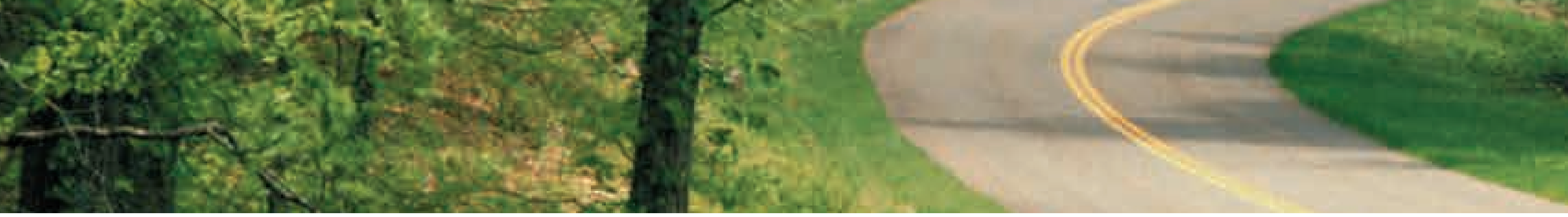
Franklin Templeton IRA

INVESTOR'S GUIDE

- Traditional IRA
- Roth IRA

FRANKLIN TEMPLETON INVESTMENTS

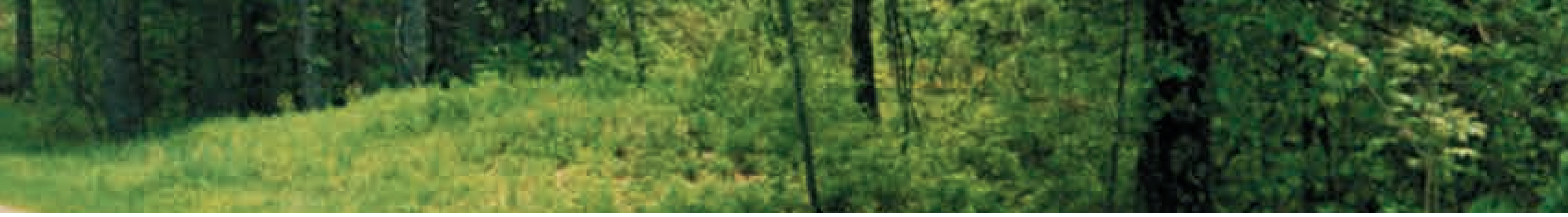


Whether you are just getting started entering retirement, an IRA can be an important part of a sound financial strategy to meet your retirement goals. Almost 38% of Americans, or an estimated 46.1 million households in the United States, save for retirement with IRAs.[1] That's because they're an easy way to invest and offer a combination of advantages that are hard to pass up:

- Tax-advantaged benefits
- Annual contribution opportunity
- Wide choice of investments

1. Source: Investment Company Institute, *The Role of IRAs in U.S. Households' Saving for Retirement,* 2013.

"The kids are out of college and on their own, so I can really start focusing on saving as much as I can for my retirement. My plan is to continue to contribute to my 401(k) plan at work and to my IRA—I also hope to take advantage of catch-up contributions since I'm over 50."



Different IRAs, Different Benefits

There are two types of IRAs from which to choose: **Traditional and Roth**

Both a Traditional IRA and a Roth IRA are convenient, tax-advantaged ways to invest for retirement. Before you invest, use this brochure to get to know the features and benefits of each one. Then, work with your financial advisor to consider how IRAs fit with your overall retirement planning objectives.

	Traditional IRA	**Roth IRA**
Description	Traditional IRAs offer the advantage of tax-deductible contributions that reduce the amount of current federal income tax you pay. In addition to upfront tax savings, the money in a Traditional IRA grows tax-deferred.	A Roth IRA is a retirement account in which you make contributions with after-tax money, but future earnings and capital gains accumulate tax free. Unlike a Traditional IRA, there is no income tax on qualified Roth IRA withdrawals.
Taxes	Tax-deductible contributions: Your contribution to a Traditional IRA may be tax deductible, depending on your adjusted gross income. See eligibility details on page 4. A tax deduction will reduce the amount of tax you pay for the year that you make the contribution. Your investment in a Traditional IRA is not taxed as long as it remains within the account, maximizing the potential compounded return.	No upfront tax deduction: Your contribution to a Roth IRA is not tax deductible so there is no reduction of taxes in the year you make the contribution. See eligibility details on page 5. Like the Traditional IRA, your investment in a Roth IRA is not taxed as long as it remains within the account, maximizing the potential compounded return.
Distributions	Distributions taxed as income: Distributions from your Traditional IRA are generally taxable. If you are 59½ or older, or if another exception applies, distributions will be taxed at your regular income tax rate.	Tax-free distributions: Distributions from your Roth IRA may be tax free if your account has been open for five years or more and you are 59½ or older (or another exception applies). Remember, distributions from Traditional IRAs are generally taxable.
Additional tax on distributions before age 59½	An additional tax of 10% may apply to distributions made before you are 59½, unless an exception applies.	An additional tax of 10% may apply to distributions of earnings made before you are 59½, unless an exception applies.
Required Minimum Distributions	Required Minimum Distributions (RMDs) starting at age 70½.	No Required Minimum Distributions (RMDs).

Tax Bites and Penalties

A distribution from a Traditional IRA ends the tax-deferred status of the assets you withdraw from your account and they are generally subject to Federal and State income taxes.

Before age 59½

Traditional IRA distributions before age 59½ are generally subject to federal income tax and a 10% federal withdrawal penalty, as well as applicable state income taxes and penalties.

Beginning at age 70½

The IRS requires you to begin taking distributions from your Traditional IRA each year beginning at age 70½, or face stiff penalties. Required Minimum Distributions must begin no later than April 1 following the year in which you reach age 70½ and you will no longer be able to make contributions to the account.

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>>> How much do you need to save for retirement? >>> Use the **Retirement Savings Calculator** at franklintempleton.com to find out.

Which IRA Is Right for Me?

There are several factors to consider when choosing between a Traditional IRA and a Roth IRA. You may want to ask yourself:

"Do I qualify for a Roth IRA?" If no, consider a Traditional IRA.

"Can I deduct my IRA contribution?" If no, consider a Roth IRA.

"Am I looking to control my withdrawals?" If yes, consider a Roth IRA. There are no RMDs with a Roth.

Another major factor to consider is whether you expect to be in a lower (or higher) tax bracket when you begin taking distributions from your account.

LOWER TAX BRACKET		HIGHER TAX BRACKET
TRADITIONAL IRA: If you expect your income or taxes will be *lower* when you are retired, and you can deduct your IRA contribution a Traditional IRA may be your best option. This situation applies to many individuals who currently work full-time and have enough income to save. Lower taxable income in retirement may allow you to pay tax at a lower rate when you distribute from your IRA.	VS.	**ROTH IRA: If you expect your income or taxes will be *higher* when you are retired, or you can't deduct your Traditional IRA contribution, a Roth IRA may be your best option.** This situation may apply to savers just starting in their careers, but may apply to anyone in a lower tax bracket due to temporarily reduced gross income or if you expect your taxable income to be exceptionally high during retirement.

Should I Convert My Traditional IRA to a Roth IRA?

If you already have a Traditional IRA, a conversion to a Roth IRA may make sense for you if the taxes due upon conversion will not outweigh the possible future benefits offered by a Roth IRA. Roth IRAs are not subject to minimum distribution requirements and may factor in to an estate planning strategy.

The 5-Year Rule

When will you need your assets? To be eligible for tax-free distributions, a Roth IRA account must be open for at least five years and you must be age 59½ or older.

Distributions taken before the five-year minimum and prior to age 59½ may be subject to a 10% federal tax penalty in addition to income tax due on earnings.

No Income Limits

You can convert a Traditional IRA to a Roth IRA, regardless of your income.

Converting to a Roth IRA should be carefully considered and you should talk to your financial advisor for more information.

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>>> If you're considering converting to a Roth IRA, visit franklintempleton.com to find other relevant materials.

Compare Traditional IRA vs. Roth IRA

Review the main features and benefits of a Traditional IRA and a Roth IRA to determine which one is most appropriate for you.

Traditional IRA

Eligibility

All income earners (and non-working spouses) under age 70½.

2013 and 2014 Annual Contribution Limits[2]

Tax Year	Maximum Annual Contribution	Additional Annual "Catch-Up" Contribution (For Those Age 50 and Over)
2013	$5,500	$1,000
2014	$5,500	$1,000

2013 and 2014 Tax-Deductible Contributions[3]

Contributions may be eligible for a tax deduction depending on Traditional IRA owner's:

- Modified AGI and
- Eligibility to participate in an employer plan

Tax Filing Status	Eligible for Employer Sponsored Plan?	2013 Modified Adjusted Gross Income (AGI)			2014 Modified Adjusted Gross Income (AGI)		
		Full Deduction	Partial Deduction	No Deduction	Full Deduction	Partial Deduction	No Deduction
Single	IRA Owner: Eligible	$59,000 or less	$59,001 to $68,999	$69,000 or more	$60,000 or less	$60,001 to $69,999	$70,000 or more
	IRA Owner: Not Eligible	No Limit	–	–	No Limit	–	–
Married, Filing Jointly	IRA Owner: Eligible	$95,000 or less	$95,001 to $114,999	$115,000 or more	$96,000 or less	$96,001 to $115,999	$116,000 or more
	IRA Owner: Not Eligible Spouse: Eligible	$178,000 or less	$178,001 to $187,999	$188,000 or more	$181,000 or less	$181,001 to $190,999	$191,000 or more
	IRA Owner & Spouse: Not Eligible	No Limit	–	–	No Limit	–	–

Tax Advantages on Earnings

Taxes on earnings are deferred until money is withdrawn.

Taxes and Penalties on Distributions

Distributions are subject to ordinary income taxes.

Early distributions are subject to an additional 10% federal tax penalty unless the IRA owner becomes disabled or dies, or:

- Receives the distribution after reaching age 59½
- Uses the distribution for:
  - first-time home purchase (up to $10,000 lifetime cap)
  - qualified higher education expenses
  - deductible medical expenses
  - health insurance premiums if IRA account owner has been receiving unemployment compensation for at least 12 weeks
- Takes the distribution in substantially equal periodic payments at least annually—based on life expectancy calculations—that continue for at least 5 years or until age 59½, whichever is later

Required Minimum Distributions

IRA owners must begin taking distributions no later than April 1 following the year they reach age 70½.

Conversion to Roth IRA

All IRA account owners are eligible, regardless of modified AGI.

2. If you contribute to both a Traditional IRA and a Roth IRA, the annual contribution limit will apply to the combined amount contributed to both plans.
3. This chart provides general information for determining an IRA deduction. For the tax year 2013, a full deduction is the lesser of $5,500 or 100% of compensation. If the participant is 50 or older in 2013, the dollar limit is increased to $6,500. For the tax year 2014, a full deduction is the lesser of $5,500 or 100% of compensation. If the participant is 50 or older in 2014, the dollar limit is increased to $6,500. You should consult with your tax advisor and/or IRS Publication 590 for more complete information. If you make a non-deductible Traditional IRA contribution, you will be required to file IRS Form 8606 with your tax return.

Roth IRA

All income earners (and non-working spouses), subject to modified AGI requirements.

Tax Filing	2013 Modified Adjusted Gross Income (AGI) Full Deduction	Partial Deduction	Not Eligible	2014 Modified Adjusted Gross Income (AGI) Full Deduction	Partial Deduction	Not Eligible
Single	$111,999 or less	$112,000 to $126,999	$127,000 or more	$113,999 or less	$114,000 to $128,999	$129,000 or more
Married, Filing Jointly	$177,999 or less	$178,000 to $187,999	$188,000 or more	$180,999 or less	$181,000 to $190,999	$191,000 or more

Tax Year	Maximum Annual Contribution	Additional Annual "Catch-Up" Contribution (For Those Age 50 and Over)
2013	$5,500	$1,000
2014	$5,500	$1,000

Contributions are not tax-deductible.

Distributions of earnings are tax free, provided the conditions below are met.

Distributions of earnings are tax free provided account has been open for at least 5 years and one of the following applies to the IRA owner:

- Is age 59½ or older
- Becomes permanently disabled or dies
- Uses the money for a first-time home purchase (up to $10,000 lifetime cap)

Non-qualified distributions may be subject to ordinary income taxes and an additional 10% federal early withdrawal penalty tax (exceptions to the 10% federal penalty tax are the same as those for Traditional IRAs, listed to the left).

"Planning for retirement is important to us, but we weren't sure if a Traditional or a Roth IRA plan was the best choice for us. Our financial advisor reviewed our situation and recommended the best option for us—both the type of IRA and the funds to help meet our investment objectives."

Unlike Traditional IRAs, no minimum distributions are required after reaching age 70½. However, minimum distribution rules apply to beneficiaries after account owner's death.

Not applicable

This material is being provided for educational and informational purposes only. It may not address all the tax factors that you might need to consider should you decide to convert all or a portion of your Traditional, SEP or SIMPLE IRA assets to a Roth IRA. Please consult with tax and legal professionals for specific individual recommendations and advice.

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