Seligman Investments
EXPERIENCE • INSIGHT • SOLUTIONS

WHAT'S NEW FOR IRAs?

Opportunities in the Pension Protection Act of 2006

This outline summarizes some important provisions related to Individual Retirement Arrangements (IRAs) contained in the Pension Protection Act of 2006 (PPA). It does not describe in detail the requirements that must be satisfied in order for these provisions to be made available. Unless otherwise noted, all provisions were effective beginning January 1, 2007.

Seligman Advisors, Inc. does not provide tax, accounting, or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding US federal, state, or local taxes. Please consult your own independent advisor as to any tax, accounting, or legal statements made herein.

Death Benefit IRA Rollovers for Non-Spouse Beneficiaries

OPPORTUNITY: Now, all beneficiaries of qualified retirement plan assets can make an IRA rollover, avoiding the adverse tax consequences associated with a lump-sum cash distribution.

Previously, only a spousal beneficiary could roll over inherited qualified plan assets to an IRA and stretch the distributions over their life expectancy. Non-spouse beneficiaries were required to take a taxable lump-sum cash distribution instead. Under the PPA, any beneficiary can elect to make a direct rollover of inherited qualified plan assets to an IRA, extending the tax-deferred status of the assets. Required minimum distributions will be based on the beneficiary's life expectancy.

Direct Rollovers from Qualified Plans to Roth IRAs — beginning 2008

OPPORTUNITY: Those with an adjusted gross income (AGI) under $100,000 may elect to roll their employer-sponsored retirement plan assets directly to a Roth IRA.

Previously, an individual would first make a rollover from his qualified plan to a Traditional IRA, and then — provided his adjusted gross income fell under the $100,000 ceiling for eligibility (whether single or married filing jointly — married taxpayers filing separately are not eligible) — he could convert that to a Roth IRA. Under the PPA, beginning in 2008, qualified plan rollovers can be made directly to a Roth IRA in one step. Upon conversion, ordinary income taxes will be due on pre-tax contributions and investment earnings. However, the Roth IRA allows for tax-free qualified withdrawals. Note that the income limit for a conversion applies to this transaction only until 2010.

Roth IRA Conversions for All — beginning 2010*

OPPORTUNITY: Investors seeking tax diversification who are currently not eligible to contribute to and/or convert to a Roth IRA can build up their Traditional IRAs over the next few years, and then make a Roth IRA conversion in 2010.

Currently, Roth IRA conversions and direct rollovers from a qualified plan to a Roth IRA are restricted to single filers or joint filers with an AGI under $100,000 (those who are married filing separately are not eligible). Beginning in 2010, there are no income limits or filing status restrictions for either a Roth IRA conversion or direct rollover. As a bonus, taxable income generated by these 2010 conversions may be spread over 2011 and 2012.

Deposit Tax Refunds into IRAs

OPPORTUNITY: Funding your IRA could be as easy as checking a box on your annual tax return.

Taxpayers who are due an income tax refund can direct all or a portion of their refund to their IRA, as well as up to three different bank accounts.

* This provision was created under the Tax Increase Prevention and Reconciliation Act of 2006.

Penalty-Free Distributions for Military and Public Service Personnel

Opportunity: Reservists may withdraw funds from retirement accounts without incurring the normal 10% early-distribution penalty.

Members of the Reserves called to active duty for more than 179 days between September 11, 2001, and December 31, 2007, may take a penalty-free early distribution from an IRA, 401(k), or other retirement account. Amounts withdrawn can subsequently be re-contributed up to two years after the end of active duty (re-contributions are not subject to normal annual contribution limits).

Seligman Targ*ETF*unds℠: Simple Solutions for IRA Investors

Each of the five Seligman Targ*ETF*unds is a target-date mutual fund investing in an array of exchange-traded funds (ETFs) based on the **Seligman Time Horizon Matrix®** asset allocation and risk management strategy.*

Asset allocations are strategic and based on extensive proprietary Seligman research that takes advantage of the fact that longer holding periods dramatically change the relative risk of asset classes. Although past performance does not guarantee future results, this allows us to make prudent allocations over certain time frames to asset classes that historically have above-average returns. And, our investment process includes a risk management system that steadily and automatically shifts allocations from more-volatile to less-volatile asset classes over a specified time frame.

Structured as traditional open-end **mutual funds**, Seligman Targ*ETF*unds invest primarily in ETFs, which provide cost-effective diversification† and reduce active manager risk. The ETFs are carefully chosen to seek to track the asset classes in our underlying asset allocation strategy — including a variety of asset classes not traditionally found in target-date funds, such as emerging markets, international small-cap stocks, real estate securities, and Treasury Inflation Protected Securities (TIPS).

- **Seligman Targ*ETF*und Core℠**, intended for those who are retired or expect to retire in a short period of time or otherwise intend to seek withdrawals from invested assets, or who seek to hold over an indefinite time frame a diversified, balanced portfolio with exposure to equity and fixed-income asset classes.
- **Seligman Targ*ETF*und 2015℠**, intended for those who expect to retire around the year 2015.
- **Seligman Targ*ETF*und 2025℠**, intended for those who expect to retire around the year 2025.
- **Seligman Targ*ETF*und 2035℠**, intended for those who expect to retire around the year 2035.
- **Seligman Targ*ETF*und 2045℠**, intended for those who expect to retire around the year 2045.

* The asset allocation of Seligman Targ*ETF*und Core is maintained over time and does not migrate toward a future target date.

† A typical investor would incur lower costs through an investment in Seligman Targ*ETF*unds (which includes professional portfolio management based on Seligman's proprietary Time Horizon Matrix research) as compared to a direct investment (without professional portfolio management) in the same ETFs held by the Seligman Targ*ETF*unds. Such cost comparison takes into consideration transaction costs, sales charges, and expenses, as applicable. Diversification does not assure a profit or protect against loss in a declining market.

Risk Information

The stocks of smaller companies may be subject to above average market-price fluctuations. A portfolio with fewer holdings may be subject to greater volatility than a portfolio with a greater number of holdings. The products of technology companies may be subject to severe competition and rapid obsolescence, and technology stocks may be subject to greater price fluctuation, government regulation, and limited liquidity as compared to other investments. There are specific risks associated with global investing, such as currency fluctuations, foreign taxation, differences in financial reporting practices, and rapid changes in political and economic conditions. Because of the risks associated with investing in securities of emerging market companies, such an investment should be considered speculative and not appropriate for individuals who require safety of principal or stable income from their investments. Investments in real estate securities may be subject to specific risks, such as risks to general and local economic conditions, and risks related to individual properties. Bonds are subject to interest-rate risk, credit risk, prepayment risk, and market risk.

Investments by the Funds in the ETFs involve risk, including the risk of loss of principal. An investor in a Fund will indirectly bear the operating expenses of the ETFs in which the Fund invests. Thus, the expenses borne by the investor will be higher than if he or she invested directly in the ETFs, and the returns may therefore be lower. To the extent that a Fund has a substantial percentage of its assets exposed to an industry or sector through its investment in the ETFs, the Fund's performance may be negatively affected if that industry or sector falls out of favor.

This material is authorized for use only in the case of a concurrent or prior delivery of the offering prospectus of a Seligman Mutual Fund. You should consider the investment objectives, risks, charges, and expenses of a Fund carefully before investing. The prospectus, which contains information about these factors and other important information about a Fund, should be read carefully before investing.