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Morgan Stanley

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"The new year is a time for resolutions, and our professional resolution for 2002 is to serve all of your financial needs even better through more frequent communication. We believe that Investor's Quarterly *is one vehicle that can help us reach that goal. Tell us what you think of this issue and what topics you would like to read about in the future.* Investor's Quarterly *is written for you, and your comments will go a long way to help us realize our New Year's mission — better customer service through better customer communication."*

Changing jobs or retiring:

The advantages of IRA rollovers

Individual Retirement Accounts (IRAs) are tax-favored investment accounts designed specifically for accumulating retirement assets. Within an IRA, you may hold a variety of investments such as stocks, bonds and mutual funds.

You may qualify to deduct all or part of your contributions, depending on your income and whether you or your spouse participates in a qualified retirement plan at work.

Changing jobs or retiring?

If you are about to receive a lump-sum distribution from your former employer's qualified retirement plan, you may want to consider rolling the assets into a traditional IRA instead of taking the cash sum.

The IRS requires a 20 percent withholding tax be placed on all lump-sum distributions. By directly rolling over your distribution into a new IRA through a trustee-to-trustee transfer, you can avoid this withholding.

In addition, an IRA rollover can preserve the tax-deferred status of your nest egg. This means that you don't pay taxes on the accumulated interest, dividends or capital gains until you withdraw them, presumably during retirement.

Most rollover accounts offer a variety of investment options — from mutual funds to professionally managed portfolios — and so are suitable for a wide range of investors.

For traditional IRAs, you are required to begin making withdrawals by the time you reach age 70½. Withdrawals are subject to ordinary income taxes.

Starting in 2002, the maximum annual contribution you may make to your IRA is the lesser of 100 percent of your earned annual income or \$3,000.* If you are over age 50 in 2002, you may also make supplemental annual "catch-up" contributions of up to \$500. Both dollar amounts will increase further in the coming years.

Contact us today for more information on IRA rollovers. Together with your tax advisor, we can help you determine if an IRA is right for your retirement program.

**This dollar limit is \$6,000 for married couples filing jointly, with no more than \$3,000 going into either spouse's IRA. Limits for individual contribution will increase to \$4,000 in 2005, and \$5,000 in 2008.*