



INVESTORS ARE CONFLICTED ABOUT ROTH CONVERSIONS, FUTURE TAX RATES, AND THE GOVERNMENT'S ROLE IN THEIR RETIREMENT

Key Survey Findings

- Investors are cautious about the impact recent increased government spending may have on their retirement. However, they have confidence in the stock market's performance.
 - 36 percent of TD AMERITRADE clients surveyed believe it is at least somewhat likely that the government could take steps to reduce national debt by changing the tax-deferred status of retirement accounts such as 401(k) plans and IRA accounts. (9% very Likely/27% somewhat likely).
 - 86 percent of those surveyed believe it is at least somewhat likely that their income tax rate could be higher when they reach retirement age. (49% very likely/ 38% somewhat likely).
 - 93 percent of those surveyed believe it is at least somewhat likely that Social Security benefits will not provide enough to cover the cost of living during retirement. (79% very likely/14% somewhat likely).
 - In general, investors are optimistic about the markets. Of those surveyed, 53 percent agree that the stock market will continue to gain throughout 2010.
- Of the 65 percent of the respondents who currently have a Traditional, SEP or SIMPLE IRA, when asked their intentions regarding converting to a Roth IRA, 44 percent of investors surveyed said they are undecided. When asked why:
 - 45 percent said they do not know enough about Roth IRA conversions to make a decision at this point.
 - 35 percent said they are not sure there is a significant advantage to converting.
 - 28 percent said the tax on the conversion may not be affordable.
 - 26 percent said there are too many uncertainties about the future, i.e. income tax increase/decrease or market fluctuation, etc.
 - 20 percent said they are unsure whether they will be in a lower tax bracket in retirement.

- Thirty percent of respondents would like to consult a professional before making a decision about converting to a Roth IRA.
 - Of these, 76 percent said they would like to speak to a Tax Advisor before making a decision about converting to a Roth IRA and 58 percent said they would like to speak to a Financial Advisor before making a decision about converting to a Roth IRA.

- Of the 65 percent of the respondents who currently have a Traditional, SEP or SIMPLE IRA, forty-one percent of those surveyed do not plan to convert to a Roth IRA in 2010. When asked why:
 - 40 percent do not believe there is a significant advantage to converting.
 - 29 percent said they are unwilling to dip into savings to pay taxes on the conversion.
 - 28 percent said there are too many uncertainties about the future, i.e. income tax increase/decrease or market fluctuation, etc.
 - 27 percent expect to be in a lower tax bracket in retirement.
 - 23 percent said the tax on the conversion would be unaffordable.
 - 18 percent do not know enough about Roth IRA conversions to make a decision.

- Despite lack of commitment to convert to a Roth IRA, many indicate they would like to take advantage of the benefits that a Roth IRA could provide.
 - 57 percent are interested in learning more about Roth IRA conversions.
 - 48 percent would consider paying tax on your retirement accounts now so that future withdrawals from their retirement accounts would be tax free.
 - 42 percent agree that leaving a tax-free legacy for your heirs is one of their top financial goals.

- Investors' lack of interest in Roth conversions may be due in part to their lack of knowledge around the complex topic. When asked about the nuances of Roth IRAs
 - 61 percent did not know that it is possible to “undo” a Roth conversion and get a second chance if you convert from a Traditional IRA to a Roth IRA and the market subsequently drops.

- 47 percent did not know that Converting to a Roth IRA in 2010 allows you to pay the taxes on your IRA over a 2 year period beginning in 2011.
- 41 percent did not know that it is possible to convert just part of a Traditional IRA balance to a Roth IRA.
- 36 percent did not know it is not mandatory to take required minimum distributions from a Roth IRA at age 70 ½.

Survey Methodology

This survey was conducted online within the United States by InsightExpress on behalf of TD AMERITRADE between November 18 and November 24, 2009 among 1015 current TD AMERITRADE clients (aged 18 and over). Respondents were selected from among those who have agreed to participate in InsightExpress surveys. The margin of error in this survey is $\pm 3.1\%$. This means that in 19 cases out of 20, survey results based on 1,015 respondents will differ by no more than 3.1 percentage points in either direction from what would have been obtained by seeking the opinions of all eligible clients of TD AMERITRADE. The views expressed by respondents in these surveys are not the views of TD AMERITRADE, or its subsidiaries, and should not be considered investment guidance or any kind. InsightExpress and TD AMERITRADE are separate, unaffiliated companies and are not responsible for each other's products and services.

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⁽²⁾ thinkorswim was rated #1 overall online broker, "best for frequent traders," and "best for options traders" in *Barron's* ranking of online brokers, 3/16/2009. thinkorswim was evaluated versus others in eight total categories, including trade experience/execution, trading technology, usability, range of offerings, research amenities, portfolio analysis & reporting, customer service & access and costs. thinkorswim topped the list in 2009 with the highest weighted-average score. *Barron's* is a registered trademark of Dow Jones & Company ©2009.