A Good Move

Leslie recently started a new job and is already savvy about saving for retirement. For 2011, she was able to contribute the maximum $16,500 to her new retirement plan. But there's even more she can do to maximize the potential of her retirement savings.

Considering her options

At year-end, Leslie received a $5,000 estate gift check from her elderly grandmother. So she puts the windfall to work by opening up an IRA, making the maximum contribution—$5,000—for 2011. Since she has until April 15, 2012 to do so, she takes the time to weigh the tax advantages of a Traditional IRA against those of a Roth IRA. Eventually, Leslie settles on the Roth IRA. While there is no up-front tax deduction for her contribution, once the Roth account has been open for five years and she is 59½ or older, all her withdrawals will be tax-free.

Rolling it over

Leslie needs to decide what she'll do with her retirement plan from her former employer. First, she could transfer the money to her new employer retirement plan. Or she could consider a Rollover IRA if she's eligible. Either way, there are no tax implications if the money is rolled over to a qualified plan or a Rollover IRA. Plus, with a Rollover IRA, she can choose virtually any investment option. Leslie is making the most of her investing opportunities. If she continues to contribute the maximum allowed each year, over time she'll have a good chance of meeting her retirement goals.

Fictional people are used in this hypothetical example, which is for illustrative purposes only and does not represent any specific product or advice.

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