

There's an IRA that's Right for You

Have you made your IRA contribution for this year? Or, is this the year to get started?¹

Roth IRA

Traditional IRA

Coverdell Education Savings Account

What's the difference? How do you decide? Should you have all three? Choosing the right IRA can be complicated. The right solution depends on your personal and financial circumstances. By calling today, you'll find out what you need to know about:

- Tax advantages of the Roth IRA versus the traditional IRA.
- Why you may want to convert a traditional IRA to a Roth IRA.
- Why the Roth IRA may be an estate planning tool.
- Tax advantages of the traditional and Roth IRA for a first-time home buyer.
- Tax advantages of funding a Coverdell Education Savings Account.
- Why the traditional IRA might still be the right IRA for you.
- Tax advantages of the "saver's credit," which provides a federal income tax credit of up to \$2,000 to certain low and moderate income taxpayers who make retirement savings contributions (including contributions to traditional or Roth IRAs, SIMPLE-IRAs and salary reduction contributions to SEPs or Keogh Plans).

Make an appointment today
to learn more about IRAs.

Call 800-253-0412.



IRA and Keogh Plans At-A-Glance

	Traditional IRA	Roth IRA	Coverdell Education Savings Account
How Much Can I Contribute?	Up to \$5,000 in 2011 and 2012 (or 100% of earned income, if less). For individuals who will reach at least 50 years of age by December 31, the annual limit is increased by \$1,000 in 2011 and 2012. These amounts are offset by any contribution to a Roth IRA.	Depending on adjusted gross income, up to \$5,000 in 2011 and 2012 or 100% of earned income, if less. For individuals who will reach at least 50 years of age by December 31, the annual limit is increased by \$1,000 in 2011 and 2012. These amounts are offset by any contribution to a traditional IRA.	Depending on modified adjusted gross income, up to \$2,000 per child for 2011 and 2012. If additional accounts are established for a child, total contributions to all accounts of that child must not exceed the total amount above.
Tax Deductibility	Generally, a full deduction is available for individuals who are active participants in an employer plan with modified adjusted gross income below the following limits. 2011 Limits: Single filers ≤ \$56,000 (phase in > \$56,000 but < \$66,000), Married filing jointly ≤ \$90,000 (phase in > \$90,000 but < \$110,000), Married filing separately full deduction not available (phase in to the extent < \$10,000). 2012 Limits: Single filers ≤ \$58,000 (phase in > \$58,000 but < \$68,000), Married filing jointly ≤ \$92,000 (phase in > \$92,000 but < \$112,000), Married filing separately full deduction not available (phase in to the extent < \$10,000). Generally, a full deduction is available for individuals who are not active participants in an employer plan if your modified adjusted gross income is below the following limits. 2011 Limits: Spouse is also not eligible to participate in employer plan no limit (regardless of filing status) Single filers no limit, Married filing jointly ≤ \$169,000 (phase in > \$169,000 but < \$179,000), Married filing separately full deduction not available (phase in to the extent < \$10,000). 2012 Limits: Same as above, except married filing jointly ≤ \$173,000 (phase in > \$173,000 but < \$183,000).	Contributions are non-deductible.	Contributions are non-deductible.
Contributions	Anyone under age 70½ at the close of the contribution year with earned income, regardless of income level. A non-working spouse generally may make a contribution based on the working spouse's earned income (less any contribution the working spouse made to their own IRA) up to the individual contribution limit.	Generally, anyone with earned income is eligible to make a contribution if their modified adjusted gross income is below the following limits. 2011 Limits: Single filers < \$122,000 (subject to phase out from \$107,000 up to \$122,000), Married filing jointly < \$179,000 (subject to phase out from \$169,000 up to \$179,000), Married filing separately (if you lived with your spouse at any time during the year) < \$10,000 (subject to phase out from \$0 up to \$10,000). 2012 Limits: Same as above, except single filers < \$125,000 (subject to phase out between \$110,000 and \$125,000); married filing jointly < \$183,000 (subject to phase out between \$173,000 and \$183,000).	Contributions can be made by anyone with modified adjusted gross income of less than \$95,000 (single or filing separately) or \$190,000 (joint) to a fund for an individual under age 18 or prior to 2013 an individual over 18 who has special education needs. Partial contributions may be made by individuals with modified adjusted gross income between \$95,000 and \$110,000 (single or filing separately) or \$190,000 and \$220,000 (joint). No contribution may be made by individuals with modified adjusted gross income in excess of these limits.
Tax Advantages	Earnings are tax-deferred. Contribution is potentially tax-deferred.	Tax-free investment growth if the account has been open and funded for 5 years and certain requirements are met.	Any growth of the account is tax-deferred. Withdrawals used for college expenses (elementary and secondary prior to 2013) are tax-free.
Withdrawals	Withdrawals based on tax-deductible contributions are subject to ordinary income tax. If a withdrawal is made before age 59½, the withdrawal is also subject to a 10% penalty tax unless one of the following exceptions applies: the withdrawal is due to your death or disability, is one in a series of substantially equal payments over your life expectancy, is used to pay qualified higher educational expenses, pay certain medical expenses, pay medical insurance premiums while unemployed, or to satisfy certain IRS tax liens or the withdrawal of up to \$10,000 is used to pay for a first-time home purchase ³ or is a qualified disaster-related distribution. ⁴ Withdrawals are mandatory after age 70½ in order to avoid a 50% excise tax. If you made non-deductible contributions, then earnings are tax-deferred.	Qualified distributions are tax-free. A distribution is qualified if it is made after the account has been open for 5 years and made after you are age 59½ or on account of your death, disability or for a first time home purchase of up to \$10,000. If a distribution is non-qualified, the earnings portion of the withdrawal is subject to income tax. Also, the earnings portion of a non-qualified distribution made before age 59½ is subject to a 10% penalty tax unless an applicable exception applies such as the withdrawal is used for qualified higher education expenses or used to pay certain medical expenses (see the exceptions for a traditional IRA).	Money may be withdrawn tax-free during the beneficiary's school years to pay for qualified higher education expenses ⁵ and pre-2013 qualified elementary and secondary school expenses. If not withdrawn by age 30, there will be a penalty. Withdrawals used for expenses other than qualified higher education expenses may be subject to a 10% penalty tax, and earnings may be subject to federal income taxes. The penalty and income inclusion does not apply if transferred to another eligible member pre-2013 of the beneficiary's family under age 30 or is a special needs beneficiary.
"Look-Back" Period	Contributions can be made during a "look-back period" with respect to the prior year until the due date of your federal income tax return without regard to extensions (generally April 15th of the following year).	Contributions can be made during a "look-back period" with respect to the prior year until the due date of your federal income tax return without regard to extensions (generally April 15th of the following year).	Contributions can be made during a "look-back period" with respect to the prior year until the due date of your federal income tax return without regard to extensions (generally April 15th of the following year).
Rollovers and Transfers	You may generally roll over/transfer to and from other traditional IRAs and to and from qualified employer-sponsored plans. You can also roll over or convert your traditional IRA to a Roth IRA.	You may roll over or convert your traditional IRA to a Roth IRA. You may generally roll over or transfer qualified retirement plan dollars to a Roth IRA (generally subject to income tax inclusion).	Generally, you may roll over assets from one Coverdell Education Savings Account to another Coverdell ESA for the same beneficiary or a member of the beneficiary's family who is under age 30. ⁶

	Simplified Employee Pension (SEP)	SIMPLE-IRA	Keogh Plan (Employer Qualified Plan)
Description	This plan allows you to make deductible contributions toward your own and your employees' retirement without getting involved in more complex retirement plans. ²	These plans are available to employers with less than 100 employees who earned \$5,000 or more in compensation from the employer in the previous year and who do not sponsor any other active retirement plan. Contributions can be made either by a non-elective contribution, matching contribution or by salary reduction. Salary reduction is an agreement with the employee to have salary reduced each payroll period to be contributed by the employer to a SIMPLE-IRA on behalf of the employee. ²	There are two different types of Keoghs: 1. Money purchase plan: The employer contributes a certain percentage of each employee's compensation every year based on the amount selected in the plan document. 2. Profit sharing plan: The employer may have the flexibility to determine the contribution percentage each year. The employer may base the contribution on profits. A salary reduction feature may also be available. ²
Tax Deductibility	All contributions within applicable limits are tax deductible by the employer. Contributions are not taxable to an employee until withdrawn, and earnings in the account are tax-deferred.	All contributions within applicable limits are tax deductible by the employer. Contributions are not taxable to an employee until withdrawn, and earnings in the account are tax-deferred.	All contributions within applicable limits are tax deductible by the employer. Contributions are not taxable to an employee until withdrawn, and earnings in the account are tax-deferred.
Contribution Limits ⁷	Contributions made by an employer for a year for a common-law employee cannot exceed the lesser of \$49,000 (in 2011; \$50,000 in 2012) or 25% of the employee's compensation, up to a maximum of \$245,000 in 2011 (\$250,000 in 2012) in compensation. For self-employed individuals certain adjustments must be made to income in determining the 25% limit.	The maximum annual salary reduction contribution that can be made on behalf of an employee is \$11,500 for 2011 and 2012. For individuals who will reach at least age 50 within the applicable year the annual limit is \$14,000 for 2011 and 2012. The employer selects between matching employer contributions, which cannot exceed 3% of the employee's compensation, or non-elective contributions of 2% of an employee's compensation (in either case up to the maximum compensation limits specified under SEP).	Annual money purchase plan contributions are a fixed percentage between 1% and 25% as selected by the employer in the plan document. The employer may only change the percentage by amending the money purchase plan. Annual profit sharing plan contributions can be between 0% and 25% and the employer may have the flexibility to determine the percentage each year. If a salary reduction feature is included, employee elective contributions of up to \$16,500 for 2011 (\$17,000 for 2012) can be made. In addition, an employer may make matching contributions. Total contributions (employer and employee) generally cannot exceed \$49,000 in 2011 (\$50,000 in 2012) or 100% of compensation, if less. ⁷
Participants	Any employee who is at least 21 years old and has performed "service" in at least 3 of the last 5 years must be permitted to participate under the SEP unless his or her total annual compensation is less than \$550 for the year.	Generally any employee who received at least \$5,000 in compensation from the employer during any 2 years prior to the current year, and is reasonably expected to receive at least \$5,000 in compensation during the calendar year for which contributions are made.	Employees who receive compensation for the year. Age, hours of service and years of service requirements may apply, and employer contributions may be subject to vesting requirements.
Withdrawals	The traditional IRA withdrawal rules apply. Thus, generally withdrawals are subject to ordinary income tax, and if a withdrawal is made prior to age 59½, the withdrawal is also subject to a 10% penalty tax unless one of the exceptions listed in the traditional IRA section applies.	Generally, withdrawals are subject to ordinary federal income tax. If a withdrawal is made prior to age 59½, the withdrawal is also subject to a 10% early withdrawal penalty tax unless one of the exceptions listed in the traditional IRA section applies. If such a withdrawal is made during the 2-year period following the date on which an employee first participated in the SIMPLE-IRA, the 10% early withdrawal penalty tax is increased to 25%.	Your plan document designates how withdrawals occur. Some profit sharing or 401(k) plans permit hardship withdrawals. Most plan withdrawal provisions are for death, disability, retirement, severance from employment or plan termination. ⁸ Generally, withdrawals are subject to ordinary income tax.

Making the Right Choice

Generally speaking, a traditional IRA may be better suited if you are a taxpayer who is eligible to make deductible contributions and expect your tax rate in retirement to be lower than it is today. If, on the other hand, you expect your tax rate to be the same or higher in retirement, a Roth IRA may be the better choice.

Your financial and tax advisors can provide the guidance you need in making the right choice.

Call us today at 800-253-0412.

¹ IRA contributions for a year may be made as late as the due date of your federal income tax return for that year (generally April 15th of the following year).

² A deduction for an IRA contribution may be available in the absence of this (and similar employer-sponsored) arrangements.

³ Qualified first-time home purchase expenses include: acquisition costs incurred by taxpayer, spouse, child, grandchild or parent or other ancestor of the taxpayer or spouse for the purchase of a principal residence. Buyer cannot have owned a residence during the past two years.

⁴ In addition, certain active military reservists may make certain withdrawals without incurring a 10% penalty tax. Such reservists may also retribute the amount of the withdrawal within two years of the end of the active duty period without regard to the applicable contribution limits described. Also, to fund a qualified health savings account, a distribution may be made from a traditional or Roth IRA (but not a SEP, SIMPLE-IRA or Keogh plan) without a 10% penalty tax.

⁵ Qualified Higher Education Expenses include: post-secondary tuition, fees, books, supplies, equipment, certain room and board expenses for a student (taxpayer, spouse, child or grandchild) enrolled at an eligible educational institution on a full- or part-time basis.

⁶ Certain military death payments may also be rolled over without regard to the annual contribution limits described.

⁷ The Internal Revenue Code imposes a cap on compensation.

⁸ If a withdrawal is made before age 59½, the withdrawal may also be subject to a 10% penalty tax generally unless one of the exceptions described in the traditional IRA section applies or it is made as a result of separation from service after age 55. The 10% early withdrawal penalty tax exceptions for first-time homebuyers, qualified higher education expenses, qualified health savings account funding distributions and medical premium payments while unemployed do not apply, and the exception for substantial equal payments over life expectancy applies only if the participant has separated from service.

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