S&P CAPITAL IQ
Financial Communications

The Power of Tax Deferral

Tax-deferred investment vehicles provide investors with the potential to accumulate more money over time than would be possible by investing in a taxable account. That's because any tax on investment earnings in these vehicles is deferred (i.e., delayed) until you start withdrawing money.* This tax benefit creates the potential for your investments to grow faster than they would in a comparable taxable investment account, where earnings are taxed each year.

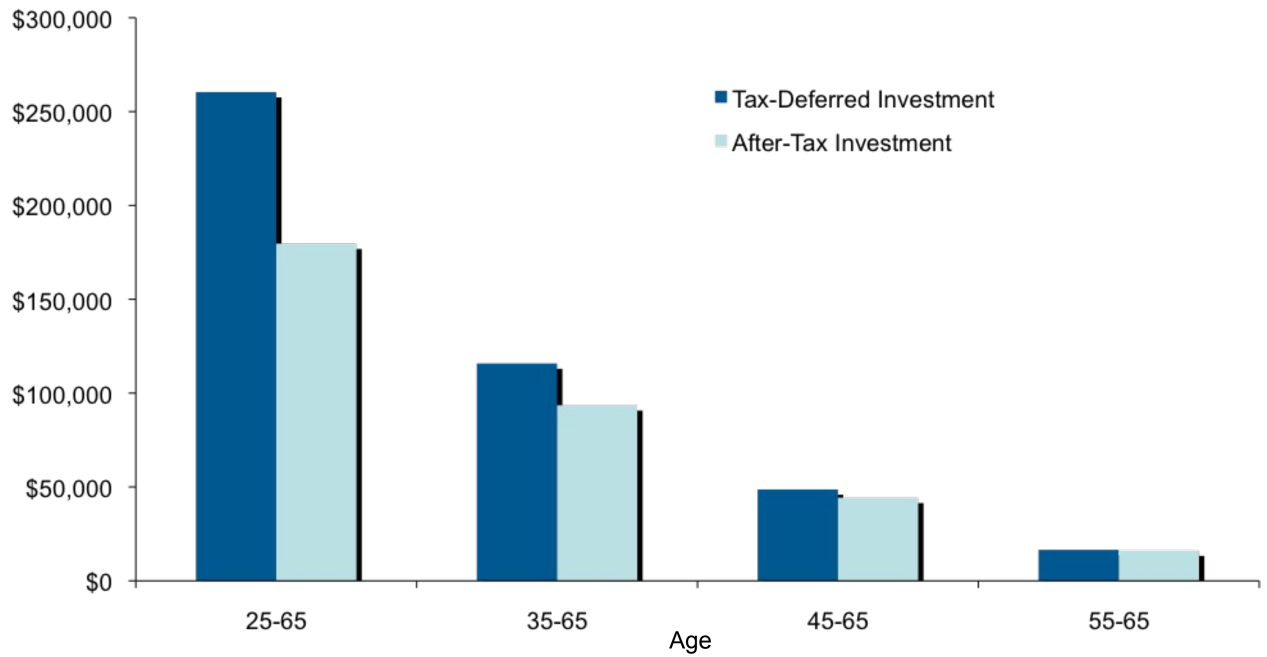
Investment vehicles offering the benefits of tax deferral include:
• Traditional company-sponsored retirement savings accounts such as 401(k) and 403(b) plans*
• Traditional individual retirement accounts (IRAs)*
• Annuities*
• Some life insurance products*

In addition, other vehicles that offer tax-free status for qualifying distributions include:
• Roth IRAs**
• Roth 401(k) and 403(b) plans
• College funding vehicles such as Coverdell Education Savings Accounts and state-sponsored Section 529 plans
(if used to pay for qualified education expenses).

**Withdrawals before age 59½ may be subject to an early withdrawal penalty. Withdrawals from tax-deferred plans will be taxed as ordinary income at then-current rates.*

***Restrictions, penalties, and taxes may apply. Unless certain criteria is met, Roth IRA owners must be 59½ or older and have held the IRA for 5 years before tax-free withdrawals are permitted.*

Investing on a tax-deferred basis can make a tremendous difference over the long haul. For example, in the chart below, investing $100 monthly in a tax-deferred investment account earning an 8% annual return beginning at age 25 would yield $260,400 by age 65, after taxes, assuming that the earnings portion of the accumulated investment was taxed at a 30% rate at retirement. By contrast, a comparable investment in a fully taxable account would amount to just $179,645, assuming a 30% tax rate.



Source: S&P Capital IQ Financial Communications. This is a hypothetical example and is not representative of any specific situation. Your results will vary. Rates of return used do not reflect the deduction of the fees and charges inherent to investing. Past performance is no guarantee of future results. (CS000007)