

New Opportunities for American Investors



Tax-Saving Measures
from the Pension
Protection Act of 2006



Smart move.SM

Dear Fidelity Investor:

As a leader in helping people achieve retirement readiness, Fidelity is proud to present this special report on the Pension Protection Act of 2006. We hope it will help you better understand — and act on — the great new opportunities the Pension Act offers to help you secure your own and your children's future.

This report summarizes some of the key incentives the new law offers — many of them first introduced by 2001 legislation. These include:

- Continuing the higher contribution ceilings for Individual Retirement Accounts (IRAs), 401(k)s and other workplace savings plans
- Maintaining the extra catch-up provisions for folks age 50 and over
- Making permanent the federal income tax-free status of qualified distributions from 529 college savings plan accounts

When you look at the tables showing how much these new provisions can help you save, we think you'll agree that these opportunities are not to be missed.

To help you learn more, we've also provided a list of resources on page 13 that will direct you to specific areas of our **Fidelity.com** website. There you'll find additional information, easy-to-use planning tools, and calculators to help you make well-informed investment decisions.

All of us at Fidelity share your concerns about retirement security and rising health care and college costs. So I urge you to read through this guide. You'll find many ways the new law can help you and your family meet these challenges.

And if you have any questions, please visit us online at **Fidelity.com**, come into one of our Investor Centers, or call us anytime at **1-800-Fidelity**. Whatever your investment needs or plans, we will do our best to help you succeed.

Sincerely,



Robert L. Reynolds
Vice Chairman
Chief Operating Officer
Fidelity Investments

The *Pension Protection Act Report* is a special publication of **Fidelity Investments**

Publisher: Janice Morris

Senior Editors: Douglas B. Fisher,
Michele Quintaglie

Managing Editor: Polly Walker

Contributing Editors: Len Glynn, Dave Lackey, Gregory Whelan, Brian Lamar, Marcia Mantell, Thomas McGirr, Dan Besse, Neal Mughnerini, John Ragnoni, Craig Taylor, James Durning

Legal and Compliance Review: Tom Provost, Doug Kant, Allison Myers, Andrea O'Keefe, Lisa Schulz, Lori McGrath, Shayna Giachelli, Carole Ostrer, Surabhi Ahmad

Editorial and Design services provided by
SmartMoney Custom Solutions

In August 2006, President Bush signed into law the Pension Protection Act of 2006 ("The Act"). The Act contains a number of provisions that may provide expanded savings opportunities for you, including making permanent certain provisions from the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) which were originally set to expire in 2010. To the extent that this material references provisions of EGTRRA that were made permanent by The Act, please note that these provisions are subject to change by future legislation that may be passed by Congress.

The retirement planning/estate planning/tax information contained herein is general in nature, is provided for informational purposes only, and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. Fidelity makes no warranties with regard to such information or results obtained from its use. Fidelity disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

Views and opinions are expressed as of 10/12/06 and are subject to change based on market and other conditions. These materials are provided for informational purposes only and should not be used or construed as recommendations.

Fidelity Brokerage Services, Member NYSE, SIPC, 100 Summer Street, Boston, MA 02110

Viewed as “the most sweeping reform of America’s pension laws in over 30 years¹,” the new tax act offers you a host of opportunities to invest for your family’s future. Its message is clear: if you make the effort to save, the federal government will give you a hand, in the form of tax advantages.

The Pension Protection Act of 2006 gives you plenty of ways to put aside money for retirement and college — and save on your income taxes, too. It makes several previous tax law changes permanent so you can confidently contribute more to your workplace savings plan and IRA or continue catch-up contributions if you’re age 50 or over. It also gives you greater flexibility to roll over money between your employer’s plan and your IRA. If you’re saving for college, the new law also gives permanent federal income tax-free status to qualified distributions from 529 college savings plans.

¹President Bush’s remarks on signing the Pension Protection Act of 2006 on August 17, 2006.

This guide details what the new tax law can mean for your current and future savings and outlines some action plans that may help you take advantage of its benefits. Take a look. We think you’ll find that there’s never been a better time to begin saving — or start saving more — for retirement and college.

Bottom Line: The new tax law makes it easier than ever to save for your goals in a tax-advantaged fashion.

TIMELINE

Effective

Immediately

The Pension Protection Act of 2006 is enacted, making permanent a variety of tax benefits from 2001 legislation.

Among them:

- Higher maximum IRA contributions
- Higher maximum employee contributions for 401(k), 403(b), 457(b) plans, and SIMPLE-IRAs
- Additional “catch-up” contributions for people age 50 and older to IRAs and certain workplace savings plans
- Higher employer contributions for retirement plans, including simplified employee pensions (SEPs)
- Federal income tax-free withdrawals for qualified distributions from 529 college savings plan accounts
- Tax credit to encourage small companies to start retirement plans
- Tax credit to encourage individuals with modest incomes to save for retirement
- Greater flexibility to make rollovers between workplace savings plans and IRAs

The new law also introduces:

- Freedom to make charitable donations straight from your IRA if you are at least age 70½

Effective in

2007

- Taxpayers may choose to direct deposit all or part of their federal income tax refund into an IRA — or their spouse’s IRA if they file jointly²
- Non-spouse beneficiaries of 401(k), 403(a) annuity, 403(b), or governmental 457(b) plans can directly roll over inherited plan assets to an Inherited IRA
- Workplace retirement plan sponsors, investment professionals, and IRA custodians will have clearer guidelines for providing plan participants and IRA investors with access to professional investment advice
- Inflation-adjusted income limits used to determine your eligibility to make deductible IRA and Roth IRA contributions become effective
- Employers must permit plan participants to diversify out of publicly traded company stock after a specified time period

²Subject to IRA contribution eligibility rules and annual limits.

Effective in

2008

- If you are eligible to make a Roth conversion, you can arrange to roll over assets from your workplace retirement plan directly into a Roth IRA³
- Workplace 401(k) plan sponsors now have new options for automatically enrolling employees into their plans and increasing plan participation

³These Roth “conversions” will generally be included in your taxable income.

1 A BOOST FOR RETIREMENT SAVERS

Saving on Your Own • page 5

IRA Action Plan • page 6

Saving at Work

Save More at Work and Save on Taxes

The tax act is good news if you work for an employer who offers a retirement savings plan such as a 401(k), 403(b), 457(b), or SIMPLE-IRA: Now you may be able to take advantage of the higher annual pre-tax contributions made permanent by the new law to increase your savings. And, because these pre-tax contributions can effectively reduce your current taxable income (thereby lowering your overall income tax bill), you've got an even greater incentive to contribute more to your plan.

What's more, if you're age 50 or older and your plan allows it, you can make additional catch-up contributions. If made on a pre-tax basis, these extra contributions can usually lower your tax bill as well.

The table below summarizes the limits for individual contributions to most retirement plans.

Workplace Roth 401(k) and Roth 403(b) Features Become Permanent

Your employer may currently include a Roth 401(k) or Roth 403(b) feature in your plan. If you have this choice, you can direct part of your paycheck to the plan's Roth account. This allows you to make salary reduction contributions to your workplace plan with after-tax dollars, similar to a Roth IRA.

The advantage of a Roth 401(k) or Roth 403(b) feature is that you can withdraw assets later on (generally after age 59½ and after meeting certain other requirements) free from federal income taxes. You may find this particularly appealing if you expect to be in a higher tax bracket during your retirement years than you are now.

In addition, because there is no income restriction on making Roth contributions to a workplace plan, *all* employees have the ability to save with a Roth feature, giving them an option for tax-free withdrawals later on. You also may be able to split your employee deferrals between the plan's Roth account and a traditional pre-tax retirement account and make both Roth and pre-tax contributions if your plan allows.

Retirement Contribution Limits*

No matter what kind of savings plan you have, the new law may let you contribute more. Here's how much:

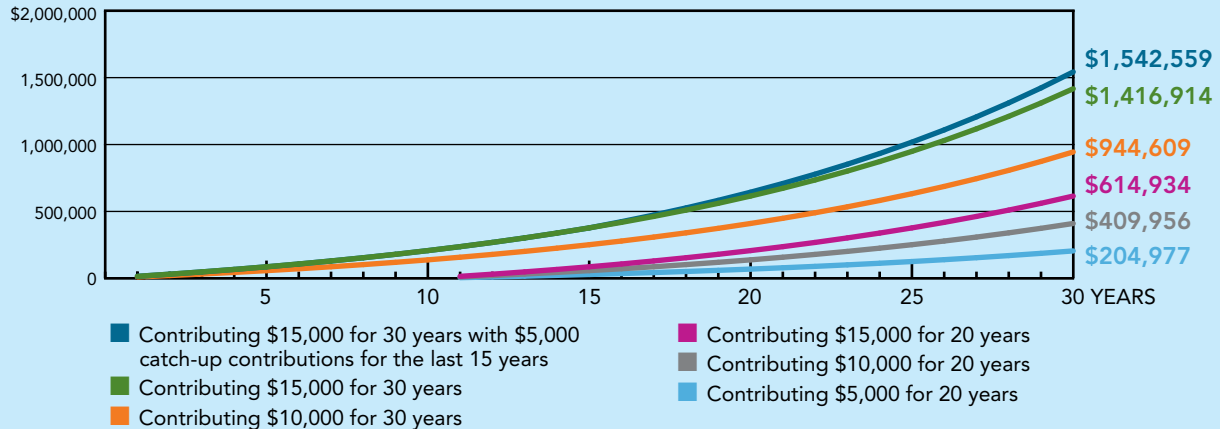
	2006	2007	2008	2009 and after
401(k)	\$15,000	\$15,500	\$15,500**	\$15,500**
401(k) Catch-up	\$5,000	\$5,000	\$5,000**	\$5,000**
SIMPLE-IRA (Small Business)	\$10,000	\$10,500	\$10,500**	\$10,500**
SIMPLE-IRA Catch-up	\$2,500	\$2,500	\$2,500**	\$2,500**
Traditional/Roth IRA	\$4,000	\$4,000	\$5,000	\$5,000**
Traditional/Roth IRA Catch-up	\$1,000	\$1,000	\$1,000	\$1,000

*Note that in certain cases, other requirements may apply in order to be eligible to contribute up to the above limits.

**Subject to cost-of-living adjustments.

Contributing More and Contributing Sooner Can Have a Dramatic Impact on Savings

A hypothetical saver who contributes the maximum to a workplace savings plan can potentially build a sizable nest egg, thanks to 30 years worth of compounding.



These hypothetical examples are for illustrative purposes only and do not represent the performance of any security. Please remember that investing involves risk, including the risk of loss.

Assumptions for hypothetical example: 7% rate of return compounded annually. An investor's account may earn more or less than this example, and income taxes generally will be due upon withdrawal. Investing in this manner does not ensure a profit nor guarantee against loss in declining markets; taxes and fees not considered.

Still, it's important to remember that although Roth contributions to a 401(k) or 403(b) are withheld from your current salary, they are made with after-tax dollars, so they won't reduce your current taxable compensation. In contrast, traditional pre-tax contributions to a 401(k) plan or 403(b) plan effectively reduce your current taxable compensation and may lower the amount of income taxes you'll pay in that year.

▶ Workplace Action Plan

- 1 Take advantage of all the retirement savings options your workplace savings plan may offer you.
- 2 If your employer offers matching contributions to your plan, be sure you're contributing enough to trigger the match. It's basically free money for your retirement.



Auto-enrollment Eliminates Savings Inertia

Most workplace retirement plans today require you to actively enroll in a plan and then choose your own contribution amounts. So, if you don't elect to join or don't select appropriate investment options, the result may be low (or no) retirement savings.

But, for plan years beginning after 2007, the new tax law will provide more specific guidelines for employers who want to automatically enroll their employees in retirement plans — in effect, permitting you to “opt out” rather than asking you to “opt in” to contributing to your plan.

If your plan offers automatic enrollment, unless you take action to not participate and decline to contribute, your contributions will be withheld automatically from your paycheck and gradually increased over time to a maximum level. And, while you will still be able to choose among the investments in your workplace plan, your employer may also offer a default investment option if you'd rather not make your own selections.

Bottom Line: Automatic enrollment may be just what you need to get started or to save more for retirement in your workplace plan — with little or no effort on your part. Your company will let you know if this is an option available to you.

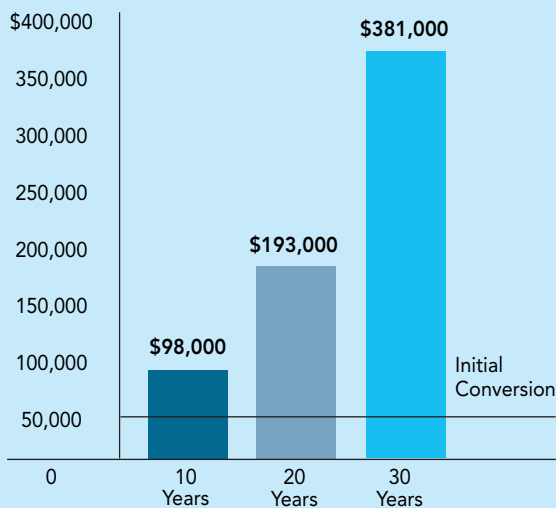
Qualified Plan Rollovers to Roth IRAs Simplified

Under previous tax rules, it took two steps to convert work-place retirement plan assets to a Roth IRA. First, you had to roll over your distribution into a Traditional IRA and then you had to convert that account into a Roth IRA. Thanks to the new tax law, this two-step procedure will no longer be necessary, although you will generally still owe federal taxes on the amount converted.

Beginning in 2008, if you're eligible to make a Roth IRA conversion, the new law will allow you to arrange for a direct (trustee-to-trustee) rollover from your retirement plan into a Roth IRA. This Roth "conversion" opportunity will be available for assets from qualified retirement plans such as 401(k), 403(b), and governmental 457(b) plans.

Rolling Retirement Plan Assets into a Roth IRA

Hypothetically, here's how an initial after-tax investment of \$50,000 into a Roth IRA can grow — tax-free — over 30 years.



This hypothetical example is for illustrative purposes only and does not represent the performance of any security in a Fidelity IRA. Please remember that investing involves risk, including the risk of loss.

Assumptions for hypothetical example: 7% rate of return compounded annually. Other Roth IRA plans may earn more or less than this example, and in certain cases income taxes will be due when withdrawals are made. Investing in this manner does not ensure a profit nor guarantee against loss in declining markets; taxes and fees not considered. Assumes that applicable Roth qualified distribution requirements have been met and that the initial investment is made with after-tax dollars from assets outside the account.

Income Limits for Roth Rollovers Gone in 2010

Thanks to tax law changes passed in early 2006⁴, retirement savers with more than \$100,000 in modified adjusted gross income will soon be able to take advantage of the direct Roth rollover/conversion rule too. Starting in 2010, the income limit for Roth conversions will be eliminated, allowing savers to take advantage of the Roth rollover/conversion opportunity regardless of income level.

What's more, if you decide to convert any assets in 2010, your federal income tax bill can be spread out over two years in 2011 and 2012 unless you elect otherwise. (For conversions after 2010, the conversion tax bill can't be stretched out.)

⁴Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA).

Bottom Line: The new incentives for Roth conversion may be appealing to many retirement savers because:

- 1 The Roth's earnings, if any, can grow tax-free
- 2 Withdrawals taken after 5 years and after age 59½ are tax-free if certain requirements are met
- 3 Roth IRAs are not subject to the same minimum required distribution rules during the IRA owner's lifetime that kick in at age 70½ for other retirement accounts

All these Roth benefits can give your assets a chance to keep growing for many years to come.

Guidelines for Giving Investment Advice

With the dizzying array of investment choices available in many retirement plans, most of us would like to have more convenient access to investment advice to help us maximize our savings — and help make sure we are socking away enough in our retirement plans to retire comfortably.

Starting in 2007, you may find there are more opportunities than ever to get the advice and guidance you may need to evaluate your retirement portfolio and to be more confident about making investment choices. Why? Because under the new tax law the government will be creating new guidelines for providing access to professional investment advice for both your workplace and personal retirement plan accounts.

Saving on Your Own

Contribute More to Your IRA — and Save More on Taxes

The tax act doesn't just help Americans who have workplace retirement savings plans. The new law also makes permanent higher contribution limits for Traditional and Roth IRAs — and the catch-up contributions for both types of accounts for those age 50 and older. (See page 2.)

If you are eligible to contribute to an IRA in 2006 and 2007, you can generally contribute up to \$4,000 each year to your IRAs, or up to \$5,000 if you are age 50 or older.

For 2008 and beyond, the annual contribution limit increases to \$5,000, or \$6,000 if you are eligible to make catch-up contributions. Thanks to the new law, after 2008 the \$5,000 limit is indexed for inflation.

More welcome news under the new tax law for retirement investors: Beginning in 2007, the income ranges for making tax-deductible Traditional IRA contributions and for making Roth IRA contributions will be increased for cost of living changes as well.

Bottom Line: Thanks to the new eligibility rules and cost of living adjustments, IRAs continue to offer good opportunities for retirement savings. More people should be able to deduct their IRA contributions and be eligible to contribute to a Roth IRA. You could be one of them.

An IRA Deduction for Workplace Savers

If you have earned income but you're not covered by a retirement plan at work, the IRS allows you to take a full deduction of your IRA contribution. If you are covered by a plan, you also may be able to take a full or partial deduction of your contribution, depending on your income.* If it is lower than the minimum shown below, a full deduction is allowed. If your income is between the given amounts, a partial IRA deduction is allowed.

Please note that there are different limits if your spouse is covered by a workplace plan.

Deductible IRA	Income Ranges**
2006 Single taxpayer	Full deduction up to \$50,000 Partial up to \$60,000
2006 Married filing jointly	Full deduction up to \$75,000 Partial up to \$85,000

Income Ranges to be Eligible for Roth IRA Contributions

If your income* is lower than the minimum shown below, a full Roth IRA contribution is generally allowed. If your income is between the ranges, a partial contribution is generally allowed.

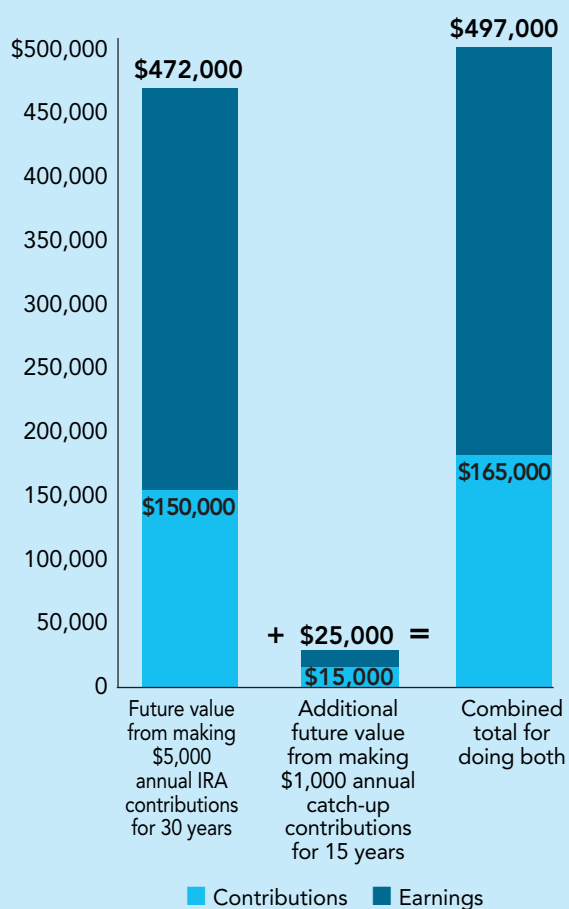
Roth IRA	Income Ranges**
2006 Single taxpayer	Full contribution up to \$95,000 Partial up to \$110,000
2006 Married filing jointly	Full contribution up to \$150,000 Partial up to \$160,000

*Income is Modified Adjusted Gross Income (MAGI) as defined for purposes of these rules.

**In the future, these ranges will be adjusted for cost of living increases, when applicable.

IRA Contributions Can Add Up

Now that higher contribution limits are permanent, here's a hypothetical example of how much an investor might save for retirement in a Traditional IRA.



These hypothetical examples are for illustrative purposes only and do not represent the performance of any security in a Fidelity IRA. Please remember that investing involves risk, including the risk of loss.

Assumptions for hypothetical example: 7% rate of return compounded annually. Other IRAs may earn more or less than this example, and income taxes will generally be due when withdrawals are made. Investing in this manner does not ensure a profit nor guarantee against loss in declining markets; taxes and fees not considered.



Simpler Savings With Direct Deposit of Tax Refunds

Here's a simple and direct way to jump-start your annual retirement savings: Starting with the 2007 tax year, if you are eligible to contribute to an IRA and you expect to receive a federal income tax refund, the new tax law allows you to have all or part of this refund deposited directly into your IRA. You may also be able to direct deposit some or all of your refund into your spouse's IRA if you file jointly. Remember these deposits are subject to IRA contribution eligibility and/or deductibility requirements and the maximum annual IRA contribution limit.

IRA Action Plan

- 1 Take a fresh look at your IRA contribution opportunities. Are you contributing the maximum? Can you deduct your contribution? Can you open or fund a Roth IRA?
- 2 If you're married, your spouse should also consider an IRA contribution. Even non-wage-earning spouses may be able to fully fund a Traditional IRA or contribute to a Roth IRA.
- 3 If you are age 50 or older, increase your savings with additional catch-up contributions.
- 4 If you're getting a federal income tax refund, consider taking advantage of the new direct deposit opportunity to contribute to your IRA.

2 COLLEGE SAVING INCENTIVES

Tax Advantages for College Savers Are Here to Stay

The new law also renews incentives to save for college by making the favorable tax treatment of 529 college savings plans permanent, including tax-deferred growth of any earnings and qualified withdrawals that are free from federal income taxes.

The Benefits of Saving with a Plan

529 college savings plans are flexible, tax-advantaged accounts designed specifically for college savings. While they are offered by individual states, you don't have to be a resident of a particular state to invest in that state's plan.

With a 529 plan, a parent, grandparent, or other individual (the account "participant") establishes the account

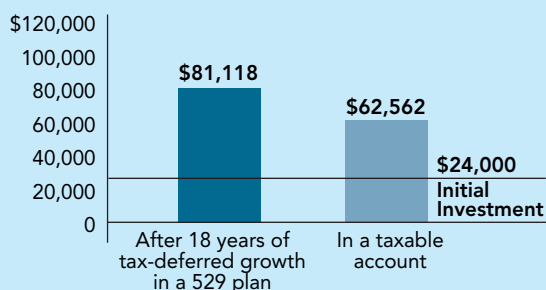
on behalf of a college-bound child (the "beneficiary") and maintains control over the account and withdrawal of the assets. Contributions to the plan are made with after-tax dollars and are generally invested in a portfolio of mutual funds managed by professional fund managers.

Additional provisions for 529 plans offer gift and estate tax planning opportunities for people in a position to make large, lump-sum contributions to a child's education.

The plans have no income limits and many offer high total contribution limits as well, often over \$250,000. You are not limited to state schools and can use your savings at any accredited college or university nationwide — and even at eligible foreign institutions. If the original beneficiary decides not to pursue higher education goals, you can change the beneficiary of the account to another family member of the original beneficiary, including yourself. Or you can take a non-qualified distribution from the account. (Keep in mind that if you decide to take a non-qualified distribution, any earnings are subject to federal income taxes as well as a 10% penalty.)

Jump-Start College Savings

John and Helen have two small children, and they want to start saving for their college expenses. They can contribute to a 529 college savings plan and enjoy tax savings. If they open an account for each child and make an initial lump-sum contribution of \$12,000 to each one, their total college savings could grow to over \$80,000 in 18 years. When the kids reach college age, qualified withdrawals can be used — free from federal income taxes — to cover their expenses. Here's how an initial investment of \$24,000 may hypothetically grow in a 529 plan as compared with a taxable account.



This hypothetical illustration is not intended to predict or project investment performance. An investor's results will vary.

Assumptions for hypothetical example: 7% return compounded annually. Earnings in the taxable account are taxed each year at a 21.9% federal tax rate. The tax-deferred account assumes all distributions will be used for qualified higher education expenses and, therefore, are federal income tax-free. (The tax-deferred account further assumes no state income taxes. State taxes, account fees and expenses are not taken into account. If account fees and expenses were deducted, performance would be lower.) Past performance is no guarantee of future results.

▶ College Savings Action Plan

- 1 Check in your home state first to see if there are any state income tax advantages or other benefits from contributing to an in-state college savings plan.
- 2 Open a separate 529 plan account for each child, with the children you're saving for named as the beneficiaries.
- 3 Set up automatic monthly payments⁵ or begin with a larger lump-sum deposit. Remember, there may be gift- and estate-planning opportunities associated with a larger contribution.
- 4 Consider a plan's investment manager, investment options, plan performance, and underlying fees and expenses when determining which plan may be best for you.

⁵Periodic investment plans do not guarantee a profit or protect against a loss in a declining market.

3 BIG NEWS FOR SMALL BUSINESS

New Incentives for Small Business Owners

The new tax law represents a small-business-friendly policy from the Federal government. It makes permanent the higher annual contribution limits for retirement plans used by small businesses. And, if you don't have a plan in place, you may be able to claim a tax credit for starting one.

If you are self-employed or own a small business⁶, this is welcome news because now you can establish any one of a wide range of retirement plans — a profit sharing plan, 401(k), SEP-IRA, SIMPLE-IRA, or even a defined benefit pension plan⁷ — and put aside substantial tax-deductible dollars for yourself and your eligible employees. These deductible contributions can be made by you, by the business, or by both, depending on the type of plan you select.



Tax Credit for New Plans

If you've held off on starting a plan for your business because of concerns about cost, the new tax law makes permanent a valuable incentive to save for your (and your employees') future. You may be entitled to a tax credit of up to \$500 or half the cost of starting the plan (whichever is smaller) for each of the first three years you have the plan if certain requirements are met. Certain administration and education costs incurred can be included to determine the amount of the credit, as well.

Offering a retirement plan at the workplace is one way to help retain your current employees and may be an attractive benefit to potential new employees. In addition, your employees can couple saving for retirement in a plan you offer along with saving in a Traditional or Roth IRA, based on eligibility and deductibility limits. This is a powerful benefit for your employees, with a significant tax-deduction opportunity for you.

The table on page 9 shows the maximum that can be contributed to the various small business plans. It highlights how much your employees might be able to contribute and the maximum you may be able to deduct per participant.

⁶You may establish a qualifying small business retirement plan if you are incorporated or unincorporated, if you are self-employed or a sole proprietor, or if your business is organized as a partnership or limited liability company (LLC). To qualify for the credit you must have at least one employee who is not a "highly compensated employee" and no more than 100 employees.

⁷Contribution limits to a defined benefit pension plan depend on a number of factors, including your age and compensation (and those of other covered employees, if any).

Bottom Line: The new tax law makes permanent incentives to encourage small business owners to save for retirement with higher contribution limits. And a tax credit for new plans gives an added push to those who felt the startup and administration costs of savings plans would be prohibitive.

Small Business Action Plan

1 If you don't already have a plan — and want to take advantage of the generous tax credit — talk with a tax or benefits professional regarding which type of plan may be right for you and your business.

2 If you do have a plan, contact a tax or benefits professional to determine whether making larger contributions or switching to a different type of plan may help you achieve your retirement goals while gaining additional tax advantages for your business.



Maximum Combined Employee/Employer Contributions in 2006 For Small Businesses*

	401(k) or Self-Employed 401(k)	SIMPLE-IRA Plan	SEP-IRA and Profit Sharing	Defined Benefit Plan
Under age 50	\$15,000 + employer contribution, up to \$44,000 in total*	\$10,000 + up to 3% of compensation match or \$20,000**	up to \$44,000*	\$175,000
Age 50 and older	\$20,000 (including \$5,000 catch-up) + employer contribution, up to \$49,000 in total*	\$12,500 (including catch-up) + up to 3% of compensation match or \$25,000**	up to \$44,000*	\$175,000

*The dollar amounts shown will be indexed for inflation after 2006. Actual maximum allowable contributions may be lower than the amounts shown, due to other tax-law restrictions and plan design features. For example, in many cases, employer contributions are limited to 25% of compensation.

**Compensation for purposes of non-elective employer plan contributions is capped at \$220,000 for 2006 and is indexed for inflation thereafter.

4 EVEN MORE TAX BENEFITS

For Non-Spouse Inheritors • page 11 For Dividend and Capital Gains • page 12

Giving to Charity from Your IRA

If you're over age 70½ in 2006 and 2007, the new law allows you to donate the taxable portion of an IRA directly to a qualifying tax-exempt charity without triggering any federal income taxes. In effect, the new rule generally gives you an immediate 100% charitable contribution deduction for the amount distributed from your IRA to a charity. It means you no longer have to worry about itemized deduction restrictions that might limit your write-offs for charitable gifts made "the old-fashioned way" (by writing personal checks). The charitable distribution can also satisfy your minimum required distribution for the year.

This favorable new rule for "qualified charitable distributions" is only available for 2006 and 2007, with a maximum contribution of \$100,000 for each year.

Under the old rules, which will be reinstated after 2007 unless Congress takes further action, you could not donate money directly out of an IRA. Instead, you had to take a distribution from the account, include the taxable amount of the distribution on your Form 1040, donate the cash to charity, and claim an itemized charitable deduction. Unfortunately, tax law limitations on itemized charitable deductions could cause the allowable write-off to be less than the income triggered by the IRA distribution. The tax act solves this problem for 2006 and 2007.

The direct donation option is not available for contributions to donor-advised funds or private foundations and is not available for SEPs or SIMPLE-IRAs.



▶ Age 70+ Action Plan

- 1 Consider giving to charity directly from your IRA if you don't itemize deductions or if you're affected by limitations on itemized charitable write-offs.
- 2 If you don't need all of your minimum required distribution, think about making a direct donation.
- 3 Be sure that the recipient organization meets the requirements of this rule before giving from the IRA.
- 4 Remember to consult your tax advisor, particularly if any of your IRAs hold after-tax or non-deductible contribution amounts.

Rollover Opportunities for Plan Beneficiaries

With the new tax act, more people who inherit retirement plan assets will have the opportunity to defer taxes on those assets.

Beginning in 2007, individual workplace savings plan beneficiaries who are not spouses can make direct rollovers of inherited assets from a qualified retirement plan, 403(a), 403(b), or governmental 457(b) plan into an Inherited IRA. In the past, only surviving spouse beneficiaries had the option to roll over inherited plan assets to an IRA. All other beneficiaries were required to receive their inherited distributions from the plan, in many cases soon after the death of the plan participant — often with a huge and unwelcome tax hit.

There are some caveats: To stay tax-deferred and to stretch out the distributions and tax payments, the inherited plan assets must be deposited into a special Inherited IRA through a direct trustee-to-trustee transfer. (You cannot receive a distribution directly or your opportunity to roll over will be lost and applicable income taxes will be due for that same year.)

In addition, once the rollover is complete, the beneficiary will need to begin taking annual distributions from the new Inherited IRA and pay any resulting income taxes according to the minimum required distribution rules generally

applicable to IRAs. Fortunately, it's usually possible to stretch out these distributions, and the related income taxes, over the life expectancy of the beneficiary based on an approved IRS table. So, particularly if you're young, you may still have many years of tax-deferral ahead.

Bottom Line: Consider keeping any money you inherit from a qualified retirement plan working for your own retirement in an Inherited IRA.

Inheritance Action Plan

- 1** Make sure you have updated your beneficiaries on all workplace retirement savings plans. Check your current plan and any previous employer plans.
- 2** If you inherit workplace savings plan assets and you are a non-spouse beneficiary, consider opening an Inherited IRA and requesting a direct rollover with a trustee-to-trustee transfer.
- 3** Stretch out the withdrawals over your life expectancy to manage the tax payments each year.



Keep More of Your Inheritance

Jennifer, age 40, is the beneficiary of her Uncle Bob's 401(k). In 2007, he passes away, and his account is valued at \$100,000. Under the original 401(k) plan's provisions, Jennifer would have to pay tax on the \$100,000 by the fifth anniversary after Uncle Bob's death. Under the new tax law, Jennifer can potentially extend the payout, which may save on taxes and allow her to save more for her future retirement. Here's what she'll need to do:

- Open an Inherited IRA account.
- Instruct Uncle Bob's plan administrator to roll over the assets to her new Inherited IRA with a trustee-to-trustee transfer.
- Begin taking annual minimum required distributions from her Inherited IRA, starting the year after Uncle Bob's death. For the first two years of the payout, these distributions are calculated as follows using IRS tables.

Minimum payout at age 41: 2.34% of account balance = \$2,340.00

Minimum payout at age 42: 2.40% of remaining account balance = \$2,343.84

By using the extended payout schedule, Jennifer minimizes the portion of her Inherited IRA that is currently subject to tax. And because her Inherited IRA account is drawn down slowly, she has the continuing opportunity to take advantage of tax-deferred growth for years to come.

The above example is used for illustrative purposes only.

Favorable Dividend and Capital Gains Rates

In early 2006, Congress also extended the lower federal income tax rates on long-term capital gains and qualified dividends, which is great news for those who invest in taxable accounts.

Through 2010, the maximum federal rate on most long-term capital gains and all qualified dividends is 15%. Unless Congress takes further action, the maximum rate on long-term capital gains will go back up to 20% in 2011, and the maximum rate on qualified dividends will go back to being taxed at ordinary income tax rates, which under current law are scheduled to be as high as 39.6% in 2011. But until then, you can reap the benefits of these lower rates on the assets in your taxable accounts.

More Good News

In addition to the taxpayer-friendly changes that we've already covered, the new tax law has even more good news for savers, including:

- **Saver's tax credit of up to \$1,000.** For individuals with modest incomes who contribute to IRAs, 401(k)s, and certain other plans, the credit is now permanent. This could be especially valuable to young workers who are just beginning to save.
- **Faster diversification out of employer stock.** If your workplace savings plan includes publicly traded company stock, you may be able to diversify sooner to protect your assets.
- **Eased hardship distribution rules.** Under certain circumstances, new rules allow for early withdrawals of retirement plan assets.
- **Military early withdrawal option.** Qualified reservists may take early withdrawals from retirement accounts without paying the usual 10% penalty. If you served on active duty between September 11, 2001 and December 31, 2007, you are eligible to withdraw from your Roth or Traditional IRA or your workplace plan. The tax relief is retroactive, so if you've already paid the penalty you can claim a refund from the IRS.

Bottom Line: Although your savings are your responsibility, the Pension Protection Act offers you a helping hand. Whether you're saving for retirement or college, this is a good time to put money away for the future — and save on taxes, too.



5 RESOURCES

Log on to Learn More

No matter what your savings needs are, [Fidelity.com](https://www.fidelity.com) is here to help. From online calculators to assistance with your investments, it can be a great place to learn about IRAs, 529 plans, mutual funds, annuities and more.

If you're saving for retirement, you'll want to take advantage of the resources available at [www.Fidelity.com/retirement](https://www.fidelity.com/retirement). You'll find valuable information to help you plan for the retirement you deserve.

Planning	Use powerful tools to help you set goals — and work toward them
Investing	Get help with investing or make informed choices on your own
Management	Stay on top of your retirement plan with ease

The retirement resource center also offers solutions for consolidating your 401(k) from an old job using a Rollover IRA, plus help for savers nearing retirement and those who've already made the transition. You also can learn more about opportunities for retirement savings with:

- IRAs
- Small Business Plans
- Annuities

College savers can visit [www.Fidelity.com/college](https://www.fidelity.com/college) to explore their options. From savings calculators to tax-advantaged accounts, you'll find what you need to help maximize your education savings.

- Learn about 529 plans
- Compare other college savings choices to a 529 plan
- Estimate how much you may need and which account options can help get you there

For information on how to benefit from the Pension Protection Act, visit [Fidelity.com/pensionact](https://www.fidelity.com/pensionact).

Life, liberty, and the pursuit of a happy retirement.

In this country, you enjoy certain rights. And one of them should be the ability to fund your retirement. The recently passed Pension Protection Act of 2006 just made it that much easier. What's not so easy is figuring out what it means for you. Fidelity can help you understand the benefits of:

- ▶ **Permanent increases in 401(k) and IRA contributions.**
The contribution limits once due to expire in 2010 are now permanent. Annual IRA contribution limits are scheduled to further increase in 2008. What's more, most of these limits may go up as the cost of living increases.
- ▶ **Permanent tax advantages for 529 college savings plans.**
Federal income tax-free distributions for qualified higher education expenses that were set to expire in 2010 are now permanent.
- ▶ **Improvements to 401(k)s and pension plans.**
These changes are intended to make it easier to save for retirement and help make sure company pensions are more secure.

To learn more about how these changes might impact you, visit Fidelity.com/pensionact today.



Smart move.®

▶ VISIT Fidelity.com/pensionact
CALL 1.800.FIDELITY to speak to a Fidelity Representative.