investment plan and Invesco Aim can help you pursue your financial goals.

Consider the investment objectives, risks, and charges and expenses carefully. For this and other information about AIM funds, obtain a prospectus from your financial advisor and read it carefully before investing.

Note: Not all products, materials or services available at all firms. Advisors, please contact your home office.

All data provided by Invesco Aim unless otherwise noted.

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Supplemental Information

As of Sept. 30, 2009, Invesco Aim's assets under management were approximately $157 billion and Invesco Ltd.'s assets under management were approximately $417 billion.

It is anticipated that on or about the end of the fourth quarter of 2009, Invesco Aim Advisors, Inc., Invesco Aim Capital Management, Inc., Invesco Aim Private Asset Management, Inc. and Invesco Global Asset Management (N.A.), Inc. will be merged into Invesco Institutional (N.A.), Inc., and the consolidated adviser firm will be renamed Invesco Advisers, Inc. Additional information will be posted at invescoaim.com on or about the end of the fourth quarter of 2009.

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