

IHC Financial Focus

IHC Financial Group's Monthly Newsletter - February 2010

More TSP Participants Can Transfer Accounts to a Roth IRA in 2010

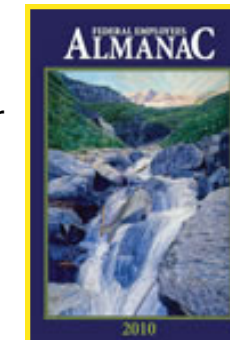
As a result of the passage of the **Pension Protection Act of 2006**, effective January 1, 2010, any owner of a qualified pension plan - this includes a 401(k), 403 (b), and 457 retirement plan and the Thrift Savings Plan (TSP) - is eligible to transfer all or part of those retirement accounts to a Roth IRA. This is regardless of an individual's filing status or adjusted gross income (AGI). Note that prior to January 1, 2010, only those individuals with AGIs of less than \$100,000 and who did not file their income taxes as married filing separately, could qualify to make such transfers. TSP account owners who: (1) have retired or left federal service, or who are currently in federal service and are at least age 59.5 and wish to make a one-time "age based" withdrawal; and (2) currently have established a Roth IRA or a "rollover" Roth IRA are allowed to rollover their accounts to a Roth IRA. However, rollovers from the TSP to a Roth IRA are subject to full federal (and state income tax, if the TSP account owner lives in a state with a state income tax) income taxes in the year of transfer. However, there is no additional 10% early withdrawal penalty upon transferring a TSP account to a Roth IRA.

If the TSP account owner requests that the TSP directly transfers the TSP account to a Roth IRA, then the TSP will not withhold any federal income taxes; but if the TSP directly sends the TSP account to the account owner, then the TSP will automatically withhold 20% in federal income taxes. The TSP account owner is responsible for paying any state income taxes due upon the transfer of a TSP account to a Roth IRA. The amount of the total tax liability will be reported on the TSP account owner's federal (and state) income tax returns in the year of transfer. For example, if a TSP account owner transfers \$30,000 of a TSP account into a Roth IRA during 2010, then the \$30,000 will be reported on the account owner's 2010 federal and state income tax returns which will be filed in the spring of 2011.

Lifting the Roth IRA transfer and conversion restriction related to the \$100,000 AGI limitation essentially allows TSP account owners for whom wealth transfer is a top priority to prepay income taxes on their TSP accounts. Furthermore, since Congress did not modify the one-year repeal of the federal estate tax enacted in 2001, for the year 2010 those TSP account owners who transfer their TSP account to a Roth IRA during 2010, pay the taxes due, but unfortunately die before December 31, 2010, will essentially pass on their TSP accounts federal estate and income tax-free to their heirs. One's outlook on future federal tax policy can also justify transferring at least some portions of one's TSP account to a Roth IRA. Many financial professionals believe that income and estate tax rates today are lower today compared to when the rates will be when most TSP account owners transfer their accounts to heirs in the future. That is why conversions from traditional IRAs to Roth IRAs make sense from the standpoint of overall tax savings. For more information, please visit www.myfederalretirement.com.

2010 Federal Employees Almanac

The 2010 Federal Employees Almanac is here and available for you to order. The 2010 Almanac will provide you with the latest information on your pay, benefits, retirement, and job security. Also included is information on how to maximize your pay and benefits, protect your job rights, resolve job disputes faster, and much more! To order the 2010 Federal Employees Almanac, please go to www.federaldaily.com.



Stonebridge Life and Transamerica Allotment Forms - Different Forms!

Just a friendly reminder that the **Allotment Forms** for Transamerica and Stonebridge Life are **different!** Please be sure you are submitting the correct forms to both New Business AND **Bank of America** with each application. To obtain a copy of these forms, please contact Elaine Brown.



Focusing on our IHC Financial Agents: Sherman Ware

IHC Financial Group appreciates our agents! Every edition of *IHC Financial Focus* will contain a section featured on one of our agents. This month's edition is featuring Sherman Ware of Covington, Georgia!

Sherman has been in the insurance business for ten years, and his favorite product to sell is the Madison National Life Secure Advantage product.

When he's not hard at work, Sherman Ware enjoys traveling in his free time. His new favorite spot for travel is Thailand because of the economy and because Thailand has a variety of vacation spots to tour. He also enjoys working out, lifting weights, water skiing, parasailing, and salsa dancing.

Sherman plans on buying a nice bouquet of flowers for his mom in honor of Valentine's Day!

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Change of Contact Information?

Recently moved? Change of email address? New cell number? Please remember to notify us of any contact information changes, so that we can update our database and always keep you up to speed on future email blasts, announcements, and mail outs. Send a quick email to Elaine Brown to notify us of any contact information updates!

Happy Valentine's Day!

Remember: **Valentine's Day is Sunday, February 14th!** Show that special someone that you care...or share a kind word to your favorite Marketing Assistant...er...any IHC Financial Group employee!

IHC Financial Group Contacts

Brian Pearson

Senior Vice President, Chief Marketing Officer

512.346.4610 x2802
bpearson@madisonlife.com

Elaine Brown

Marketing Assistant
512.346.4610 x2806
EDB@madisonlife.com

Kyla Graber

Administrative Assistant
512.346.4610 x2805
KKG@madisonlife.com