

New 403(b) Savings Opportunity: The Roth 403(b)

What is a Roth 403(b)?

If your employer offers a Roth 403(b) option under its 403(b) program, you have a new savings opportunity to consider! You can make contributions on an after-tax basis to the Roth 403(b), on a pre-tax basis to the traditional 403(b) you have today, or a combination of the two, depending upon what is best for your personal circumstances and savings goals.

How does the Roth 403(b) work?

Contributions: The limits for the contributions you make to your 403(b) program apply to your combined traditional (pre-tax) 403(b) and the Roth (after-tax) 403(b). In 2006, you can potentially contribute up to \$23,000, as follows:

\$15,000*, plus

\$ 5,000* if you are age 50+, plus

\$3,000** if you are eligible to use the 15+years of service increase

*After 2006, the limits are indexed annually and may increase over time.

**Be sure to ask your ING representative to help you with a calculation.

Contributions to your traditional 403(b) are not subject to federal (or state in most states) income tax withholding while contributions to your Roth 403(b) are subject to up front income tax withholding.

Distributions: Distributions from your traditional 403(b) are taxed at ordinary income tax rates in the year the money is received, while distributions from your Roth 403(b) are tax-free for federal income tax purposes (check the state tax rules in your own state) provided they are Qualified Distributions. A Qualified Distribution must meet the following criteria:

1. The funds must be held for a 5-year holding period, dating from the earlier of:
 - a) the first year that you contribute to any Roth 403(b) account in your employer's plan or,
 - b) if you make a rollover contribution to your Roth 403(b), the first year you

made a Roth contribution to the Roth 401(k) or Roth 403(b) from which the rollover originated.

And:

2. The distribution must be made after you have reached age 59½, are disabled, or made to your beneficiary(ies) after your death.

What are the benefits of a Roth 403(b)?

The overall benefit of the Roth 403(b) will be realized when you retire since the money in that account will be totally yours (subject to any applicable contractual deferred sales charges). As long as your withdrawal meets the Qualified Distributions rules, there will be no federal income tax due (or state income tax in most states). In contrast, distributions from a traditional 403(b) will be subject to income tax in the year the money is received.

Comparing the Roth 403(b) to the Roth IRA

The Roth 403(b) does not have the income limitations for eligibility that apply to a Roth IRA. You can shelter more money with the Roth 403(b), with its basic contribution limit in 2006 of \$15,000, compared to the Roth IRA, which has a basic contribution limit in 2006 of \$4,000.

There are no required minimum distributions in the Roth IRA, while those distributions (required at the later of age 70½ or the date you stop working for your employer) do apply to the Roth 403(b).

The Roth IRA does not have withdrawal restrictions (you can withdraw your Roth IRA funds at any time), while withdrawals from your Roth 403(b) are limited to severance of employment, financial hardship, death, disability or attainment of age 59½.

Things to Consider:

As you decide whether you want to make your 403(b) contributions on a pre-tax basis, an after-tax basis, or a combination of the two, your own personal circumstances and financial goals are important. Here are some of the questions you may want to consider:

- Are you willing to pay taxes today for tax-free distributions in the future – or would you prefer to have a current tax benefit and pay taxes on your distributions later?
- Can you afford a reduction in take home pay in order to contribute the same amount to your Roth 403(b) as you would contribute to your traditional 403(b)?
- What are your views on tax brackets? Do you expect them to go up and be greater at retirement than they are now? If so, the Roth 403(b) might be your choice; if not, the traditional 403(b) might work better for you.

- Have you accumulated substantial amounts in your traditional 403(b) and believe that balancing your retirement savings provides estate and tax-planning benefits?

Overall Tax Planning:

Ask your tax advisor if you believe you may be in one of the following situations:

- Contributing to the Roth 403(b) on an after-tax basis instead of to your traditional 403(b) on a pre-tax basis will increase your adjusted gross income.

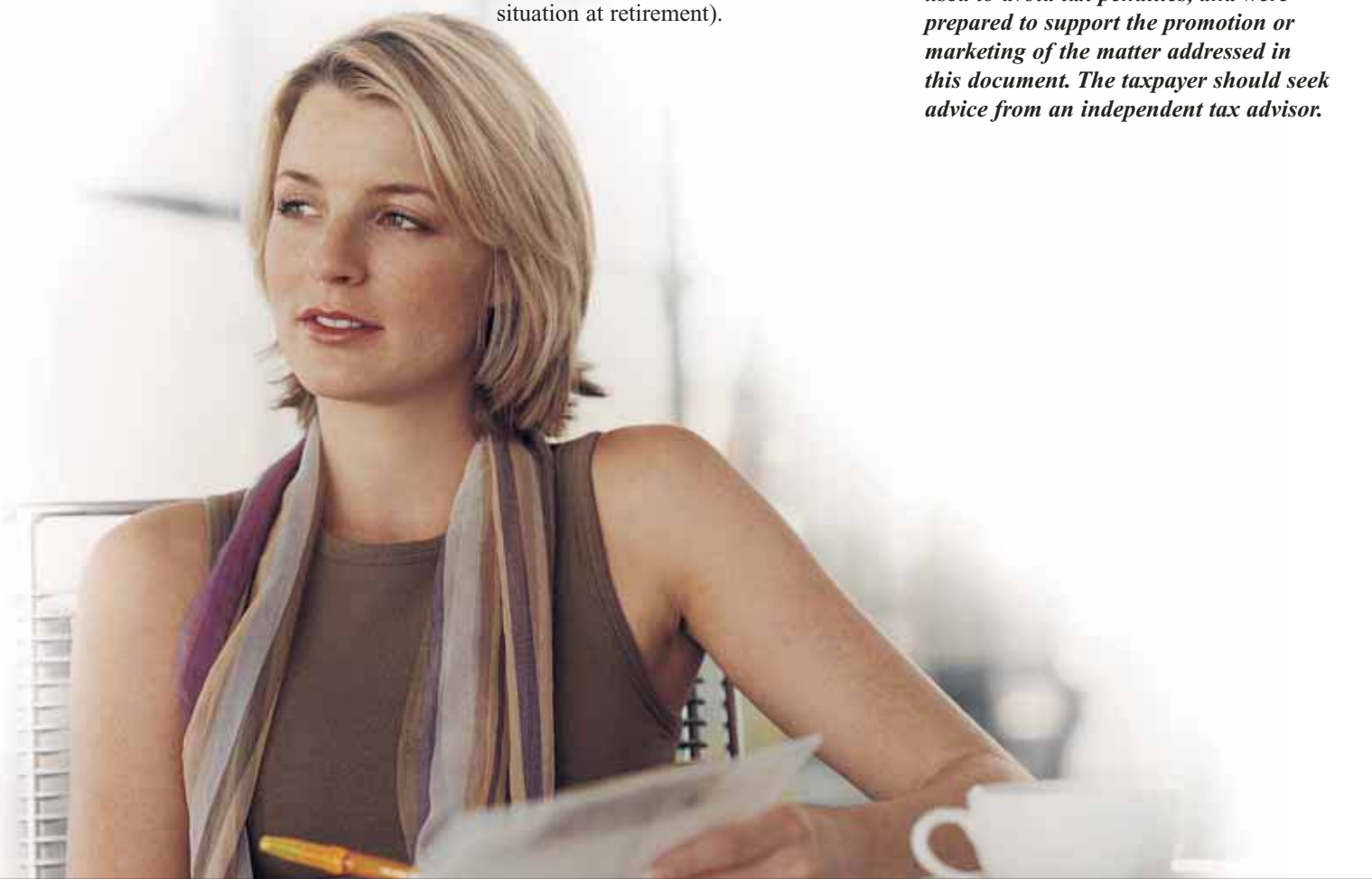
Many tax credits and deductions (for example, Student Loan deductions, Medical expense deductions and Child Care Tax Credits) are based on adjusted gross income limits.

- Social Security benefits are taxed if your income exceeds certain limits. Distributions from a traditional 403(b) count as income while tax-free distributions from the Roth 403(b) do not. It is possible that this difference could reduce or eliminate taxation of those benefits (depending on your own situation at retirement).

Ask Your ING Representative to Help:

As you weigh the benefit of future distributions on a tax-free basis from the Roth 403(b), versus the benefit of pre-tax contributions with future distributions fully taxable, remember that your ING representative will be glad to offer individual consultation on how both the Roth 403(b) and the traditional 403(b) work.

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