



VANTAGEPOINT PAYROLL ROTH IRA

Complement Your Public Sector
Retirement Savings



Introduction

An Individual Retirement Account (IRA) is one of the best ways for individuals to save for retirement. IRAs are a great savings tool because earnings are either tax-deferred or tax-free, which could mean more money for you in retirement. They also may be valuable for other financial goals, such as a home purchase or college education.

Enjoying a comfortable retirement will likely require drawing upon a variety of retirement income sources. Your deferred compensation, defined contribution, or defined benefit pension plan will provide only part of the income you'll need at retirement. Two other components are Social Security (which does not cover all public sector employees) and your personal savings — including IRAs.

By opening a Vantagepoint Payroll Roth IRA, you can help diversify your retirement income sources and benefit from convenient deductions from your paycheck. You can also gain access to a broad selection of Vantagepoint Fund and other investment options.

This brochure gives you the basic information you need to get started, including how Vantagepoint Roth IRAs can help your money grow tax-free. Once you've learned about the benefits of Roth IRAs, you'll be prepared to take the next step and open a Vantagepoint Payroll Roth IRA.



What Is a Roth IRA?

A Roth IRA is a special tax-advantaged account that allows you to build savings for your retirement. With Roth IRAs you may benefit from tax-free withdrawals.



What Is a Payroll Roth IRA?

A Payroll Roth IRA is simply a Roth IRA funded through contributions made directly from your pay. Making regular contributions through payroll deduction is a simple and efficient way of building your retirement savings. In addition, it is a great way to dollar-cost average* your savings and, potentially, take advantage of market fluctuations to reduce your average investment cost.

Roth IRAs May Help Your Savings Grow, Tax-Free

Just as with your retirement plan at work, when you save through a Roth IRA, earnings on your contributions are allowed to accumulate without being subject to tax. This valuable feature — known as tax-deferred compounding — can help your savings grow faster. And, contributions may qualify for a tax credit — the Saver's Credit (see page 4).

But unique to Roth IRAs**, while contributions do not receive a tax benefit, earnings may be *tax-free* at the time of withdrawal.

* *Dollar-cost averaging does not assure profit or protect against loss in a declining market. Since it involves continuous investment, regardless of fluctuating prices, investors must consider their financial ability to continue to invest during low price levels.*

** *Some employer retirement plans allow Roth deferrals, which receive similar tax treatment to Roth IRAs.*

Roth IRA Features

The Roth IRA provides investors with an opportunity to build retirement assets without ever owing any taxes on the earnings and with the benefit of flexible withdrawal rules and options.

Contributions

The amount of money you can contribute to a Roth IRA depends on three factors: your Modified Adjusted Gross Income (MAGI), the year for which you are contributing, and whether you are 50 years old or over and entitled to make “catch-up” contributions.

While the tables on the following pages provide more details, in summary, your MAGI must be at or below \$167,000 for joint filers and \$105,000 for single filers in order for you to make the maximum allowable contribution. Contribution amounts gradually phase out for MAGI above these limits. No contributions can be made to a Roth IRA if your MAGI is \$177,000 or greater for joint filers, or \$120,000 for single filers. The phase-out MAGI range for Roth IRA contributions for married persons filing separate tax returns is \$0 – \$10,000.

The maximum you can contribute in 2010 is \$5,000 (or your annual earned income, if less) if you are under age 50 and \$6,000 if you are age 50 or over during the year.

Your spouse may also contribute up to the annual maximum, so that, as a couple, your total combined annual contribution limit is twice the maximum.

Although you may not establish a Vantagepoint Payroll Deduction Roth IRA for your spouse, a separate IRA in your spouse's name can be established. Contact our Investor Services staff at 800-669-7400 and request our *Vantagepoint Traditional and Roth IRA Enrollment Package*.

Tax Credit for Contributions

If you make a contribution to a Roth IRA (or other eligible retirement account), you may be eligible for a non-refundable tax credit of as much as \$1,000 when you file your federal income tax return. The amount of the credit is based on your first \$2,000 in contributions and will depend on your adjusted gross income (AGI), as follows:

Credit	Individual AGI	Head of Household	Joint AGI
50%	\$1–\$16,750	\$1–\$25,125	\$1–\$33,500
20%	\$16,751–\$18,000	\$25,126–\$27,000	\$33,501–\$36,000
10%	\$18,001–\$27,750	\$27,001–\$41,625	\$36,001–\$55,500

For example, if you are a joint filer with combined AGI of up to \$33,500, you can take a 50 percent credit on your Roth IRA contribution. Under this example, if you defer \$2,000 into a Roth IRA, your credit will be \$1,000 (\$2,000 multiplied by 50 percent).

Other eligibility rules apply. And certain retirement plan distributions reduce the contribution amount used to calculate the credit. For the 2010 tax year, this rule applies to distributions received after 2007 and before the due date (including extensions) of your 2010 tax return. See IRS Form 8880 for more information.

If you own both a Traditional IRA and a Roth IRA, you may make a maximum annual contribution to either, but total combined contributions to both cannot exceed the applicable annual maximum.

To determine the maximum you can contribute to a Roth IRA in any one year, find your age and contribution year in the chart below.

Annual Maximum Contribution Amount for a Roth IRA

Year	Under 50	50 and over
2010 and after*	\$5,000	\$6,000

* The limit will be indexed to inflation in \$500 increments.

Find your filing status and income in the following chart to determine your eligibility to make a Roth IRA contribution.

How Much Can I Contribute to a Roth IRA in 2010?*

Tax Filing Status	Modified Adjusted Gross Income (MAGI)	Allowable Contribution to Roth IRA
Single	Up to \$105,000	Full amount
	\$105,001 – \$120,000	Contribution is reduced by \$333.33 for every \$1,000 over \$105,000, or \$400 if over age 50
	Over \$120,000	No contribution allowed
Married/Joint	Up to \$167,000	Full amount
	\$167,001 – \$177,000	Contribution is reduced by \$500 for every \$1,000 over \$166,000, or \$600 if over age 50
	Over \$177,000	No contribution allowed
Married/Separate	Up to \$10,000	Contribution is reduced by \$500 for every \$1,000 of income
	Over \$10,000	No contribution allowed

* 2009 MAGI limits differ slightly for Married/Joint filers (up to \$166,000; \$166,001-\$176,000; and over \$176,000).

Use Your Vantagepoint Payroll Roth IRA to Consolidate Your Other Roth IRA Assets Including:

- **Transfers/Rollovers From Other Roth IRAs**

A transfer occurs when the financial institution holding the funds in your IRA sends the funds directly to ICMA-RC. If you want to transfer Roth IRA assets to your Payroll Roth IRA account, call Investor Services at 800-669-7400 to request a *Vantagepoint IRA Direct Transfer Form*.

A rollover occurs when you receive the funds from the financial institution holding the funds in your Roth IRA and you send a check to ICMA-RC. If you want to roll over Roth IRA assets to your Payroll Roth IRA, call Investor Services at 800-669-7400 to request a *Vantagepoint IRA Rollover Form*.

- **Amounts You Are Converting From a Traditional IRA to a Roth IRA**

If you are converting a Traditional IRA to your Vantagepoint Payroll Roth IRA, call Investor Services at 800-669-7400 to request a *Vantagepoint Roth Conversion IRA Enrollment Package*.

Withdrawal of Contributions

Since Roth IRA annual contributions are after-tax and are distributed first (followed by conversion assets and then earnings) you may withdraw these contributions any time, without tax or penalty, provided your aggregate distributions from all of your Roth IRAs do not exceed your aggregate Roth IRA contributions.

Withdrawal of Earnings

Earnings may be withdrawn tax-free from your Roth IRA if you meet the following conditions:

- You have held a Roth IRA account for at least a five year period, as defined by the IRS,
 - you are at least age 59½ **or**
 - you are using the money for a “first-time” home purchase (limited to \$10,000 over your lifetime) **or**
 - you are disabled or deceased.

If you do not meet the above conditions, the earnings you withdraw are subject to ordinary income tax and may be subject to a 10 percent premature withdrawal penalty.

One of the important features of Roth IRAs is that they allow owners the flexibility to use assets for today's expenses.

Penalty-Free Early Withdrawals

One of the important features of Roth IRAs is that they allow owners the flexibility to use assets for today's expenses. Roth IRA owners can withdraw both contributions and earnings at any time prior to age 59½ without paying the 10 percent early withdrawal penalty if the following apply:*

- **Qualified Higher Education Expenses:** Penalty-free withdrawals can be made to help pay qualified higher education expenses for you, your spouse, or any children or grandchildren of you or your spouse. The amount is limited to any tuition, fees, books, supplies, equipment or other eligible expenses incurred at a qualified post-secondary educational institution for the taxable year.
- **Qualified First-Time Home Purchase:** Over your lifetime, you can withdraw up to a total of \$10,000 from IRAs (not including Roth contributions but including Roth earnings) to help you, your spouse, or any children or grandchildren of you or your spouse pay for a qualified first home purchase. This withdrawal will be free from penalty taxes and ordinary income taxes, provided you have owned a Roth IRA for the five-year holding period.
- **Major Medical Expenses:** Penalty-free withdrawals can be made for qualified distributions used for unreimbursed qualified medical expenses that exceed 7.5 percent of your tax return's adjusted gross income (AGI).
- **Payment of Health Insurance Premiums by Certain Unemployed Individuals**

* *More information on these exceptions can be found in IRS Publication 590, Individual Retirement Arrangements.*

- **The Death of the IRA Owner:** Your beneficiary will receive Roth IRA earnings free from federal income tax provided a Roth IRA has been in existence for the five year holding period. Roth IRA assets included in your estate may be subject to federal and state estate taxes and/or state inheritance taxes. In any case, the death distribution will be free from penalty. Consult your tax or financial adviser for further details.
- **Disability:** Penalty-free withdrawals can be made if you are unable to participate in any gainful activity because of physical or mental impairment. These withdrawals will also be free from federal income taxes, provided you have held a Roth IRA account for the five-year holding period.
- **Substantially Equal Periodic Payments:** Penalty-free withdrawals can be made for a period of five years or until you are age 59½, whichever is greater.
- **A Series of Payments at Least Annually Over Your Life or Life Expectancy**
- **Transfer of IRA Assets Under a Divorce Decree**
- **Under an IRS Levy on Your IRA Account**



Roth IRA Features

Maximum annual contribution (2010)	The lesser of \$5,000 or earned income
Age 50 Catch-Up Contribution	An additional \$1,000 per year
Eligibility	No age requirement but an individual must have taxable compensation and MAGI within the allowable guidelines
Earnings grow tax-deferred	Yes
Earnings tax free upon withdrawal	Yes, if held five years, and you are 59½ or older, or if other rules are met
Contributions taxed upon withdrawal	No
Penalty-free withdrawals	Yes, if you are age 59½ or older. Other exceptions are discussed on pages 7 to 8.
Subject to minimum withdrawal requirement after age 70½	No
Contributions allowed after age 70½	Yes, if you have compensation, such as wages or salaries, as defined by the IRS.

No Required Minimum Distribution at Age 70½

The Roth IRA does not require minimum distributions beginning at age 70½, giving you the potential for tax-free growth and compounding beyond the point at which you would have been required to take minimum distributions from a Traditional IRA. This means you may be able to stretch your retirement savings, limit taxation of social security benefits or increased

Medicare premiums, and/or add assets to your estate.

If you converted a Traditional IRA to a Roth IRA, please see the Vantagepoint IRA brochure for information on the tax treatment of converted assets.



The Benefits of Owning a Vantagepoint Payroll Roth IRA

When you own a Vantagepoint Payroll Roth IRA you have access to ICMA-RC's Investor Services representatives who understand the retirement planning needs of public sector employees. You also benefit from:

- **Dollar-Cost Averaging:*** Contributing regularly through payroll deduction is a great way to save and potentially take advantage of market fluctuations to reduce average investment cost.
- **Investment Flexibility:** You can invest among Vantagepoint Funds, as well as numerous outside funds, with a full range of investment options, including lower-cost index funds.
- **Confirmations:** You will receive a written or electronic confirmation from ICMA-RC of each payroll deduction received for your Payroll Roth IRA.
- **Consolidated Statements:** ICMA-RC will combine records for retirement plan and IRA investments into one easy-to-understand statement.
- **Full Service:** You can access our VantageLine automated telephone service and Web site (www.icmarc.org). Account balances, statements on demand and balance transfers and contribution reallocations are available 24 hours a day, seven days a week. You may also call our Investor Services representatives during business hours at 800-669-7400.
- **A Corporation Dedicated to the Public Sector:** As a leader in providing retirement plans to public sector employees since 1972, ICMA-RC understands the special retirement savings needs you have as a public sector employee!

* *Dollar-cost averaging does not assure profit or protect against loss in a declining market. Since it involves continuous investment, regardless of fluctuating prices, investors must consider their financial ability to continue to invest during low price levels.*

The Vantagepoint Payroll Roth IRA is easy to open.

Just follow these steps:

Step 1: Read the appropriate statements. Be sure you read the *Vantagepoint Roth and Traditional IRA Custodial Agreement and Disclosure Statement* as well as the Funds Prospectuses. The Custodial Agreement and the Disclosure Statement contain detailed information on Vantagepoint Roth IRAs. The prospectus includes more information about available investments, including risks, charges and expenses. Be sure to read it carefully before you invest. These documents are available on our Web site (www.icmarc.org) or by calling Investor Services (800-669-7400).

Step 2: Complete the Vantagepoint Payroll Deduction Roth IRA Account Application. This form provides the information necessary to establish your Vantagepoint Payroll Roth IRA. After completing the application, please return it in the envelope provided in your enrollment package or mail in your own envelope

to **Vantagepoint Transfer Agents, P.O. Box 17010, Baltimore, MD 21297-1010.** It is important that ICMA-RC receive this form before we receive your first payroll deduction contribution.



Step 3: Complete the Vantagepoint Payroll Deduction Roth IRA Authorization Form. This form allows you to designate your Vantagepoint Payroll Deduction Roth IRA contribution amount and authorizes your employer to begin deducting this amount from your salary each payday. To ensure that your payroll deduction contribution begins, **please return the completed form to your employer.**

To What Year Are My Contributions Applied?

Payroll deduction contributions can only be applied towards the tax year of the applicable pay period. However, prior year contributions (or additional *current* year contributions) may be made by sending separate payments.

For example, 2009 tax year contributions may be made in 2010 up until April 15, 2010, and 2010 tax year contributions may be made in 2011 up until April 15, 2011.

Vantagepoint Funds are distributed by ICMA-RC Services, LLC, a wholly owned broker-dealer subsidiary of the ICMA Retirement Corporation, member FINRA/SIPC.



Building Retirement Security

ICMA RETIREMENT CORPORATION
777 NORTH CAPITOL STREET, NE
WASHINGTON, DC 20002-4240
800-669-7400

PARA ASISTENCIA EN ESPAÑOL LLAME AL
800-669-8216
WWW.ICMARC.ORG

BRCI00-004-0110-3698-C778