OppenheimerFunds®
The Right Way
to Invest

Understanding Traditional and Roth IRAs
Investor Guide

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Get Ready for Retirement... Your Way

Forget rocking chairs and lingering sunsets. Your retirement will be a whole new game. Compared to previous generations, you'll likely live longer, feel better, and want to do more—much more. And you can, if you're financially prepared.

For years, contributing to an Individual Retirement Account (IRA) has been an important part of a sound financial strategy. Even with the changing retirement environment, the IRA continues to play a large role in helping working people save for the future—their children's as well as their own.

This brochure explains two common types of IRAs—a Traditional IRA and a Roth IRA—and compares the unique advantages of each to help you choose between them as you work toward your retirement savings goals.

Inside

The Basics of **Paying for Retirement**

While the "new" retirement holds all sorts of interesting possibilities, following your retirement dreams will require retirement savings. These funds may come from employer-sponsored savings programs like 401(k)s and pensions, Social Security or other sources. However, pensions are no longer as common as in years past, and Social Security could be threatened by a shrinking work force and growing retirement population.

Investing in an **Individual Retirement Account (IRA)** can serve as a core part of your retirement savings program, and can help fill gaps left by Social Security or other investments. IRAs offer:

- Significant potential tax advantages
- Flexible investment options
- Personal control over, and access to, your retirement savings

What will retirement cost?

As you work with your financial advisor to build an appropriate retirement savings program, try to determine as accurately as possible how much you'll need. To get a general idea, you can use one of two approaches, depending on how soon you intend to leave the workforce.

While the answer you get will be in today's dollars (rather than in tomorrow's inflated ones), it will give you a ballpark figure of what it will take to maintain your preretirement standard of living.

If you're **five or more years away** from retirement, many experts believe that you should figure on needing roughly 80% of your preretirement income, multiplied by the number of years you'll spend drawing down your resources.

If you're **five years or less** from retirement, it's advisable to create a detailed budget identifying all your projected annual living expenses. Remember, certain costs, like transportation, clothing, recreation and medical expenses, are likely to change as you transition from a working to a leisure lifestyle.

40? 45? 50?...
you're not too late

Haven't set aside anything for your golden years yet? Don't worry. You can still build a solid foundation for the future. The key is to start now—and to save as much as you possibly can.

It's about time

When it comes to saving for retirement, time really is money. The reason is *compounding*—the snowball effect that occurs when the earnings on your investments begin to generate their own earnings. Over longer periods, it potentially can have a substantial impact on the growth of your savings.

Preretirement Income	x	80%	x	Years of Retirement	=	Estimated Savings Needed
$45,000	x	.80	x	25 Years	=	$900,000

Chart 1

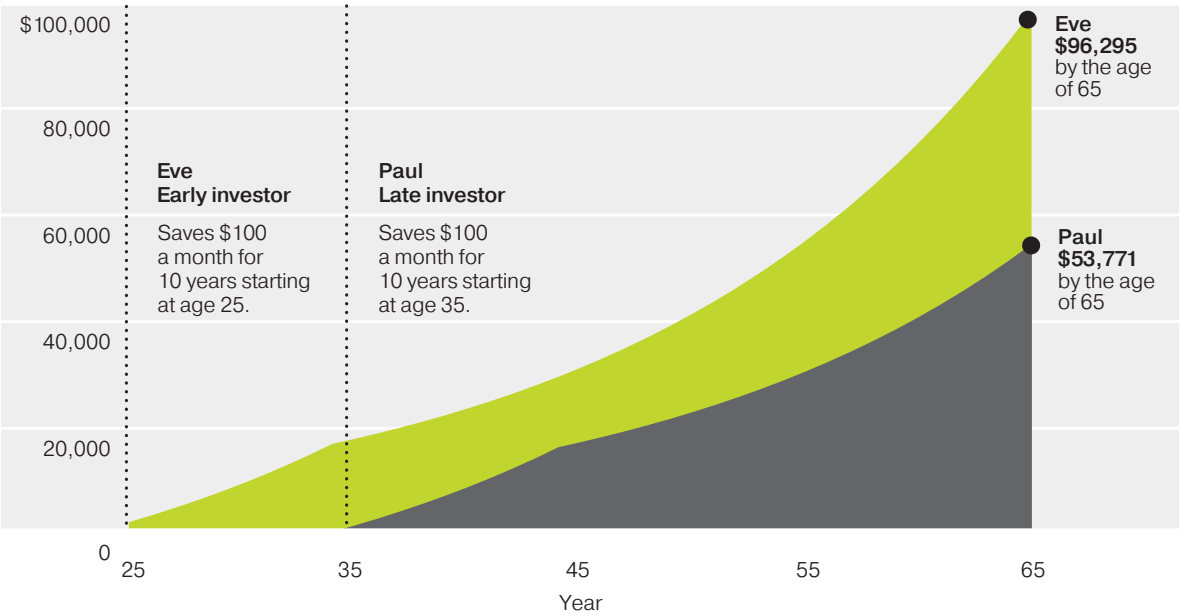
Compounding: The value of an early start

Twenty-five-year-old Eve[1] is an early bird. She puts $100 a month into her retirement account every year until she's 35. After contributing $12,000 for those 10 years, though, she never adds another dime.

Paul, on the other hand, is a procrastinator. He doesn't tuck anything away until he's 35. He also saves $100 a month for 10 years in a retirement account, and then doesn't add another dime, totaling $12,000 in contributions.

At an annual return of 6% in a tax-deferred account, who wins? While saving the same amount, Eve maintains a substantial edge—almost 45%—over Paul. Her extra 10 years of compounding substantially pays off in the long run.

Eve, the early investor, comes out $42,524 ahead in 40 years.



This chart assumes a fixed annual rate of return of 6%, on a tax-deferred basis, with earnings reinvested. This hypothetical example is not intended to show the performance of any Oppenheimer fund for any period of time, or fluctuation in principal value or investment return. At withdrawal, taxes must be paid on the amount withdrawn. Periodic investment plans do not ensure a profit or protect against loss in declining markets.

1. The persons portrayed in this example are fictional. This material does not constitute a recommendation as to the suitability of any investment for any person or persons having circumstances similar to those portrayed, and a financial advisor should be consulted.

Traditional IRA– Taking Advantage of Tax Deferral

Tax-deferred growth

A major advantage to investing through a Traditional IRA is tax-deferred growth potential. This means you do not pay any taxes on earnings and contributions until you withdraw them, which can potentially make a dramatic difference in the amount you accumulate over time.

When you withdraw tax-deferred contributions, you will owe taxes on them and any earnings. However, if you did not take a deduction when you made those contributions, you will be able to withdraw them tax free. Any potential earnings on contributions are subject to applicable taxes.

Tax-deductible contributions

Your annual contributions to a Traditional IRA may be fully or partially tax deductible depending on several factors. These factors include your tax filing status and Modified Adjusted Gross Income (MAGI). Or, if neither you nor your spouse is covered by an employer's retirement plan, you can both contribute the maximum amount and deduct the full sum from your income taxes.

On the other hand, if you do participate in an employer's plan, it's still possible to get a full or partial deduction, provided your MAGI falls within the applicable range shown in the table below ▼.

IRA Contribution Limit

Year	Under 50	50 or Above
2015	$5,500	$6,500

Traditional IRA Deductibility Schedule
For individuals **covered** by an employer-sponsored plan.

If your filing status and age are:	And your 2015 MAGI[2] is:	Then your 2015 deduction is:
Single and under age 50	Up to $61,000	Full $5,500
	$61,000–$71,000	Partial: $5,500 – [($5,500 x (MAGI – $61,000))/$10,000]
	Above $71,000	No deduction
Single and age 50 and above	Up to $61,000	Full $6,500
	$61,000–$71,000	Partial: $6,500 – [($6,500 x (MAGI – $61,000))/$10,000]
	Above $71,000	No deduction
Married filing jointly and under age 50	Up to $98,000	Full $5,500
	$98,000–$118,000	Partial: $5,500 – [($5,500 x (MAGI – $98,000))/$20,000]
	Above $118,000	No deduction
Married filing jointly and age 50 and above	Up to $98,000	Full $6,500
	$98,000–$118,000	Partial: $6,500 – [($6,500 x (MAGI – $98,000))/$20,000]
	Above $118,000	No deduction

For individuals **not covered** by an employer-sponsored plan.

Year	Single	Married filing jointly	Spouse is covered
2014	Unlimited	Unlimited	$181,000–$191,000
2015	Unlimited	Unlimited	$183,000–$193,000

2. Modified Adjusted Gross Income (MAGI) is determined before reduction for any IRA deductions.

Your financial advisor can help you determine exactly how much you can deduct annually, taking all these factors into account. In some circumstances, he or she may even recommend making *non-deductible* contributions to a Traditional IRA, which you may do regardless of income level or participation in an employer-sponsored retirement plan.

Accessing your funds in retirement

You may start making withdrawals from a Traditional IRA after reaching age 59½, and you *must* start taking Required Minimum Distribution (RMD) withdrawals at age 70½. Generally speaking, if you withdraw savings before reaching age 59½, you'll have to pay a 10% penalty and ordinary income taxes, though certain exceptions apply.

Making early withdrawals

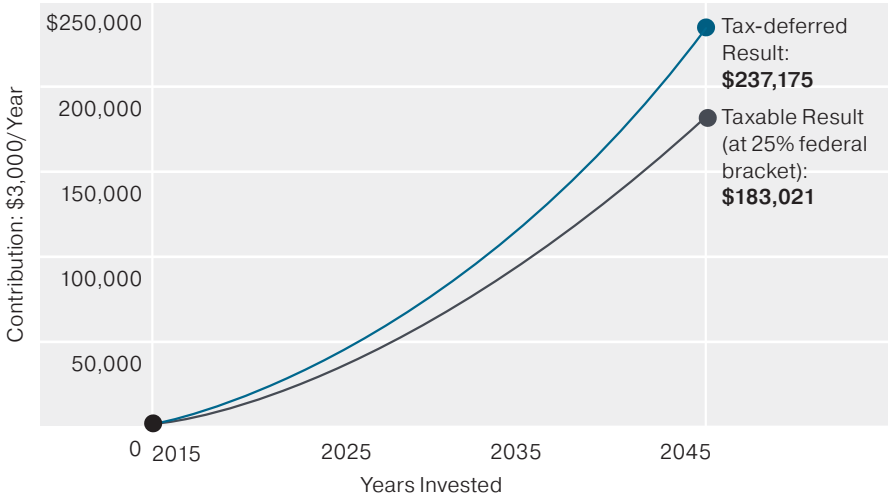
The 10% penalty for early withdrawal is waived for certain expenses, like buying a first home or paying college expenses. Keep in mind, though, that depleting IRA savings for these needs is often a poor choice. After all, you pay ordinary income taxes on the taxable portion of the withdrawal and, of course, you lose out on the continued investment growth of those funds for retirement.

Let's Review
Traditional IRAs offer

- **Tax deductions.** Contributions may be fully or partially deductible, depending on your participation in an employer's retirement plan and your income level.
- **Tax-deferred growth.** This benefit can help any earnings outpace investments in comparable taxable accounts.
- **Access to your funds.** You may access funds early, with no penalty in certain cases.

Chart 2

Tax Deferred vs. Taxable Investing
Your potential tax savings can really add up over time. Return on Investment: 6% annually for 30 years without distributions



This chart assumes a fixed annual rate of return of 6%, with earnings reinvested. This hypothetical example is not intended to show the performance of any Oppenheimer fund for any period of time, or fluctuation in principal value or investment return. At withdrawal, taxes must be paid on the amount withdrawn. Periodic investing does not assure a profit or protect against losses in declining markets.

Roth IRA—Earnings Accumulate Tax Free

A Roth IRA's tax advantages differ from those available through a Traditional IRA in one crucial respect. You can't take a tax deduction when you make Roth IRA contributions, but any earnings (and all contributions) are *federal income tax free* upon withdrawal—provided the account has been open for at least five years and you are at least age 59½, or in the event of disability or death.

Simply put, while Traditional IRAs can provide a potential tax break when you *contribute,* Roth IRAs are designed to give you a break when you *withdraw.*

Higher income limits

Roth IRAs have higher income limits than deductible Traditional IRAs, so they may be appropriate for investors who do not qualify for the tax deduction of a Traditional IRA (see table below).

Contributions can be withdrawn at any time

A Roth IRA lets you withdraw your contribution dollars any time you wish—you don't need to wait until you're 59½. Since contributions have already been taxed, these withdrawals are not subject to federal income taxes or a 10% premature withdrawal penalty.

Penalty-free early withdrawals of earnings

Any earnings may be withdrawn from a Roth IRA, tax and penalty free, if the account has been held for five years and the owner has reached age 59½. If these requirements have not been met, earnings withdrawn from a Roth IRA are normally subject to ordinary income tax plus a 10% penalty.

Roth IRA Eligibility Schedule

If your filing status and age are:	And your 2015 MAGI[3] is:	Then your 2015 Allowable Roth IRA Contribution is:
Single and under age 50	Up to $116,000	Full $5,500
	$116,000–$131,000	Partial: [($131,000 – MAGI)/$15,000] x $5,500
	Above $131,000	No allowable contribution
Single and age 50 and above	Up to $116,000	Full $6,500
	$116,000–$131,000	Partial: [($131,000 – MAGI)/$15,000] x $6,500
	Above $131,000	No allowable contribution
Married filing jointly and under age 50	Up to $183,000	Full $5,500
	$183,000–$193,000	Partial: [($193,000 – MAGI)/$10,000] x $5,500
	Above $193,000	No allowable contribution
Married filing jointly and age 50 and above	Up to $183,000	Full $6,500
	$183,000–$193,000	Partial: [($193,000 – MAGI)/$10,000] x $6,500
	Above $193,000	No allowable contribution

Note: Total contribution amounts apply to Traditional and Roth IRA accounts combined.
3. Modified Adjusted Gross Income (MAGI) is determined before contributing to any IRA.

In some cases, however, earnings may be withdrawn penalty free *before* the five-year holding period ends—though ordinary income tax would still be due. This rule applies if you have attained age 59½ and the withdrawal is:

- Taken in the event of your death or becoming disabled.
- Used to pay for unreimbursed medical expenses in excess of 10% (or 7.5% if you or your spouse was born before January 2, 1949) of your adjusted gross income.
- Used to pay for health insurance premiums after you've been receiving unemployment compensation for a certain period of time.
- Taken in a series of substantially equal periodic payments over the account owner's expected lifespan.
- Used for higher education expenses for you or your family members.
- Used for a first-time home purchase (up to $10,000).

Contributions allowed after age 70½—and no RMDs

With a Roth IRA, you can keep contributing to your account after age 70½ as long as you are earning income, unlike a Traditional IRA. Also, while a Traditional IRA mandates Required Minimum Distributions, a Roth IRA requires no such distributions.

Let's Review
Roth IRAs offer

- **Earnings that accumulate tax free.** Once you've had the account for five years, withdrawals made after age 59½ are free from federal income taxes.
- **Higher income limits.** If your income exceeds the Traditional IRA's deductibility limits, you may still be eligible to make a full Roth IRA contribution.
- **Penalty-free early withdrawals of earnings.** Earnings can be withdrawn early, with no penalty, under certain circumstances.
- **No age limits on contributions and no RMDs.** You can continue making contributions as long as you have earned income, and never have to take distributions.

Choosing Between **a Traditional IRA and a Roth IRA**

Given the powerful benefits of both types of plans, choosing the one that is best for you can be challenging. That's why we encourage you to consult with your tax or financial advisor to help fully analyze the risks and advantages of both options, given your particular situation.

To get started, however, it may be helpful to compare the features of a Traditional IRA side by side with those of a Roth IRA, so you have a clear understanding of the key differences and similarities.

Traditional IRA and Roth IRA Features Compared[4]

	Traditional IRA	Roth IRA
Tax-deductible contributions	Yes	No
Tax-deferred growth of earnings	Yes	No
Tax-free growth of earnings	No	Yes
Tax-free withdrawals	No	Yes
Tax benefit limited by participation in employer's retirement plan	Yes	No
Eligibility depends on income levels	Yes	Yes
Contributions permitted after age 70½[5]	No	Yes
Minimum withdrawals required by age 70½	Yes	No
Contributions may be withdrawn at any time tax free	No[6]	Yes

4. Chart assumes the applicable requirements for each respective item are satisfied.
5. Must have earned income.
6. Nondeductible contributions may be withdrawn tax free.

Traditional IRA vs. Roth IRA **Questionnaire**

Next, answer the following questions and use the results to help guide a more substantive discussion with your advisor.

If you answered "yes" to most of these questions, a Roth IRA may be a more appropriate choice for you. Remember, however, that the final decision will depend on additional factors that this questionnaire does not address.

	Yes	No
Will your tax rate be higher when you retire than it is now?		
Would you rather pay taxes up front, instead of at withdrawal?		
Do you want to continue making contributions beyond age 70½?		
Are your earnings above the deductibility limits on page 4?		
Are your earnings within the eligibility limits on page 6?		
Do you need the ability to withdraw contributions at any time?		

What about converting a Traditional IRA to a Roth IRA?

Traditional IRA owners have the option of converting their accounts to a Roth IRA, which may offer tax benefits.

When you convert, you pay income taxes at your ordinary rate on your deductible contributions and earnings. However, your retirement assets may then grow free of any future taxes.

Here are some factors to keep in mind as you make a decision:

- **Your current and projected tax brackets** Conversion may be a smart choice if your tax bracket at retirement will be about the same as, or higher than, it is now.
- **Your expected rate of return and investment horizon** The higher your investment return and the longer your investment period, the greater an edge a Roth IRA may provide relative to a Traditional IRA.
- **Your tax bill on the conversion** Depending on the amount you convert, your tax bill could be substantial. Depleting the IRA to pay the taxes could erode the advantages you might otherwise gain.

In addition to consulting with your tax or financial advisor to find out if converting is right for you, access our calculator at **oppenheimerfunds.com** on the retirement page.

When choosing between a Roth IRA and a Traditional IRA, consider whether you

- Are likely to be in the same or higher tax bracket at retirement.
- Qualify for or need the deduction available through a Traditional IRA.
- Wish to keep building tax-free assets as long as you remain employed.[7]

7. Must meet Roth IRA eligibility requirements.

Why OppenheimerFunds

Your financial advisor is familiar with OppenheimerFunds and can help you select a portfolio of solid investments to help work efficiently toward meeting your retirement goals.

In addition, our IRA Resource Center is staffed with highly trained specialists who can answer questions on virtually all aspects of IRAs. They can be reached at **800 783 7783** and are available to help.

OppenheimerFunds has been satisfying the investment and retirement needs of investors for over 50 years and remains one of the most respected names in the industry.

By choosing OppenheimerFunds investments in your IRA, you gain access to more than 40 Oppenheimer funds that represent a broad spectrum of investment styles and asset classes.

Additional resources available at oppenheimerfunds.com

- IRA Account Application (RE0000.009)
- A Guide to Rollover IRAs (RB0000.026)
- Stretch IRA brochure (RB0000.103)
- Planning Your IRA Distribution guidebook and forms (RE0000.487)

Notes

Notes

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Whether your retirement dream is to go back to school, travel or start a business, one thing is certain—you'll need money to make that dream a reality. A Traditional or Roth IRA provides a tax-advantaged way to help build your savings no matter how much, or how little, time you have left until retirement.

To help you determine which IRA option may be best for you, this brochure provides information on:

- The Basics of Paying for Retirement
- Traditional IRA—Taking Advantage of Tax Deferral
- Roth IRA—Earnings Accumulate Tax Free
- Choosing Between a Traditional IRA and a Roth IRA
- Why OppenheimerFunds

Next Steps

- Schedule a meeting with your financial advisor, who can help you determine whether a Traditional or Roth IRA is the right choice for you.
- For more information, visit us online at **oppenheimerfunds.com,** or call the IRA Resource Center at **800 783 7783.**

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