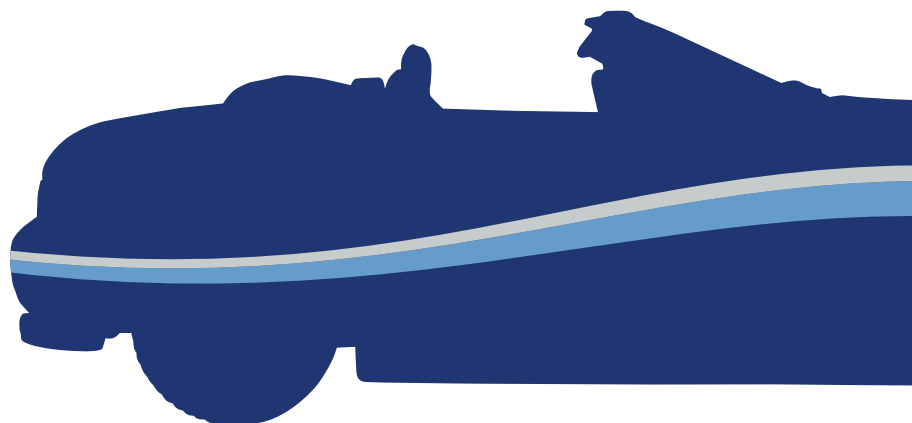


# LET'S ROLL.

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Convert a Traditional IRA into a Roth IRA



A Top-Down Guide to Roth 2010



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**RISK MANAGEMENT FINANCIAL SOLUTIONS**



# Roth 2010: Rolling Your Way

## Put Your Clients in a Convertible

One of the keys to being a good financial representative is putting your clients in the right retirement income vehicle. Sometimes that means making a change between financial vehicles as they travel down the retirement road. Your clients look to you for innovative ways to reach their financial goals, that is why you won't want to miss an exciting opportunity rolling your way in 2010.

More of your clients may soon be able to convert a traditional IRA to a Roth IRA, particularly those who previously wouldn't have qualified. Why? On January 1, 2010, the Modified Adjusted Gross Income (MAGI) limit for a qualified rollover contribution from a traditional IRA to a Roth IRA has been lifted. In short, many who thought they would never qualify for a Roth IRA can possibly do so. And there are corresponding tax changes that increase the appeal of converting to a Roth IRA in 2010.

## Opportunity for Financial Professionals:

- Review your book of business and find clients who may benefit
- Use Roth IRA conversion as a great discussion point with any client
- Generate new business from clients and prospects with traditional IRAs
- Enhance client relationship beyond asset accumulation and into retirement income distribution

## Comparing Financial Vehicles



Traditional IRA	Roth IRA
Contributions tax deductible based on income level	Contributions not tax deductible
Withdrawals required by age 70½	No mandatory distribution age
Taxes paid on distributions upon withdrawal	No taxes paid on earnings or principal if proper rules are followed
Earnings and principal withdrawn before 59½ may be subject to a 10% penalty tax	Conversion amount can be withdrawn without a 10% penalty tax after 5 years and age 59½
Available to those with earned income under age 70½	Prior to 2010, only available to some based on income and tax filing status but open to more investors after 2010

## Different Makes and Models — Q & A

### Converting a traditional IRA into a Roth IRA is not new. What makes this opportunity so special?

**First, the MAGI is removed.** As mentioned before, the Modified Adjusted Gross Income (MAGI) limit has been lifted for individuals who want to convert a traditional IRA to a Roth IRA beginning in 2010. This means your higher income clients with traditional IRAs, who likely couldn't participate before, can now convert to a Roth IRA.

**Second, taxes are spread out.** Those who do convert to a Roth IRA in 2010 have the ability to defer payment of their income tax, and split the tax bill over two years (2011 and 2012). Conversions completed in 2011 and later will not benefit from this deferral of income tax payment over more than one year; payment will be due April 15 of the year following a conversion.

**Third, lower account values, lower taxes.** Since the economic downturn reduced values of most retirement accounts, converting a traditional IRA to a Roth IRA now means that a current lower account value may result in less income tax owed due to a conversion.

### Why could the future tax-free income from a Roth IRA be better than the tax deferral from a traditional IRA?

Income tax rates could increase in the future. If your clients pay income tax now on a Roth IRA conversion, they may avoid a potential higher income tax rate that would be applied to future distributions from a traditional IRA.

### Which clients should I consider for a possible Roth IRA rollover?

Many clients could be interested in changes to Roth IRA eligibility and the tax payment alternatives. More specifically, interested clients may include those who:

- Never considered a Roth IRA because of their income level
- Considered a Roth before, but were not eligible
- Currently have a traditional IRA
- Want a tax advantaged retirement account that does not have required minimum distributions (RMDs) beginning at the owner's age 70½

## What are the potential drawbacks of converting a traditional IRA into a Roth IRA?

Conversion of a traditional IRA to a Roth IRA has immediate tax consequences and costs. There are tradeoffs for making the switch. Gaining the income-tax-free withdrawals from a Roth IRA means paying income tax earlier on the entire traditional IRA balance that is converted. Funds used to pay the taxes on the conversion will not be available for continued investment.

## Should clients consider paying the income tax incurred by converting to a Roth IRA with funds distributed from the traditional IRA?

This is not recommended for several reasons. If your client is under age 59½ at the time of conversion, a 10% penalty tax would apply to IRA funds used to pay income tax. It is suggested that clients use non-retirement plan sources of income to pay the tax liability. They should consult a qualified tax advisor.

## What happens if an annuity with additional benefits is converted from a traditional IRA to a Roth IRA?

The IRS may require an actuarial valuation if the converted annuity account value is *less than* its living benefit value or death benefit value. Such an adjustment will increase the taxable amount. No actuarial adjustment is required if the account value is greater than the benefit value.

## What if clients change their minds about converting to a Roth IRA?

If your client changes their mind down the road, they can make a U-turn with the conversion using what is known as a Roth recharacterization. This revokes the conversion to a Roth IRA and changes it back to a traditional IRA. Recharacterization must be completed by October 15 of the year *following* the conversion. This eliminates the income tax owed on the initial conversion.

# Driving the Convertible Sale in Three Easy Steps

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## Step 1 – Learn More

Become familiar with the opportunity to convert a traditional IRA to a Roth IRA, including the potential benefits and drawbacks of making the switch. Call your Representative today for more information or visit [WSFinancialPartners.com](http://WSFinancialPartners.com).

## Step 2 – Identify Prospects

Who would benefit from a Roth IRA conversion? Review your client roster in your book of business, identify prospective clients who may be interested, and look for:

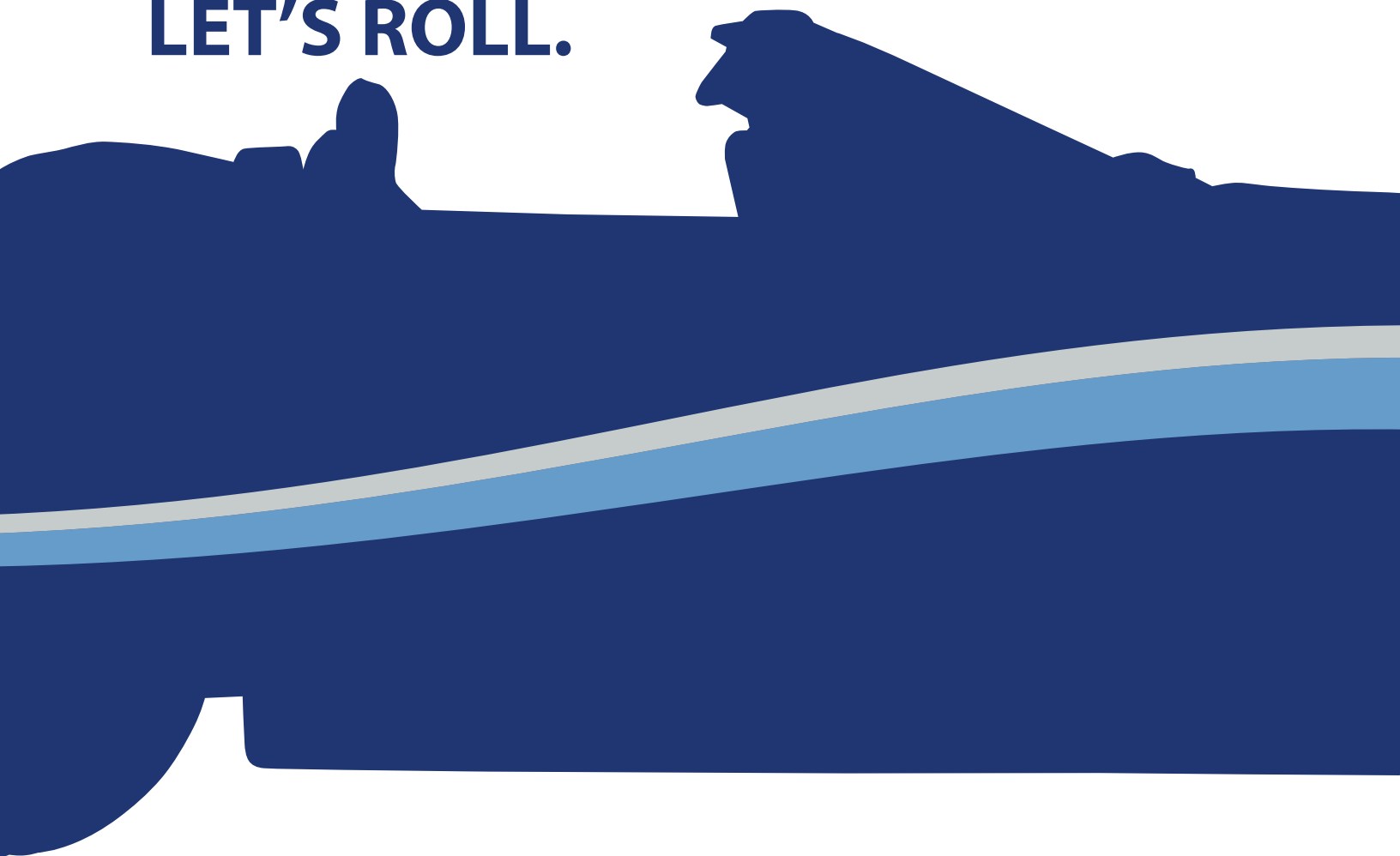
- Clients with a traditional IRA who previously earned more than \$100,000
- Clients who previously considered a Roth conversion and would now be eligible
- Clients with sufficient non-retirement plan assets to pay the income tax incurred on a Roth conversion

## Step 3 – Roll Out the Opportunity

Create interest by proposing the opportunity to roll a traditional IRA into a Roth IRA to both prospective and current clients. Use the new Roth as a reason to schedule a face-to-face meeting with clients and weigh their options for making the change to a convertible vehicle for their retirement income.



**LET'S ROLL.**



## Roll with Western & Southern for Roth IRA solutions

When it comes to retirement, choosing the right financial vehicle is a bit like choosing a car. It's not just the vehicle you're choosing, but the company that stands behind it as well. Your clients can put their confidence in the financial strength of Integrity, National Integrity and Western & Southern Life, members of Western & Southern Financial Group. Highlights of our financial strength include:

- One of the 9 strongest life insurers in the world (based on AA+ rating from Standard & Poor's\*)
- A Fortune 500 company with a 120-year heritage
- Assets owned, managed and under our care in excess of \$42 billion (as of 12/31/08)

Learn more about how we can help put your clients on the road to retirement at [WSFinancialPartners.com](http://WSFinancialPartners.com).

\* Rating, as of 10/1/09, subject to change.

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The brief discussion of taxes in this presentation is neither complete nor necessarily current. Western & Southern Financial Group member companies do not offer tax advice. For specific tax information, consult your attorney or tax advisor. Payment of benefits under an annuity contract is the obligation of, and is guaranteed by, the insurance company issuing the annuity. Product and feature availability, as well as benefit provisions, vary by state. Contact your financial professional for product details and limitations.

Earnings and pre-tax premium payments are subject to income tax at withdrawal. Withdrawals prior to age 59½ are generally subject to a 10% IRS penalty tax. Integrity, National Integrity and Western & Southern Life do not offer tax advice. For specific tax information, consult your attorney or accountant. You do not have to purchase an annuity to fund an IRA or to benefit from a traditional IRA to Roth IRA conversion.

**An investor should carefully consider the investment objectives, risks, charges and expenses of the investment found in the prospectus. For a prospectus containing complete information, call 800.325.8583. Please read the prospectus carefully before recommending.**

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No bank guarantee	Not a deposit	May lose value	Not FDIC/NCUA insured	Not insured by any federal government agency
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