



Perspective on Lump Sum Distributions

The Lump Sum Distribution ...

Your client has just received a distribution from XYZ Corporation. They have opened a *Moors & Cabot Rollover IRA* account, into which they have deposited the proceeds. ... How best to invest the distribution?

Working the IRA ...

While we are not qualified to give tax advice, distributions from IRA accounts to beneficiaries over age 59½ are typically *not* subject to "premature distribution" penalties (currently at 10%). The earnings on the amount in the IRA are, and typically continue to be, tax-deferred (i.e., the earnings, if any, compound on a pre-tax basis). They are not typically subject to annual tax reporting to the extent that the investment *continues* in an IRA. Any distribution, that amount of which is taken, is added to adjusted gross income and taxed on the basis of ordinary income, in the year disbursed.

The Basic Plan ...

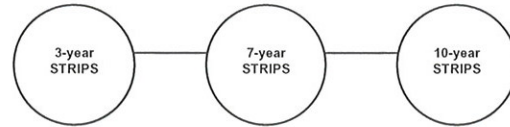
Establish a target date to reach age 70½ (a pro-rata distribution based upon actuarial values *must start* to be taken after reaching age 70½). The target date of 70½ allows reconfiguration of the assets for the pro-rata distribution based upon actuarial values after reaching age 70½.

Depending upon their current and near future disposable cash needs the proposed portfolios may suit their objectives:

Three Strategies ...

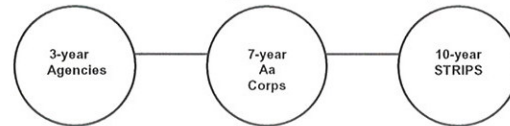
The first strategy assumes that *no supplemental annual income is necessary* at present or in the near future. This is an **All-Growth** portfolio. In this portfolio, STRIPS (i.e., Zero Coupon US Treasuries) are selected in a variety of maturities, as a hedge against future interest rate swings. For example, three tranches of maturities in: the end of the first third of "life" to age 70½; the end of the second third of "life" to age 70½; and the last third to age 70½, allow an attractive dynamic. Maturing securities may be rolled over into future STRIPS, at then current market rates. *Thus, an interest rate hedge.* Or, conversely, if supplemental income is then desired, the "natural" maturities of the earlier

tranches provide opportunities to reconfigure the strategy ... without market risk, as the bonds mature. At these points all, or portions, of the maturing bonds may then be reinvested in income producing securities.



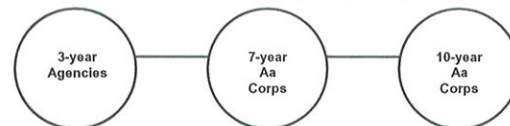
The All-Growth Portfolio

The second strategy is a combination of **Growth and Income**. As in the prior portfolio a variety of maturities are also selected, as a hedge against future interest rate swings. The portfolio is comprised of a diverse selection of high quality corporate bonds or Federal Agency securities with a mix of STRIPS, at the target date (at 70½). The income is from coupon bonds; the growth is realized in the appreciation of the STRIPS. This portfolio "spins off" income per year that (a) may continue to accumulate on a tax-deferred basis in the IRA, all or portions of which may be reinvested as significant amounts accumulate; or (b) all or portions of which may be distributed, as a supplement to annual income. Finally, That portion of the portfolio invested in STRIPS "grows" to maturity.



The Growth and Income Portfolio

The third strategy assumes that no annual income supplement is desired, at this time, and is therefore an **All-Income** portfolio. As in the other portfolios, a variety of maturities are selected as a hedge against future interest rate swings. However, the total portfolio is comprised diverse selection of high quality interest bearing corporate bonds or Federal Agency securities, the entire annual earnings being a supplement to annual income.



The All-Income Portfolio