

PENSCO Wednesday Webinar Series

Tom's Top 10 Tips

Wednesday, December 3, 2008

11 am PDT / 12 pm MDT / 1 pm CST / 2 pm EDT

Hosted By:

Tom Anderson, CEO & Founder, PENSCO Trust Company
Robyn Levin, Founder/President of R. Levin Marketing
Group

Information presented is for educational purposes only and is not intended as, and may not be relied upon as, tax, legal, investment or other advice. You are advised to consult your advisors for specific guidance regarding your investments.

The Basics

- **Tip #1 - Start Saving**
 - **The fundamentals:**
 - If your company has a plan, start funding it. According to a recent study performed for Bankrate.com by GFK Roper, only 28 percent think they can retire comfortably. Some 70 percent have set low expectations about their retirement prospects.
 - If you are skiddish about the stock market, at least make the contribution to cash, because, with the downturn, there is an even greater need to save. If your company matches, it is even smarter to maximize contributions

Basics (cont.)

- **Tip#1 (CONT.)**
 - The long-term benefits of saving for retirement far outweigh the short-term gains of not investing
 - Retirement accounts compound earnings on a tax-deferred or tax-free basis
 - Contribute to your pension plan before December 31st (max out your limit) to get the tax benefit from lowering your taxable income

Don't use your savings

- **Tip #2 - Don't tap your savings**
 - **Never take money out of your retirement account until you have to or need to:**
 - With a traditional IRA you'll lose the ability to defer your taxable gains and income
 - With Roth IRAs you'll lose the ability to get tax-free earnings growth
 - You should tap your retirement accounts last when drawing for retirement, all things being equal (e.g., portfolio performance)
 - The last savings vehicle to tap is a Roth IRA!

Diversify

- **Tip # 3 - Diversify**
 - The lesson to be learned from the crash is that diversification is the only definitive way to protect your savings. Diversify, diversify, diversify!
 - Lack of diversification exposes your retirement savings to total loss (e.g., Worldcom, Lehman Brothers) or as we've seen with the crash of 2008, a 40 percent decline in retirement account value in the past year.
 - Merrill Lynch suggest that portfolios should have at 28 percent of their investments in alternative assets
 - Check out emerging Breadstreet.com, NationalAlt.com, IRAvest.com to get in on the private equity marketplace opportunities through your retirement account

Diversify (cont.)

- **Rebalance your retirement portfolio**
 - If your assets are under-diversified, rebalance your retirement accounts to avoid taxes when selling assets as retirement accounts are tax-ferred

Converting IRAs To Roth IRAs

- **Tip #4 - Convert to a Roth IRA**
 - Current Law prohibits converting to a Roth IRA from a traditional IRA if (or you and your wife together) earn more than \$100,000 AGI in the year of conversion
 - Beginning January 1st, 2010, this cap on income goes away
 - Consider contributing this year and next to a non-deductible IRA (no eligibility limits), to put up to \$12,000 away before 2010 that can then convert tax-free.
 - Taxes are reported on page 1 of your 1040 for any amount converted that have not previously paid taxes on:
 - For example, traditional IRA contributions and earnings

Roth (401)ks

- **Tax tip #5**
 - If you are employed and a participant in a corporate 401(k), you may be eligible to put up to \$15,500 (\$20,500 if over 50) away through an after-tax Roth contribution.
 - If you are a sole practitioner (self-employed), whether incorporated or not, you can establish a Solo Roth 401(k) for yourself.
 - Provided you wait five years from the date you first became a participant in your Solo Roth 401(k) and attain the age 59.5, you are free to withdraw from it, in most cases.
 - If you are a member of a corporate Roth 401(k), have made Roth (after-tax) contributions to the plan, you can take a tax-free distribution at retirement, when you change jobs, or providing the plan has an in-service (pre-retirement) distribution option.

Very Important Reminder

- If you make Roth (after-tax) contributions to either a corporate or Solo Roth 401(k), be sure to rollover (tax-free) the contribution amounts and any earnings to a Roth IRA, once you've met the five year waiting requirement and age 59.5.
- If you don't, at 70.5 your Solo or traditional 401K WILL BE REQUIRED TO COMMENCE ANNUAL MINIMUM DISTRIBUTIONS TO YOU!

Why Limit Your IRA and 401(k) to the Stock Market?

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ATTORNEY FORUM CONFERENCE CALL

Monday, December 8, 2008

12:15 p.m. to 1:30 p.m.

For Attorneys:

After many requests, PENSCO Trust Company is now creating a quarterly conference call forum for legal professionals to openly ask questions and discuss issues about their clients IRAs and 401(k)s. Tom Anderson, CEO, Founder and President of PENSCO, will be directing questions and helping in discussing key industry issues with the group.

Conference Call Information:

Dial-in Number: (641) 715-3840

Access Code: 864846 #

Please submit discussion items and/or questions via email to Kathy:
kathy.holcomb@pensco.com

Next Month's 'Wednesday Webinar':

Hands-free Income Producing Investing with IRAs and Smart Strategies for 2009

Wednesday, January 7th, 2009

As a past participant, you will not need to register again. We will send you a reminder email with the call-in information and a link to the handouts.

Missed Previous Webinars?

**Listen to recordings and download the
corresponding presentations by going to:**

www.penscotrust.com/education/webandaudioconferences.asp

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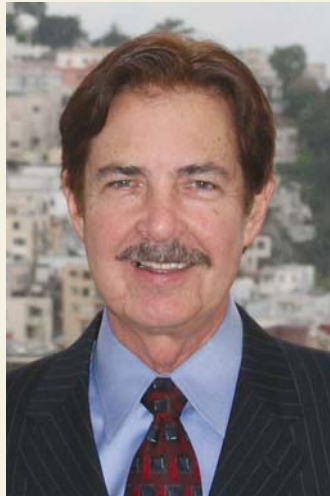
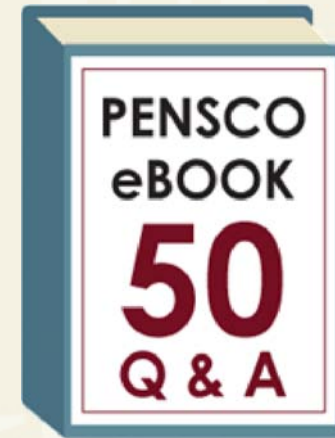
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Other resources:

Get the Answers to Investors Top 50 Questions on Investing with a Self Directed IRA!

Download by going to this link:
www.penscotrust.com/education/pdfs/ebookweb.pdf



Get the Latest Information in the Self-Directed Investing Industry.
Go to: www.selfdirectedira.com
An educational blog by Tom Anderson,
Founder, CEO, & President of PENSCO Trust

Investment Strategy

- **Tip # 6**
 - With today's declining residential real estate prices, you may want to think about buying vacation property with your IRA (including leverage), renting out until you reach 59.5 and five years from when you first open your Roth IRA, then moving into it tax and penalty free!

Roth Versus Traditional

- A Roth IRA of \$20,000 is worth more than an IRA with \$20,000
- Roth –no minimum distributions
- Lower effective estate taxes with Roth IRA
- Rate shifting (e.g., lower tax bracket when you contribute versus when you retire and vice versa). Tax rates change about every four years, so its hard to predict future rates
- Roth IRA provides more flexibility after age 59.5

Start Saving

- **Tip #7**
 - Open a retirement account, especially if you are a sole proprietor
 - You must open an account before December 31st 2008 if you want to make a contribution for the year 2008
 - You can defer the actual contribution, however, to April 15th, 2009 or extensions except for traditional IRAs and Roth IRAs which must be made by the 15th

For those over 70

- **Tip #8 - Mandatory Distributions**
 - Avoid a 50 percent over accumulation penalty for not taking a required mandatory distribution in 2008 for the year 2008, unless you turned 70.5 in 2008, in which case, you have until April 1, 2009 to take the distribution.
 - You can still make a contribution of up to \$100,000 from your IRA *DIRECTLY* to a charity tax-free. This is better than taking a distribution, donating it, and taking a tax deduction.

Take advantage of your losses

- **Tip #9**
 - If you seen a depreciation of the assets held in your IRA, consider converting the assets “in kind”, if you are eligible, to a Roth IRA (rather than selling them for a loss), if you think they will recover. You will then be paying less tax than you would if you converted after they recover.

Get your Children Started

■ Tip #10

- Make a contribution before December 31st to your child's Coverdell Education account and you'll get a gift deduction of up to \$2,000 for 2008 (you can still make the contribution up to April 15, 2009, but not for 2008 tax filing, because you paid for it in 2009)
- Start your children on Roth IRAs

Mandatory Distributions

■ Bonus Tip

- Bill in Congress to potentially defer mandatory distributions for 2009 and potentially 2008
- Wait until December 15th, before taking this year's distribution if you haven't already taken it, particularly if you have to liquidate depreciated assets at a loss