

RETIREMENT
INSIGHTS

Guide to Retirement

2011 Edition

J.P. Morgan

J.P.Morgan
Asset Management

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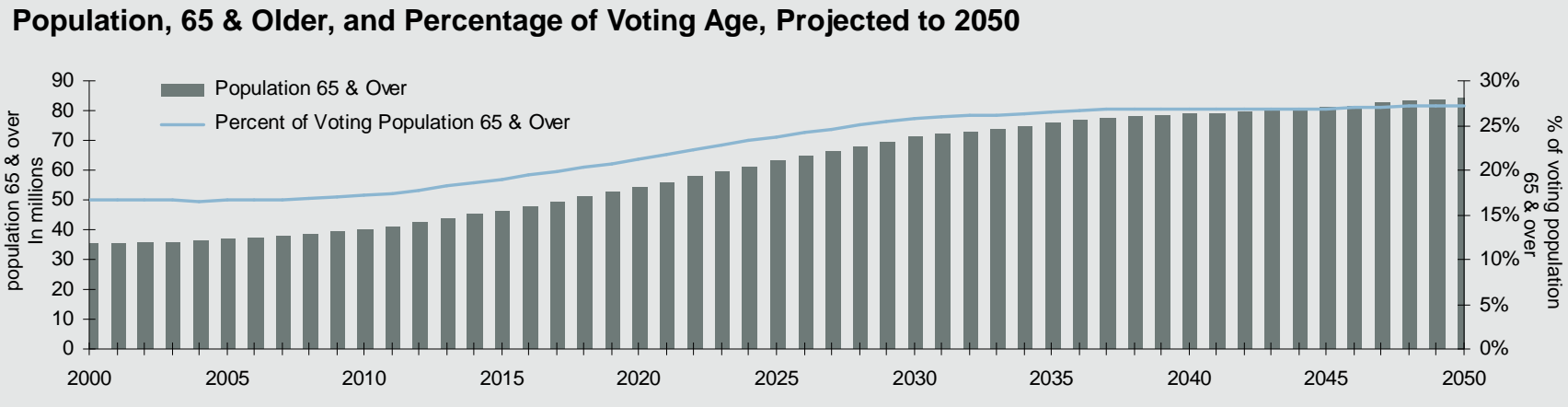
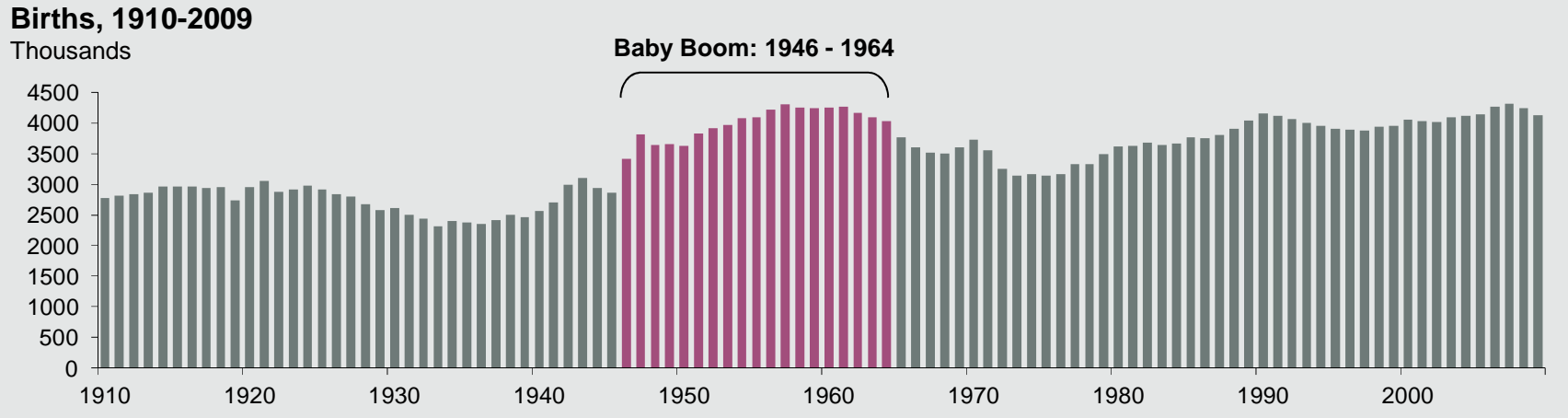
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Past performance is not indicative of comparable future results.

Boomers are hitting “retirement age,” but those over 65 are only 17% of the voting population

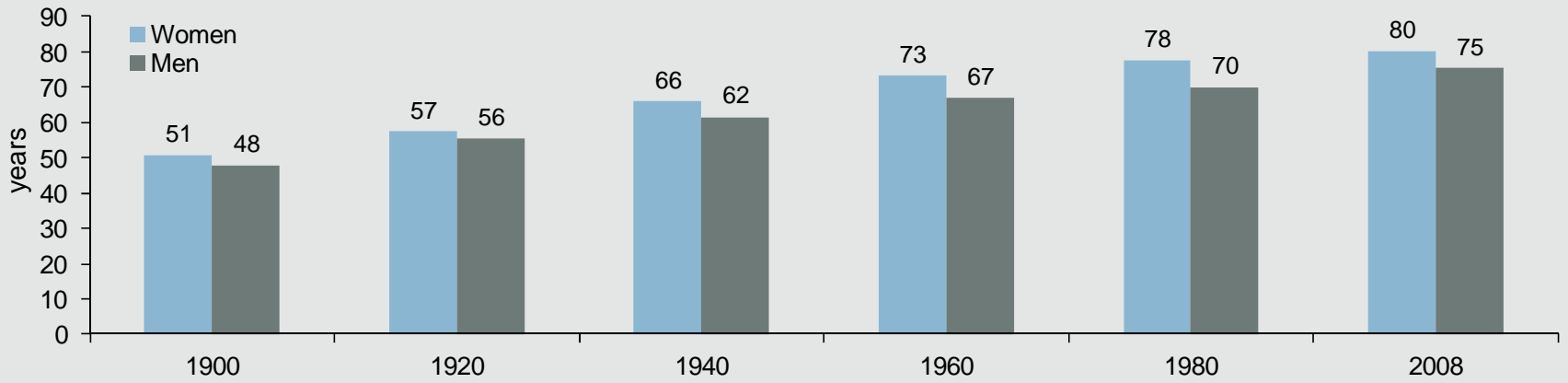


Source (Top chart) :Centers for Disease Control and Prevention, National Vital Statistics Reports.

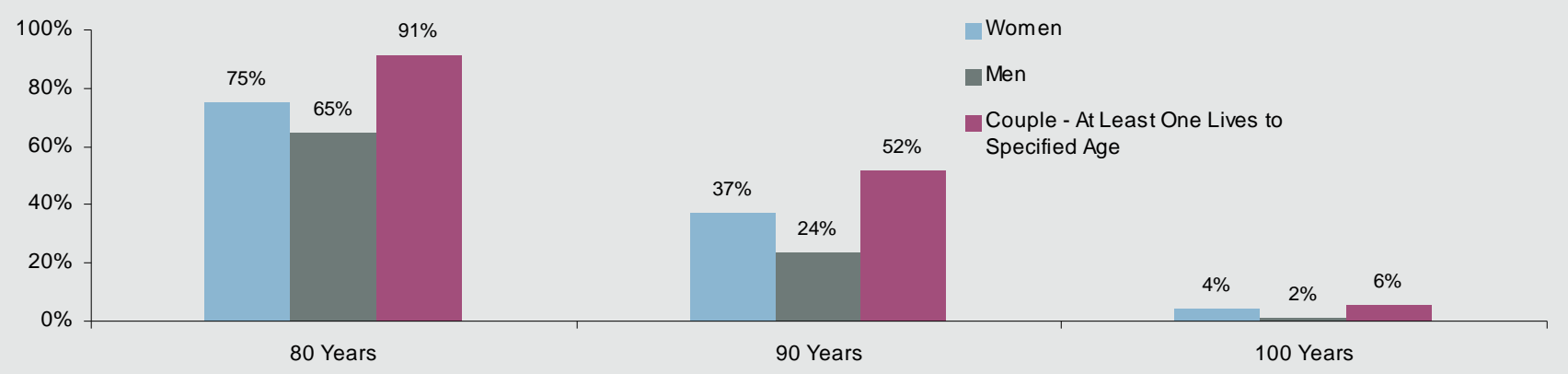
Source (Bottom chart): Population Division, U.S. Census Bureau, November 2010.

If you are 65 today, consider the probability of living to 80, 90 or even 100 years old

Life Expectancy at Birth



If You're 65 Today, The Probability of Living to a Specific Age

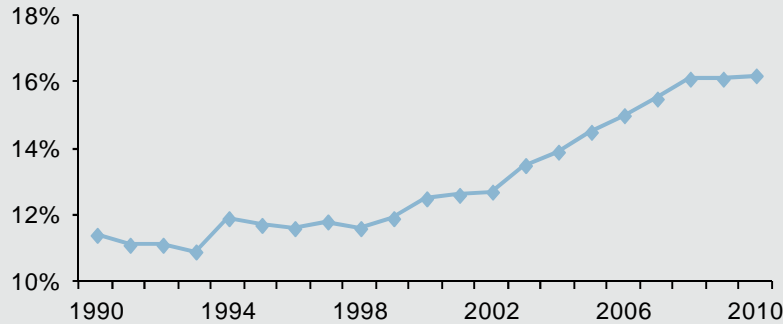


Source (Top chart): Centers for Disease Control and Prevention. Data as of December 2010.

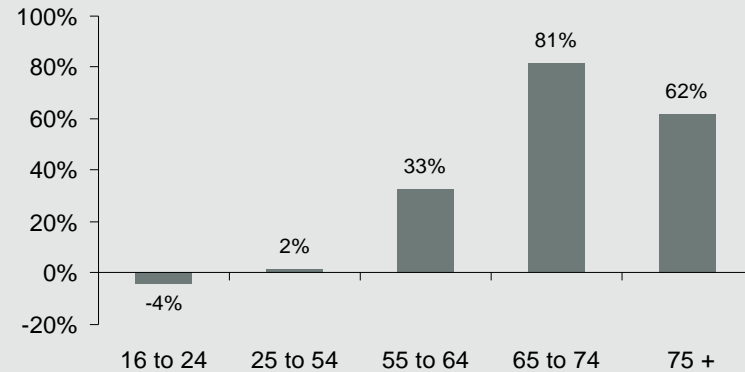
Source (Bottom chart): Society of Actuaries, "Key Findings and Issues, Longevity: The Underlying Driver of Retirement Risk," 2005 Risks and Process of Retirement Survey Report, July 2006.

More people are working beyond the age of 65 than ever before

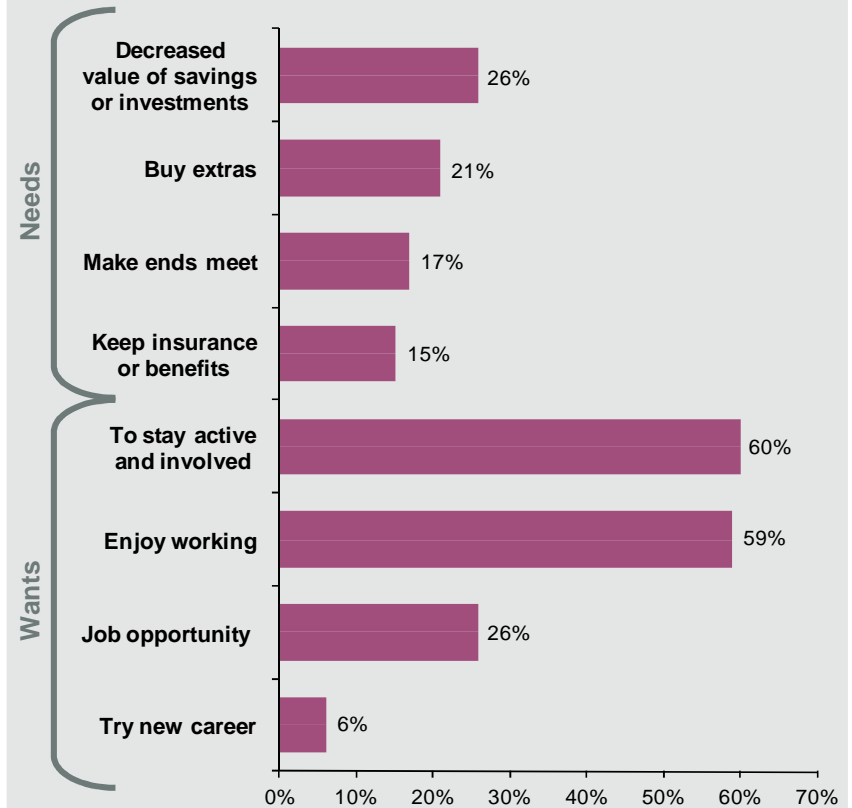
Percent of People Over 65 Currently in the Civilian Labor Force, 1989 - 2010



Labor Department Projected Percentage Change in Labor Force by Age, 2008 - 2018



Major Reasons Why People Work in Retirement



Source (Top left chart): Bureau of Labor Statistics. Data as of December 31, 2010.

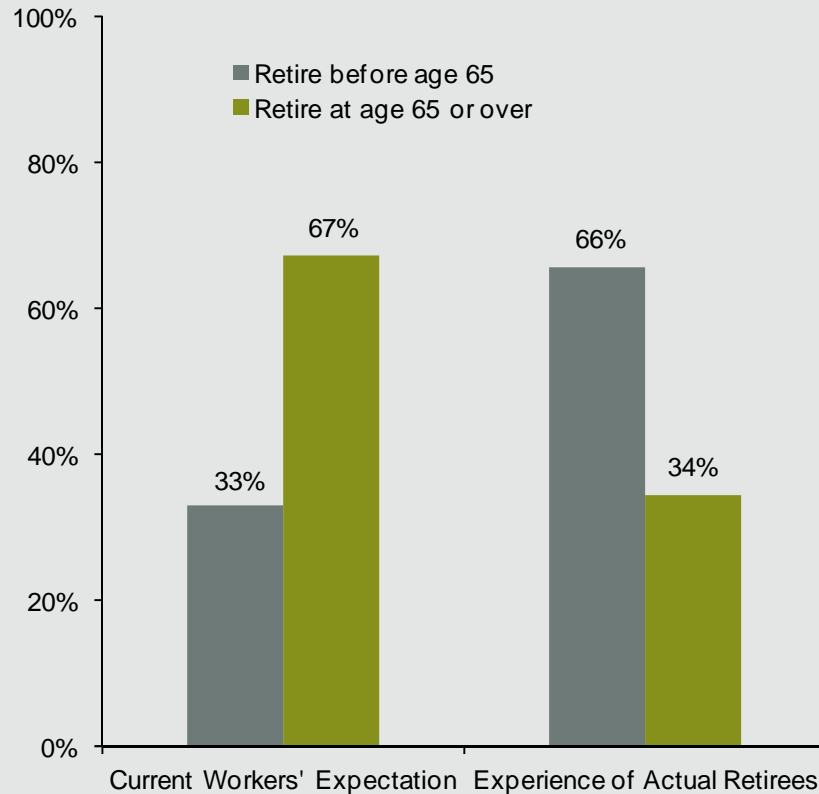
Source (Bottom left chart): Bureau of Labor Statistics. Data as of December 31, 2008.

Source (Right chart): Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2010 Retirement Confidence Survey. Data as of March 2010.

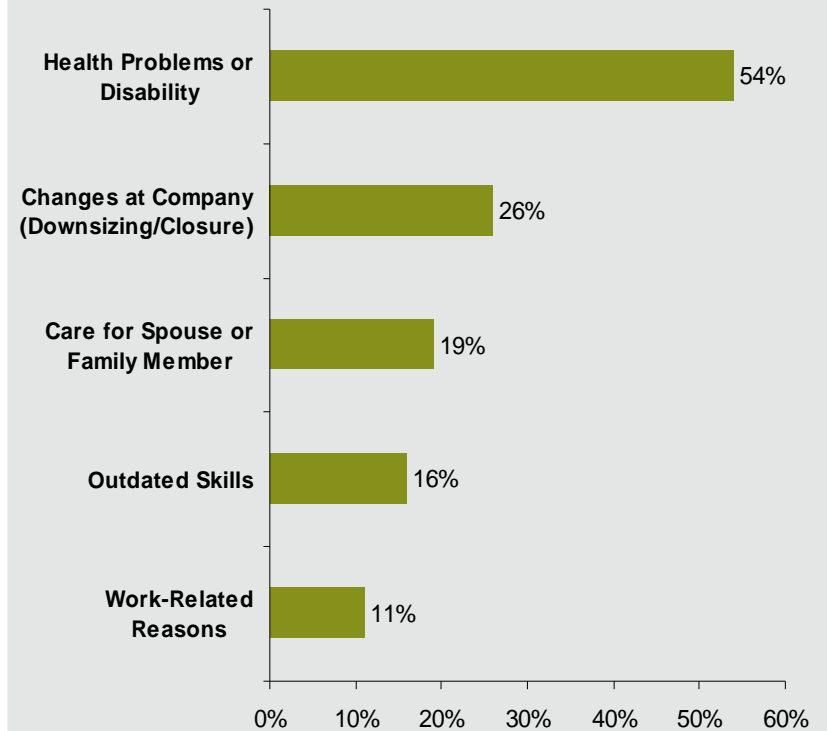
Although more Americans are working past 65, not everyone is able to

Environment

Current Expectations of Retirement vs. Experience of Actual Retirees



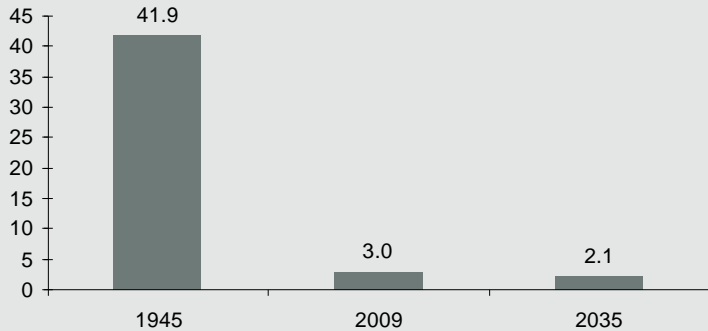
Negative Reasons Cited for Retiring Earlier Than Planned



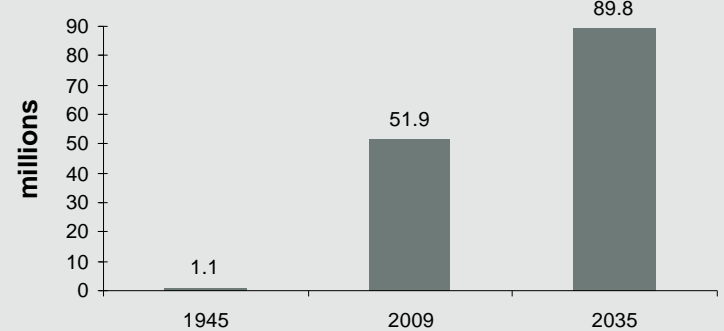
Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2010 Retirement Confidence Survey.

Many worry over the future state of Social Security

Workers per Social Security Beneficiary



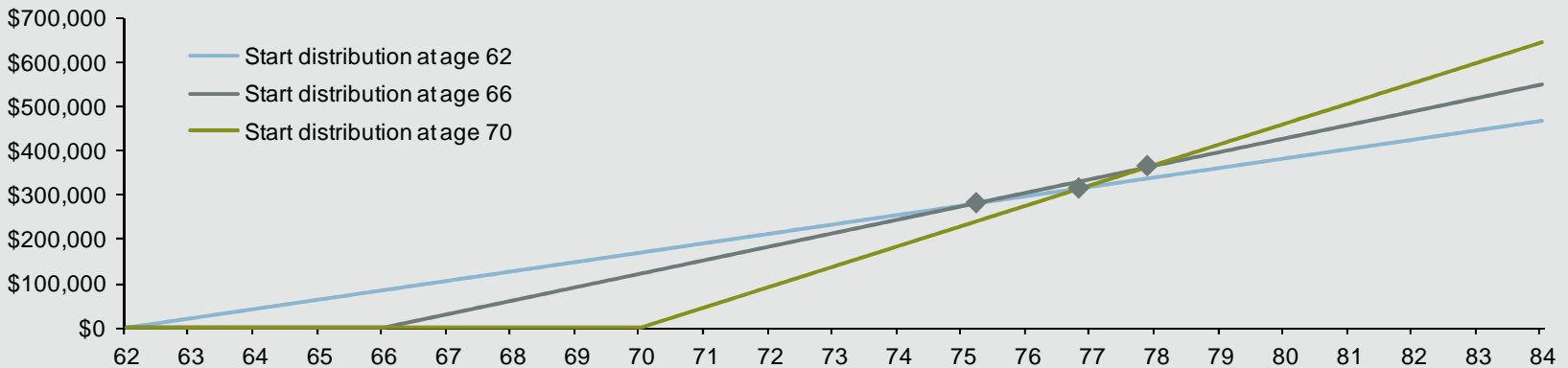
Individuals Receiving Social Security Benefits



Those at retirement age should evaluate the tradeoffs in delaying benefits

Social Security Break-Even Analysis

Estimated total benefits if distributions begin at a certain age



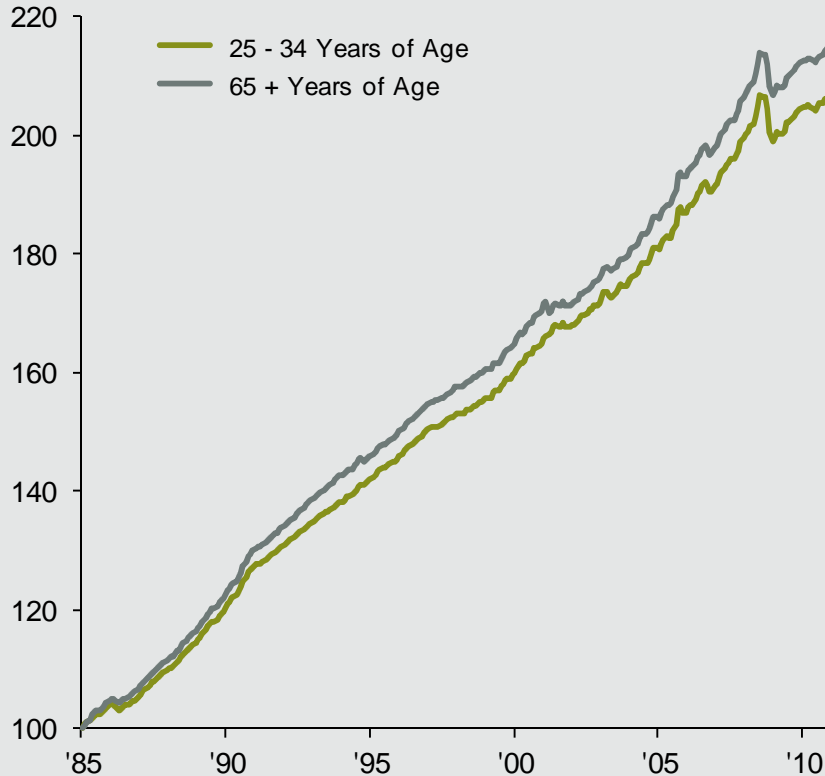
Source: Social Security Administration. Estimate for 2035 is based on "Intermediate" estimate. Break-even calculated using Social Security Administration calculator and assumes maximum Social Security benefits are received for an individual turning 62 in 2010 and assumes monthly benefit remains the same throughout lifetime. For illustrative purposes only.

Inflation disproportionately affects the elderly due to differences in spending habits and price increases in those categories

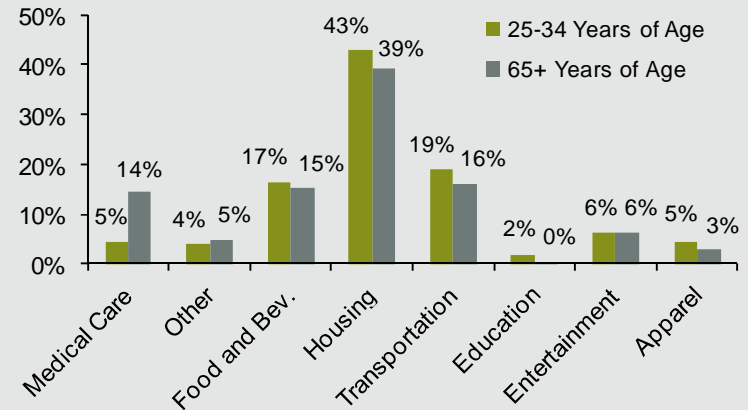
Environment

Comparison of Inflation

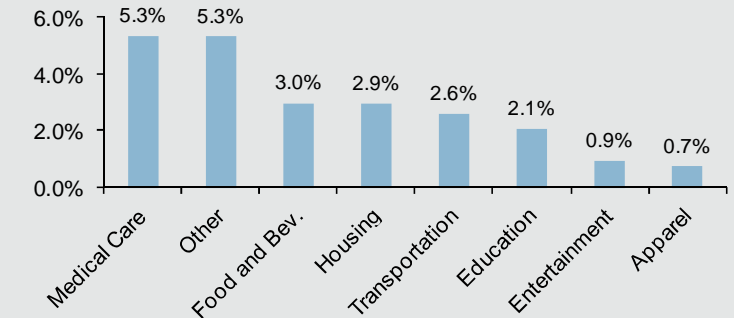
Older households vs. younger households, 1985 = 100



Spending by Age and Category



Inflation by Spending Category, 1982 - 2010



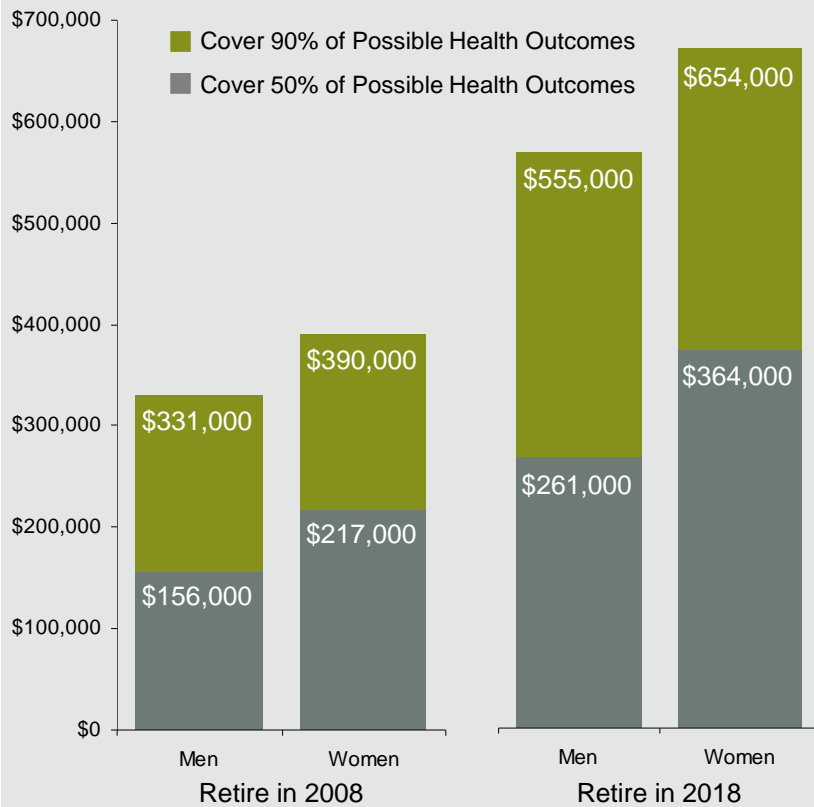
Source (Left chart): Estimates Based on Consumer Price Index and Expenditure Surveys, BLS, J.P. Morgan Asset Management.

Source (Top right chart): BLS, Consumer Expenditure Survey. Data as of December 2009. Source (Bottom right chart): BLS, Consumer Price Index, J.P. Morgan Asset Management. Data represents annual percentage increase from December 1981 through December 2010 with the exception of recreation and education and communication, which were first published in 1998.

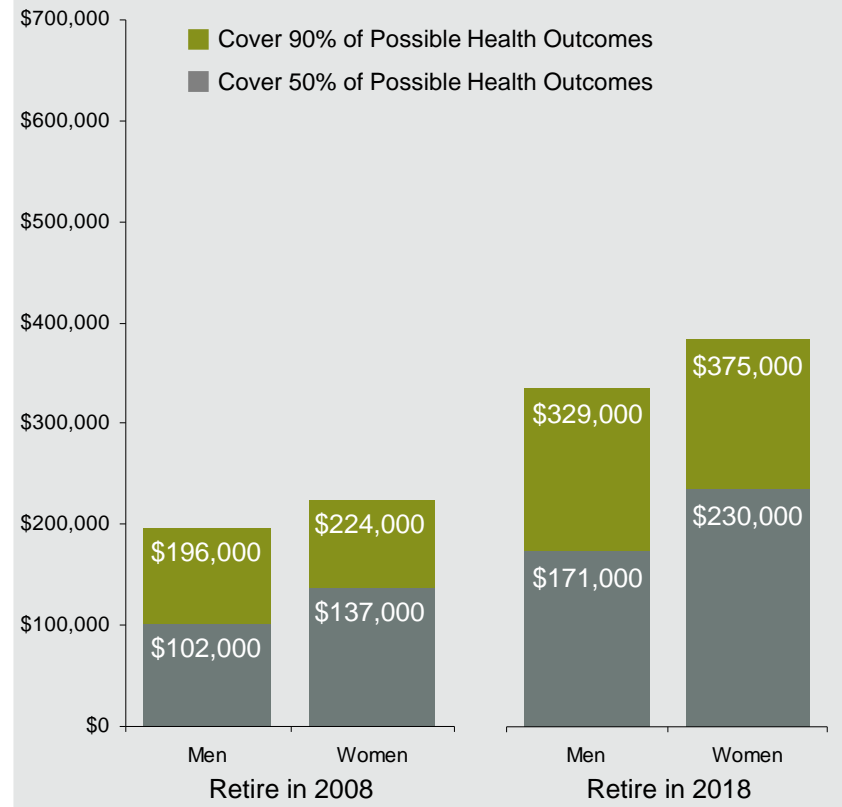
Consider potential health care costs as a part of retirement planning

Environment

Present Value Savings Needed to Fund Out-of-Pocket Health Care Costs for Retirees *without* Employer Medical Coverage



Present Value Savings Needed to Fund Out-of-Pocket Health Care Costs for Retirees *with* Employer Medical Coverage

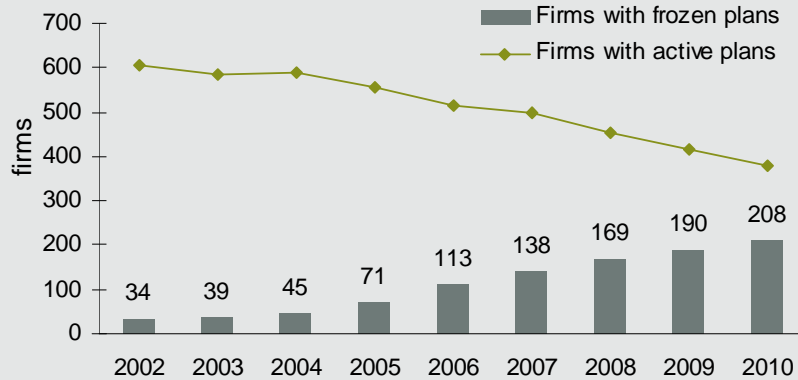


Source: Employee Benefit Research Institute. Issue Brief No. 317, May 2008. Monte Carlo simulation analysis performed to calculate with a 90% and median certainty that a retiree will have enough savings to cover medical costs for Medigap or employer health premiums, Medicare Part B Premiums, and out-of-pocket health care costs for life, if retiring at age 65. **Please note that this simulation is for illustrative purposes only. There is no guarantee that the figures shown would be sufficient to cover out-of-pocket medical expenses.**

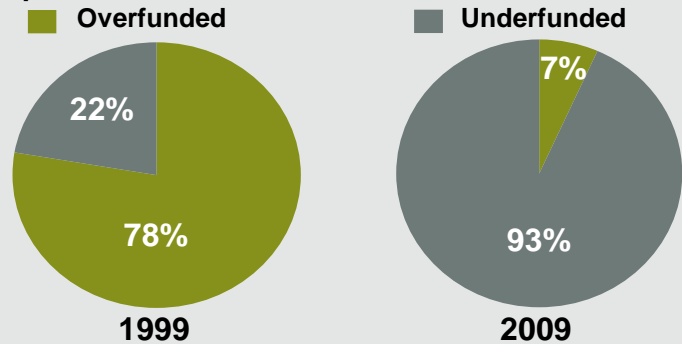
Left Chart: Includes Medicare Part D premium. Right Chart: Costs for out-of-pocket prescription drug use are not included.

More employers are shifting retirement plans to employee-driven options

Defined Benefit Plan Freezes among the Fortune 1000

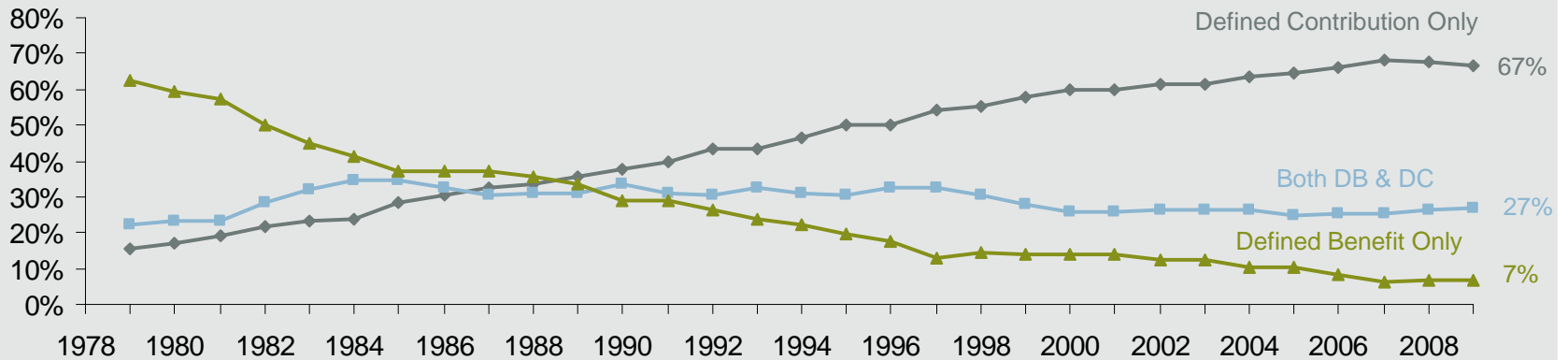


Defined Benefit Plans – Funded Status: S&P 500 Companies



Participation by Plan Type

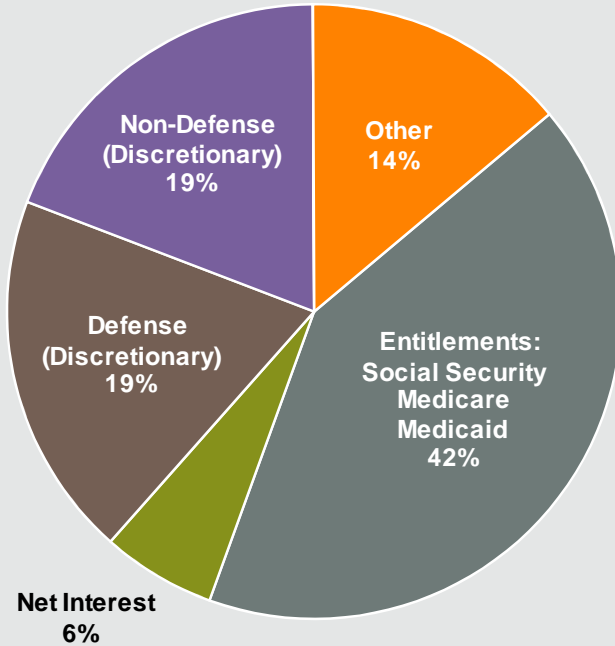
Distribution of private-sector, active-worker participants, 1979-2009



Source (Top left chart): Reprinted with permission from Insider © 2010 Watson Wyatt Worldwide. For more information, visit www.watsonwyatt.com. Source (Top right chart): J.P. Morgan Asset Management. Pension funded status data based on all available and reported data from S&P 500 Index companies. Data as of December 31, 2009. Source (Bottom chart): U.S. Department of Labor, Form 5500 Summary Report (summer 2004); EBRI estimates 1999-2009.

Taxes could rise due to future increases in mandatory spending

U.S. Proposed Federal Budget Outlays - 2011

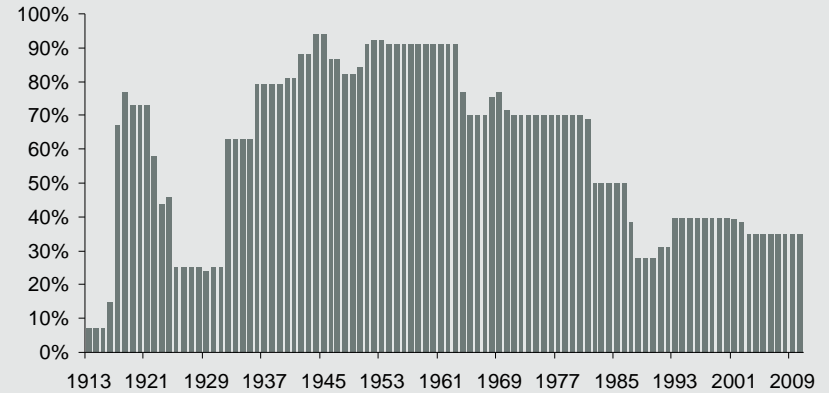


Total Projected 2011 Budget Receipts: \$2,311 billion

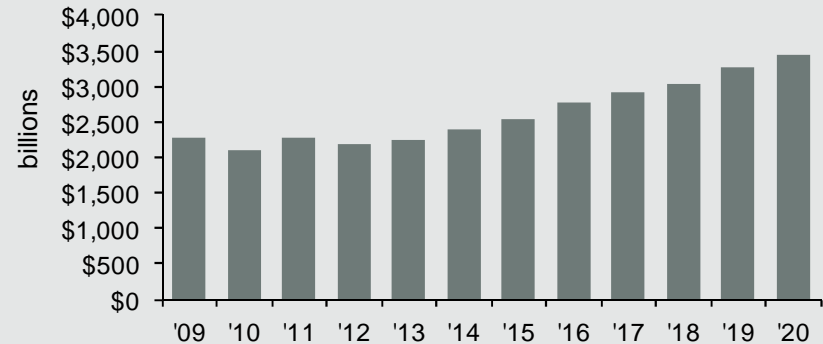
Total Projected 2011 Budget Outlays: \$3,751 billion

Projected Surplus / Deficit: **-\$1,440 billion**

Historical View of Top Marginal Tax Rate



Projected Mandatory Outlays



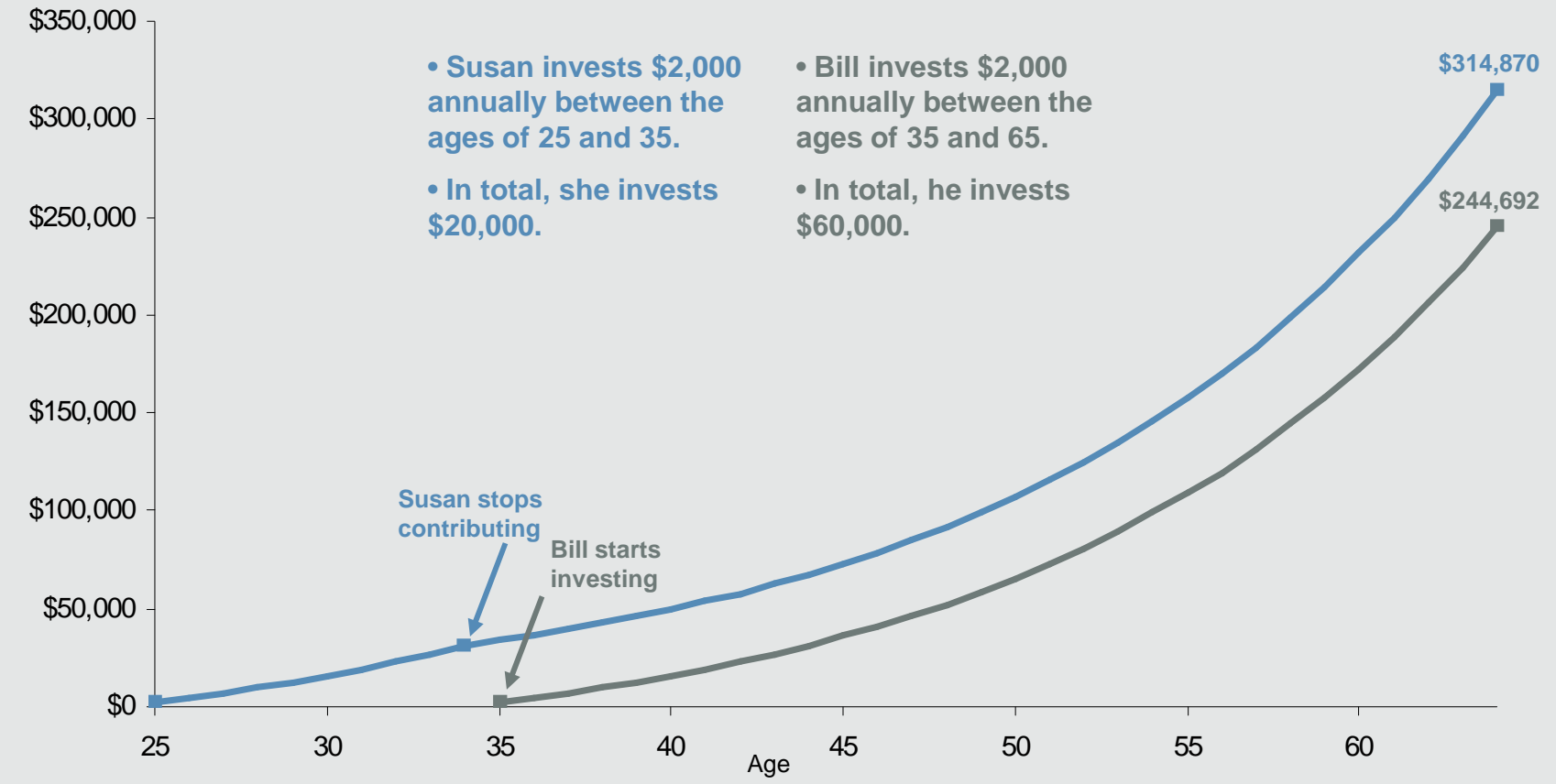
Source (Left chart): Office of Management and Budget, J.P. Morgan Asset Management. Data as of August 19, 2010.

Source (Top right chart): The Urban-Brookings Tax Policy Center, Historical Individual Income Tax Parameters. Data as of October 2010.

Source (Bottom right chart): Congressional Budget Office, J.P. Morgan Asset Management. Chart includes entitlements and other mandatory spending net of offsetting receipts. Data as of August 19, 2010.

Compounding can greatly impact the amount of savings over the long term

Growth of Savings Accounts

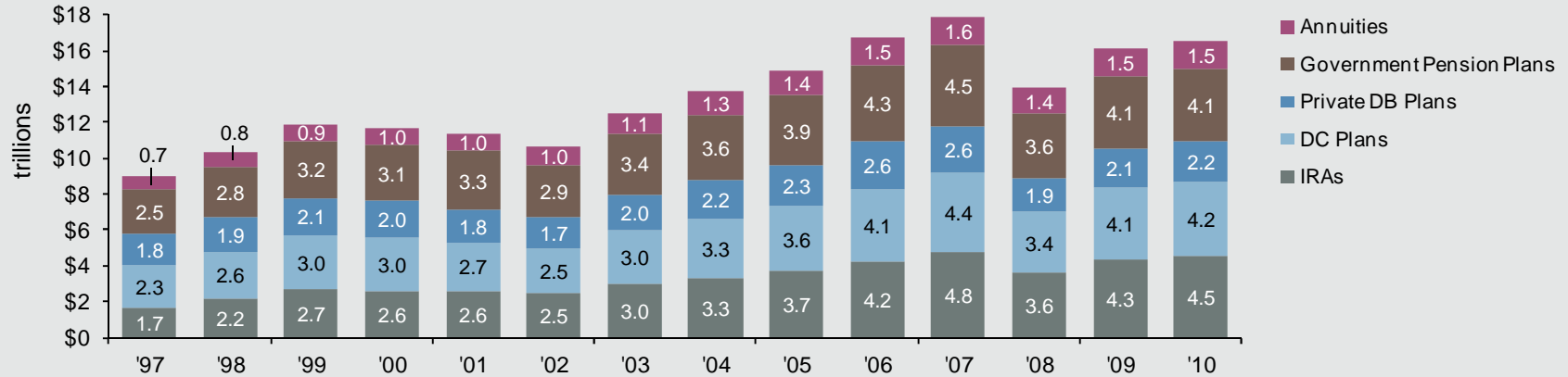


The above example is for illustrative purposes only and not indicative of any investment. Account value in this example assumes an 8% annual return. Source: J.P. Morgan Asset Management.

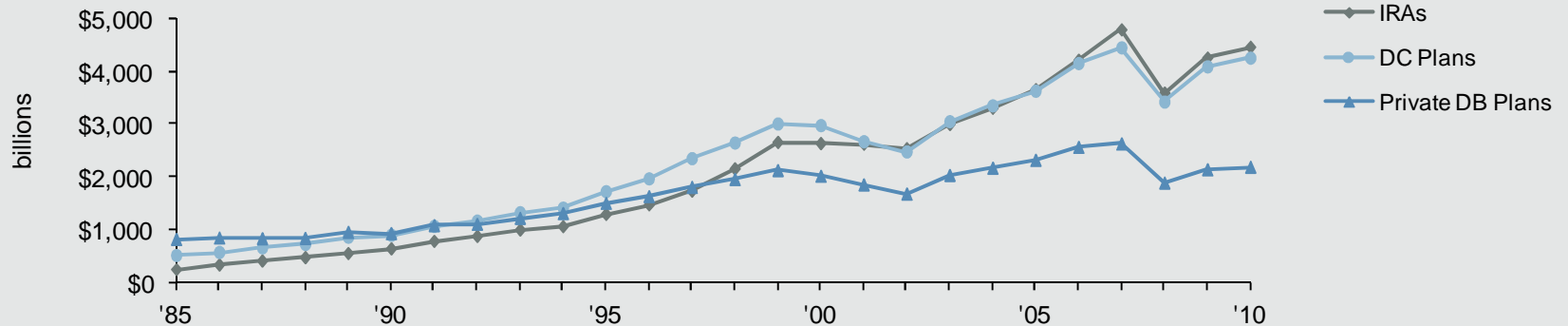
Compounding refers to the process of earning return on principal plus the return that was earned earlier.

IRA assets have surpassed defined contribution and private defined benefit assets

U.S. Retirement Assets by Type



Comparison of U.S. Retirement Assets

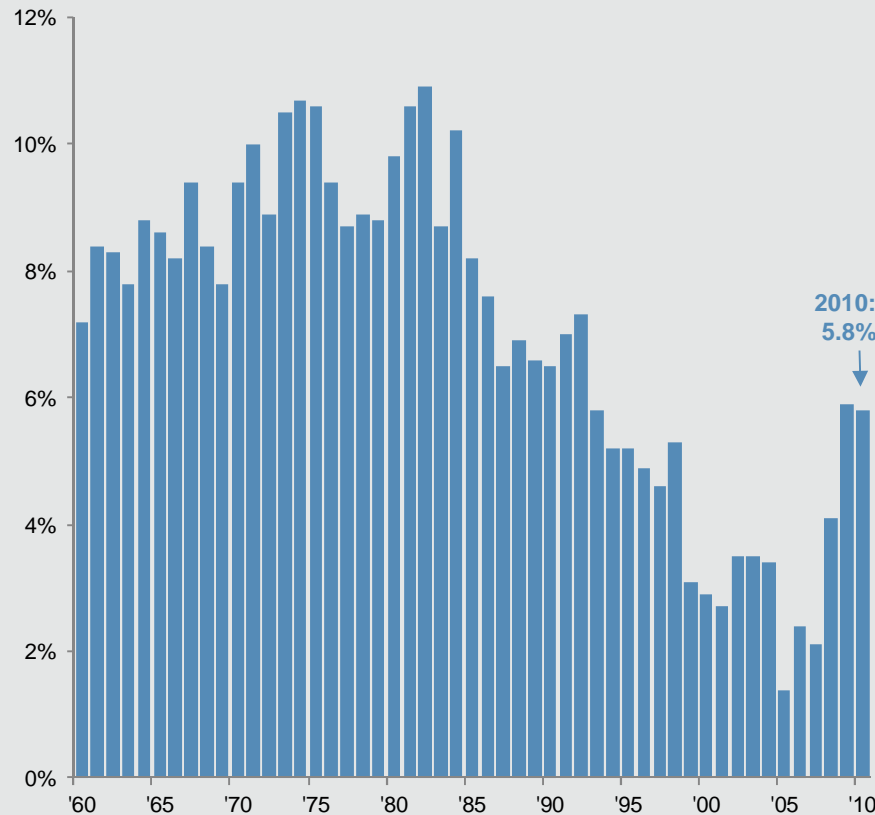


Note – IRA assets are estimates for 2003, 2005, 2006, 2007, 2008, 2009 and 2010
Source: Investment Company Institute (ICI). Data as of September 30, 2010.

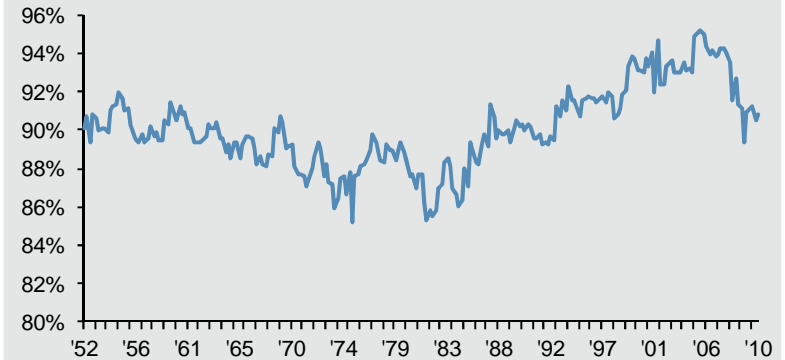
Many have increased savings to try to offset the decline in household wealth

Personal Savings Rate

Annual, % of disposable income

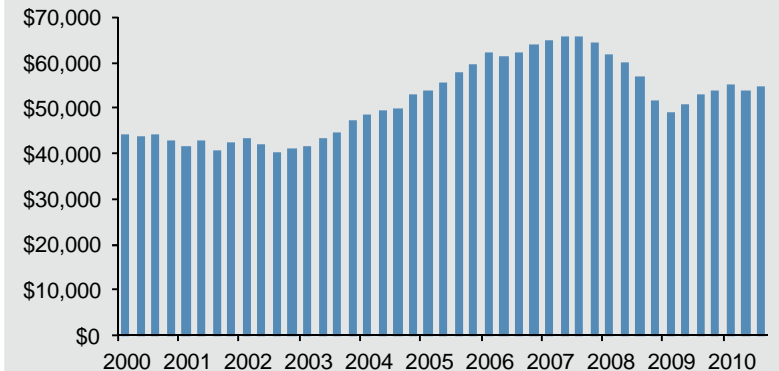


Ratio of Personal Consumption Expenditure to Disposable Personal Income



Household Total Net Worth

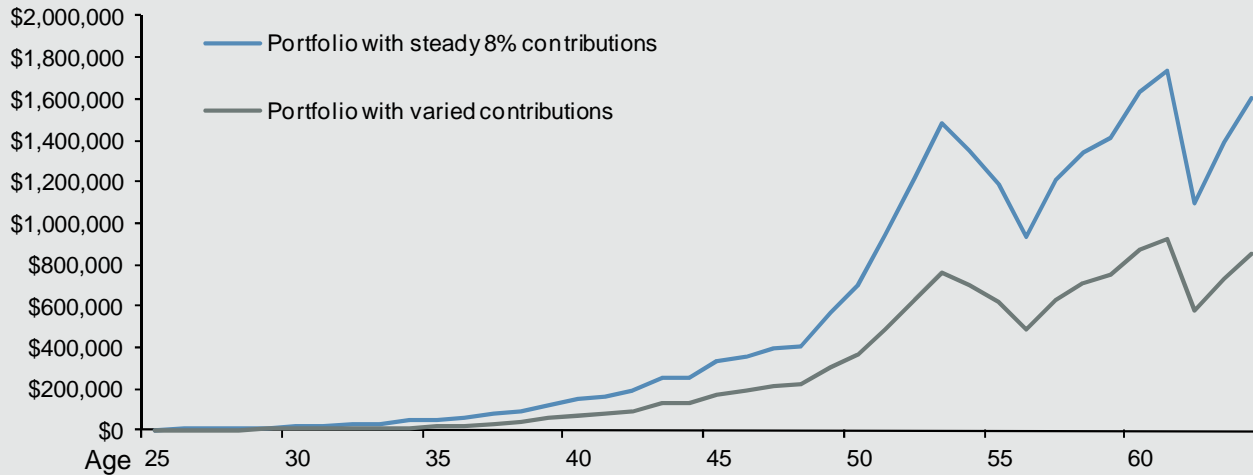
Billions of dollars



Source (Left and top right charts): J.P. Morgan Asset Management, The Bureau of Economic Analysis. Personal savings rate is calculated as personal savings (after-tax income – personal outlays) divided by after-tax income. Employer and employee contributions to retirement funds are included in after-tax income but not in personal outlays, and thus are implicitly included in personal savings. Savings rate data as of December 31, 2010. Consumption Expenditure to Disposable Income data updated as of September 30, 2010. Source (Bottom right chart): Federal Reserve. Data as of September 30, 2010.

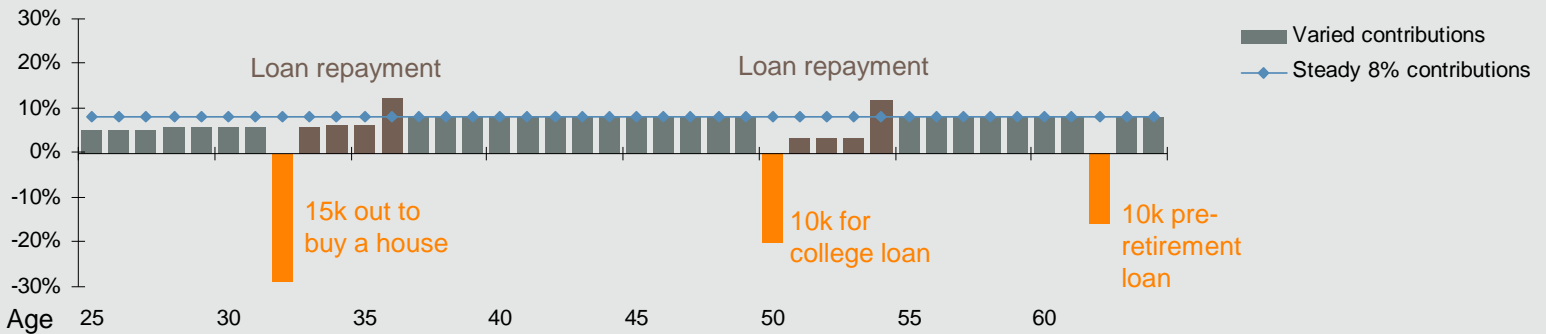
Consistent saving can help you meet your retirement goals

Growth of a 401(k) Investment



- Taking loans and early withdrawals from a 401(k) portfolio can drastically impact the total savings
- Investing with a steady contribution rate over time may ensure maximal growth potential

Assumed 401(k) Contributions

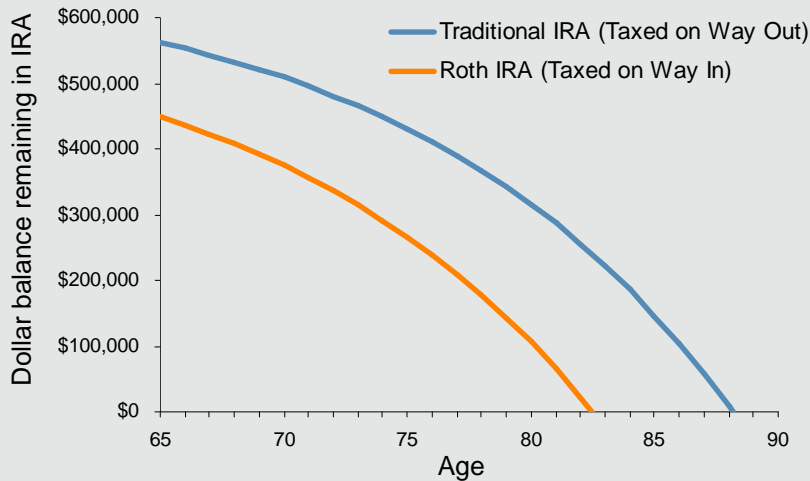


Source: S&P 500 Total Return Index, J.P. Morgan Asset Management. For illustrative purposes only. Hypothetical accounts are assumed to be invested 100% in the S&P 500 total return stock index from 1971-2010. Starting salary of \$30,000 increasing by 2% each year.

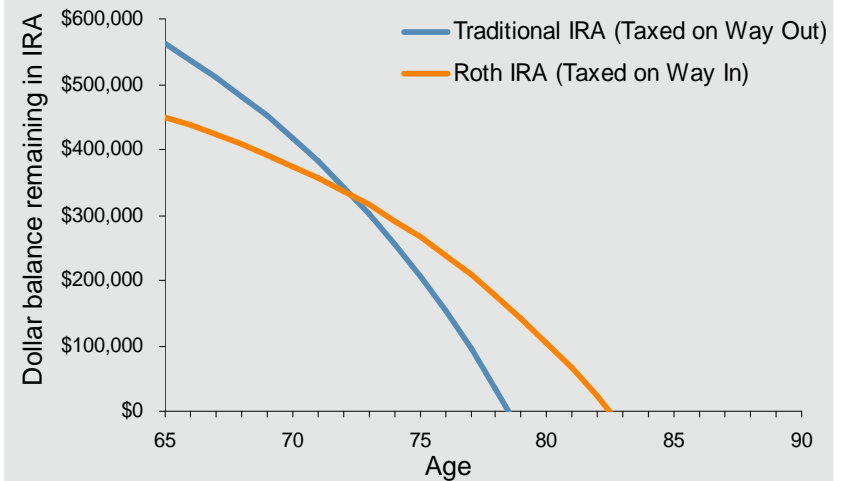
How Long Will Your IRA Last?

A Roth IRA may be a hedge against future tax risk

Tax Rates **Decrease** 10% in Retirement



Tax Rates **Increase** 10% in Retirement



Saving

Tax Rate Sensitivity

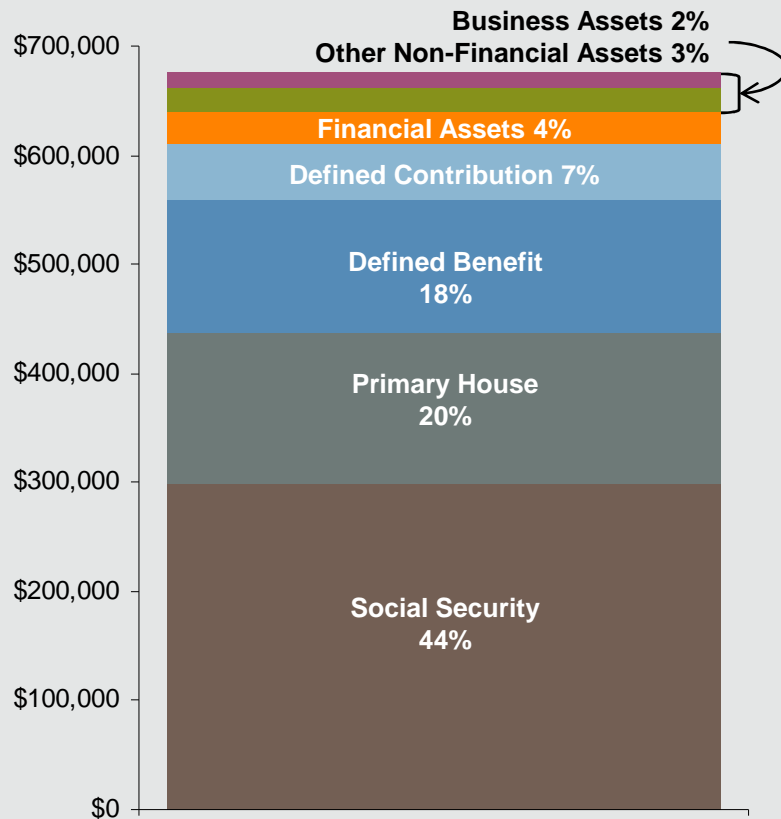
Tax Rate Change	Decrease 10%	Decrease 5%	Same	Increase 5%	Increase 10%
Traditional IRA Depletion Age	88	86	82	80	78
Roth IRA Depletion Age	82	82	82	82	82

For illustrative purposes only. Hypothetical accounts contribute \$2,000 before tax (\$1,600 to a Roth and \$2,000 to a traditional IRA) from ages 25 to 65 with a pre-retirement marginal tax rate of 20%. The assumed annual rate of return is 8%. In retirement, the person withdraws \$45,000 after tax (\$45,000 for Roth in both scenarios, \$50,000 in the 10% decrease scenario and \$64,285 in the 10% increase scenario for the regular IRA) each year until the account is depleted. The breakeven point in the 10% rate increase scenario will change depending on the specific circumstances of the individual and tax rates. Source: J.P. Morgan Asset Management.

Typical Wealth Breakdown at Retirement

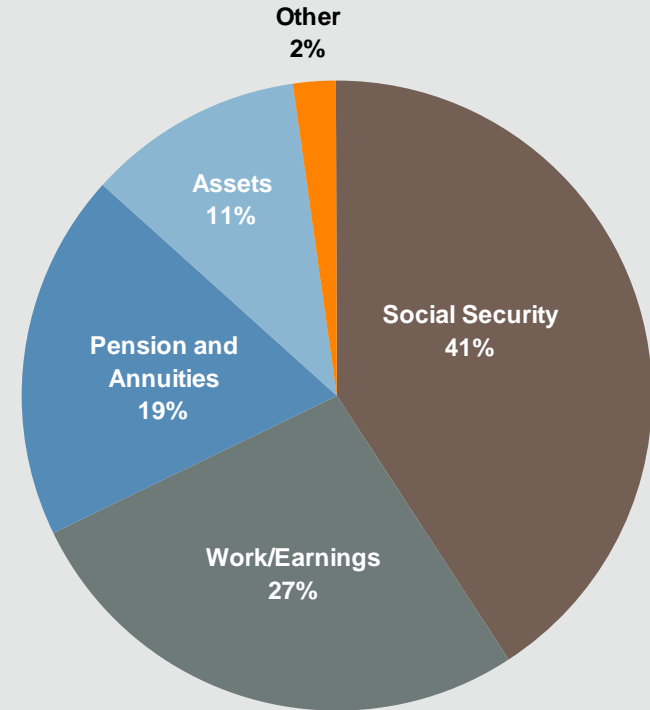
What assets will you have to draw from for retirement?

Wealth Holdings of a Typical Household Approaching Retirement



Sources of Retirement Income

Average for age 65 and Over



Note: The "typical household approaching retirement" refers to the mean of the middle 10% of the sample of households headed by an individual aged 55-64.

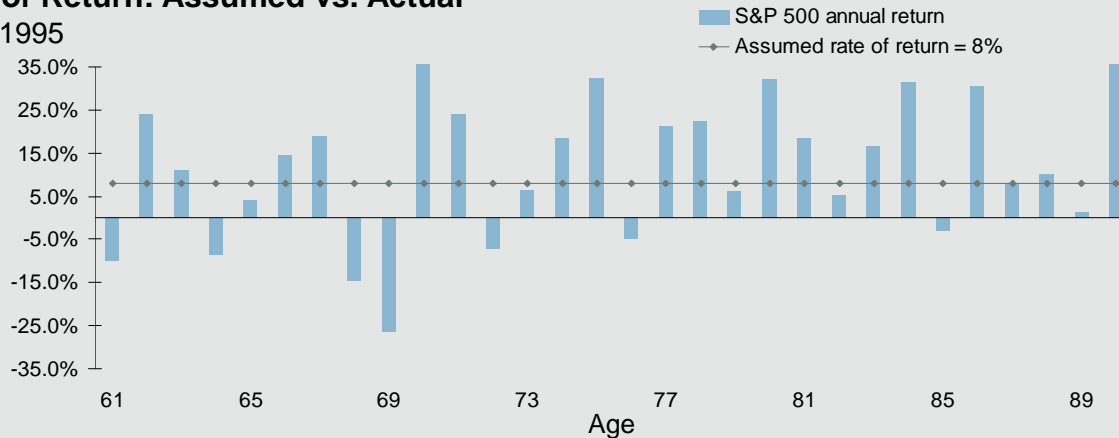
Source (Left chart): Center for Retirement Research calculations from U.S. Board of Governors of the Federal Reserve System, 2007 Survey of Consumer Finances, Washington, DC.

Source (Right chart): EBRI (Employee Benefit Research Institute) Databook on Employee Benefits, Chapter 7, January 2011.

Withdrawing assets in volatile markets early in retirement can ravage a portfolio

Rate of Return: Assumed vs. Actual

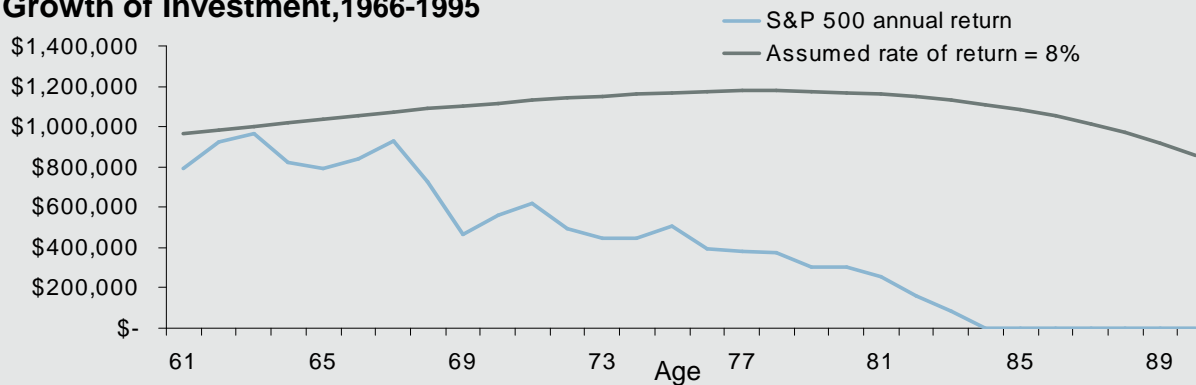
1966-1995



Assumptions:

- Enter retirement at age 60 with \$1,000,000
- Start with a 5.5% withdrawal of \$55,000
- Increase dollar amount of withdrawal by overall rate of inflation (3%) each year
- Compare the growth of investment using S&P 500 annual return vs. assumed rate of 8%

Growth of Investment, 1966-1995

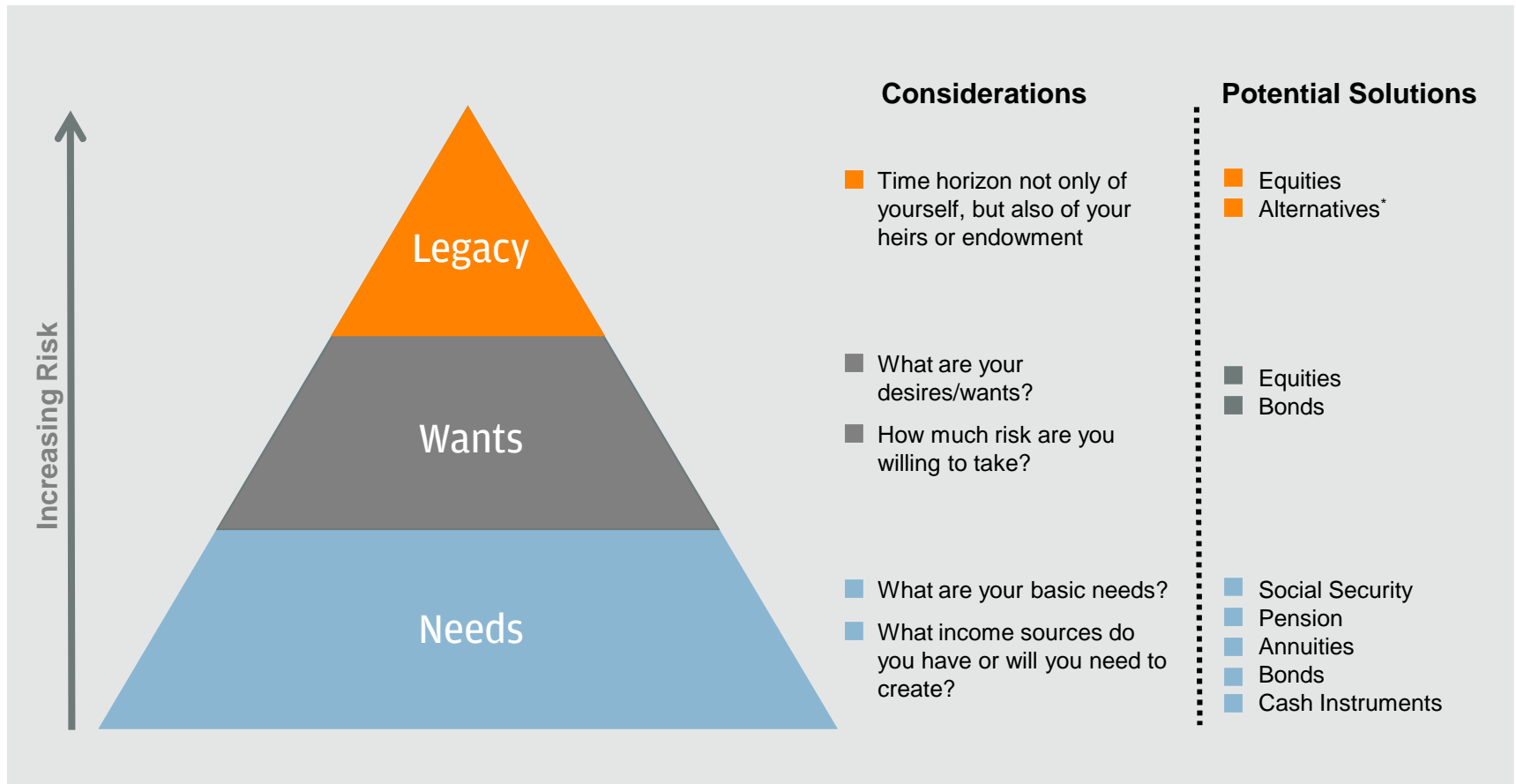


Results:

- Actual annual average return of S&P 500 over sample period was 11%
- Volatility in returns early in retirement can “ravage” a portfolio

Source: S&P 500 Total Return Index, J.P. Morgan Asset Management, Convergent Retirement Plan Solutions, LLC. Returns are based on the S&P 500 Total Return Index. The assumptions are presented for illustrative purposes only. They must not be used, or relied upon, to make investment decisions. There is no direct correlation between a hypothetical investment and the anticipated future return of an index. Past performance does not guarantee future results.

How will you structure your investments in retirement to meet your goals?

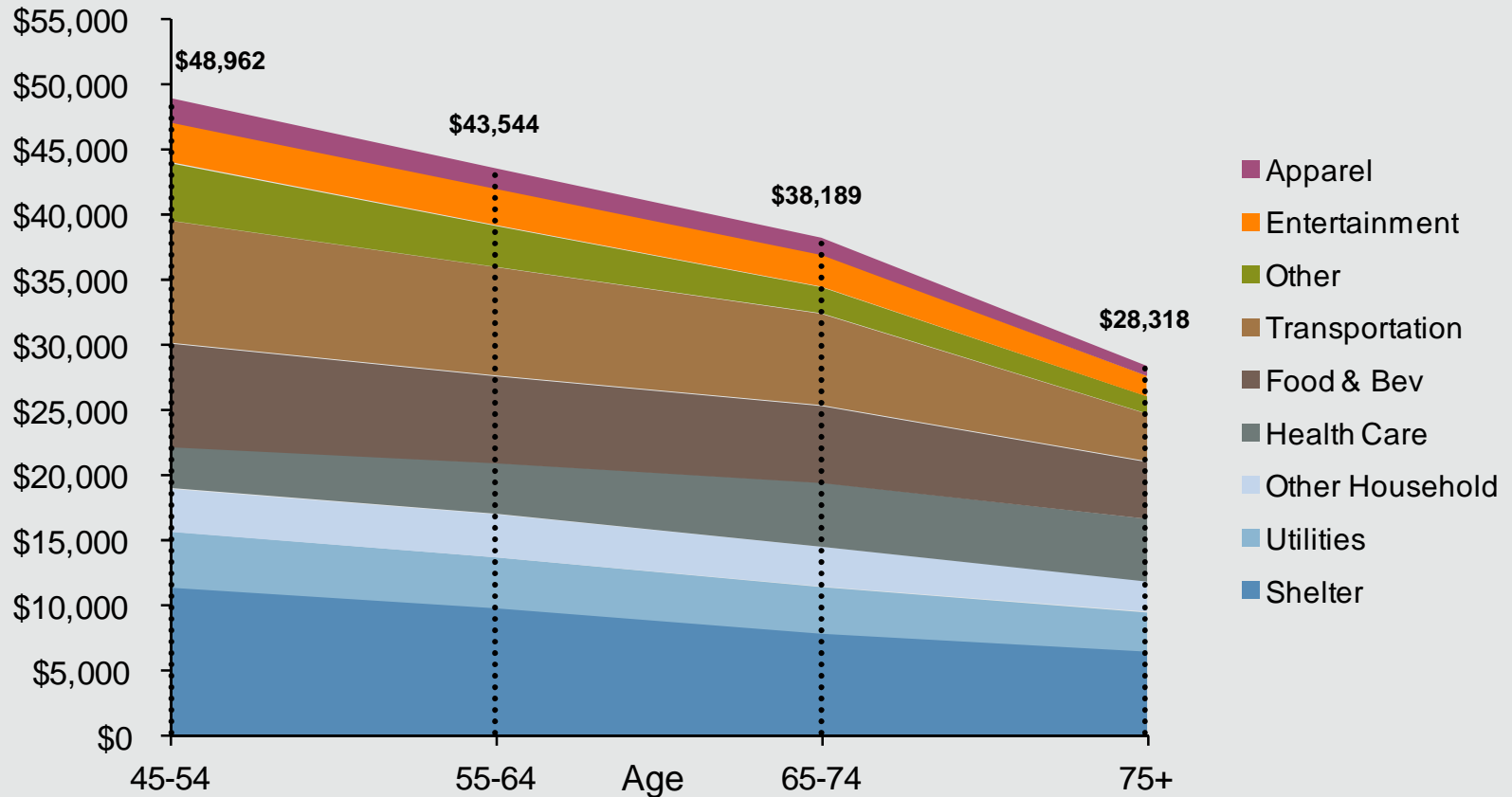


For illustration purposes only. Source: J.P. Morgan Asset Management. Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise. The price of equity securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time. Investing in alternative assets involves higher risks than traditional investments and are suitable only for the long term. They are not tax efficient, and have higher fees than traditional investments. They may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain.

*Equity, fixed income and cash are considered "traditional" asset classes. The term "alternative" describes all non-traditional asset classes. They include private and public equity, venture capital, hedge funds, real estate, commodities, distressed debt and more.

How will your spending habits change over time?

Average Spending Patterns of Various Age Groups

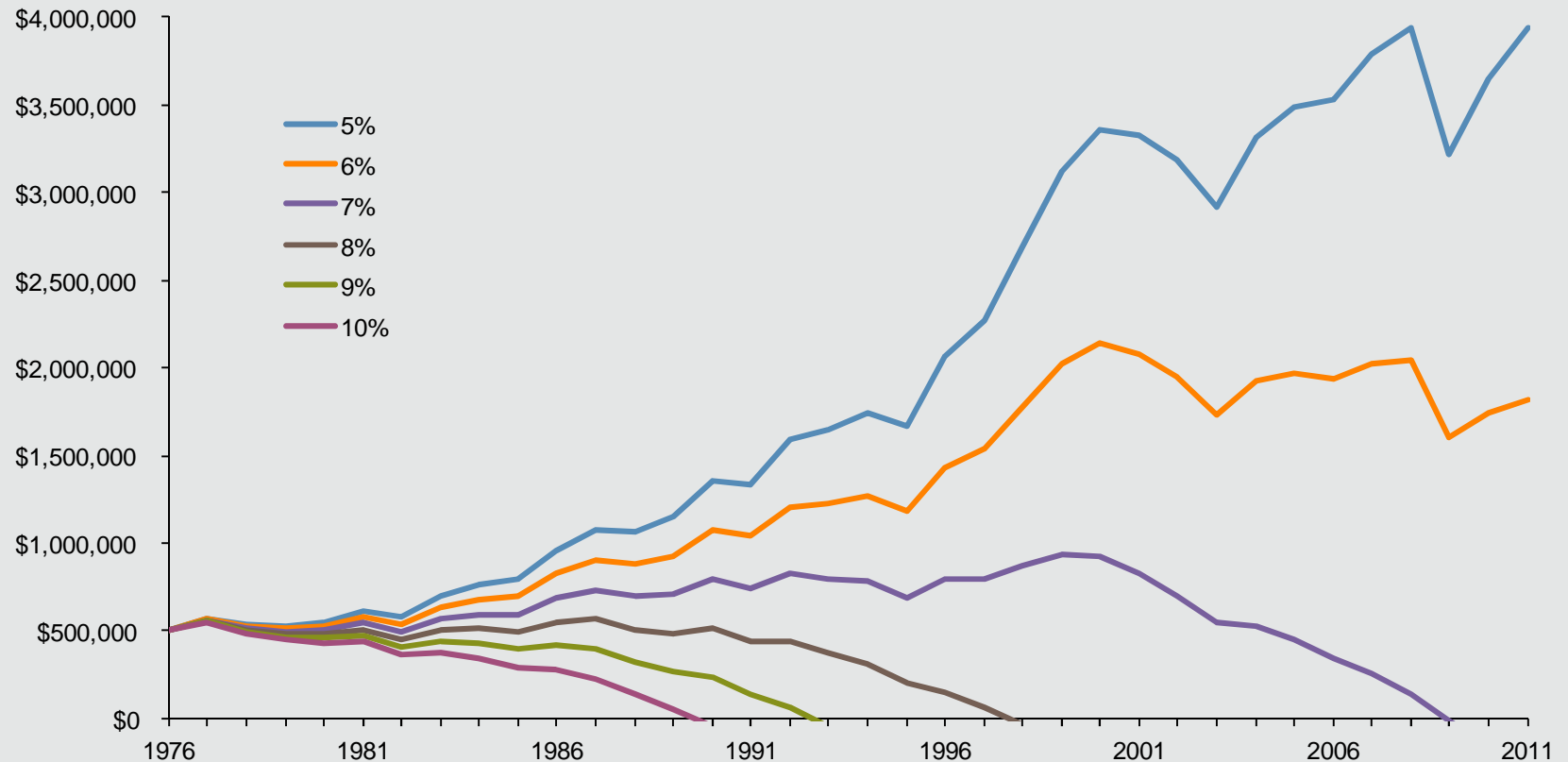


Estimates based on average consumer expenditure from the Consumer Expenditure Survey for each respective age group excluding pension and cash contributions, BLS. Data as of December 2009.
Source: J.P. Morgan Asset Management.

Even a small increase in the withdrawal rate can dramatically affect the longevity of a portfolio

The Effect of Withdrawal Rates on Portfolio Longevity

1976 - 2010

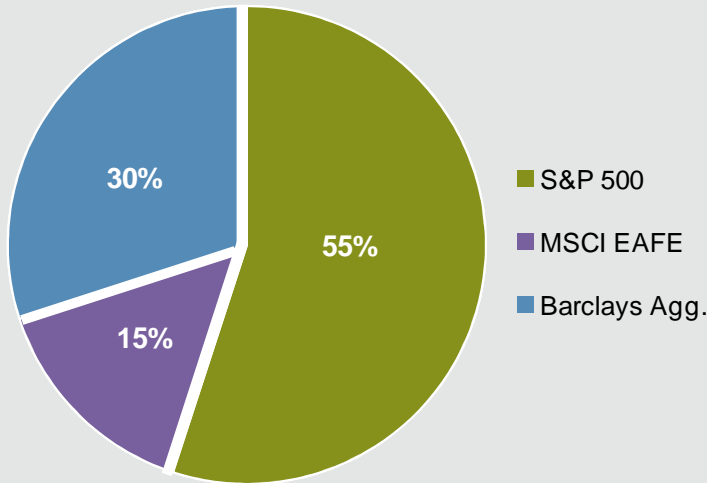


For illustrative purposes only. Illustration shows the hypothetical performance of a portfolio from January 1, 1976 to January 1, 2011 given various withdrawal rates set at retirement and distributions taken on December 31. Hypothetical portfolio is comprised of 50% bonds and 50% stocks that is rebalanced annually. The yearly withdrawal amount is set as a fixed percentage of the initial amount of \$500,000 and is then inflation adjusted over the period. Returns to stocks are represented by the S&P 500 total return, returns to bonds by the Barclays Aggregate Index total return, and inflation by the Consumer Price Index. Source: J.P. Morgan Asset Management.

Diversification may provide better returns with less risk

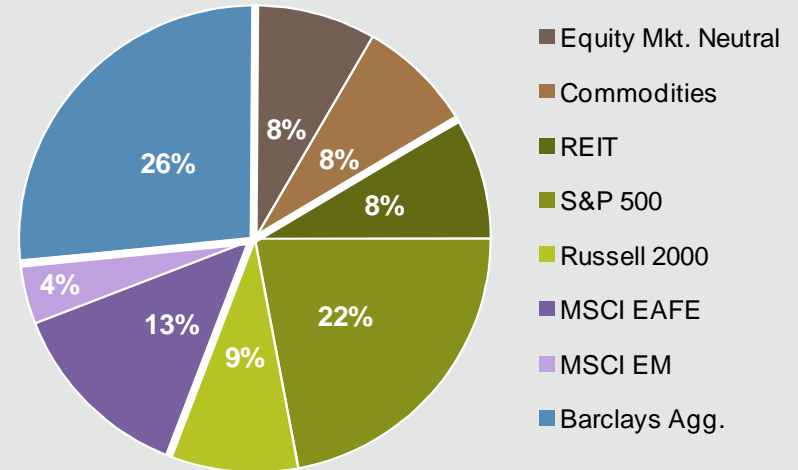
Maximizing the Power of Diversification, 1994 - 2010

Traditional Portfolio



Return: 6.86%
Standard Deviation: 11.12%

More Diversified Portfolio



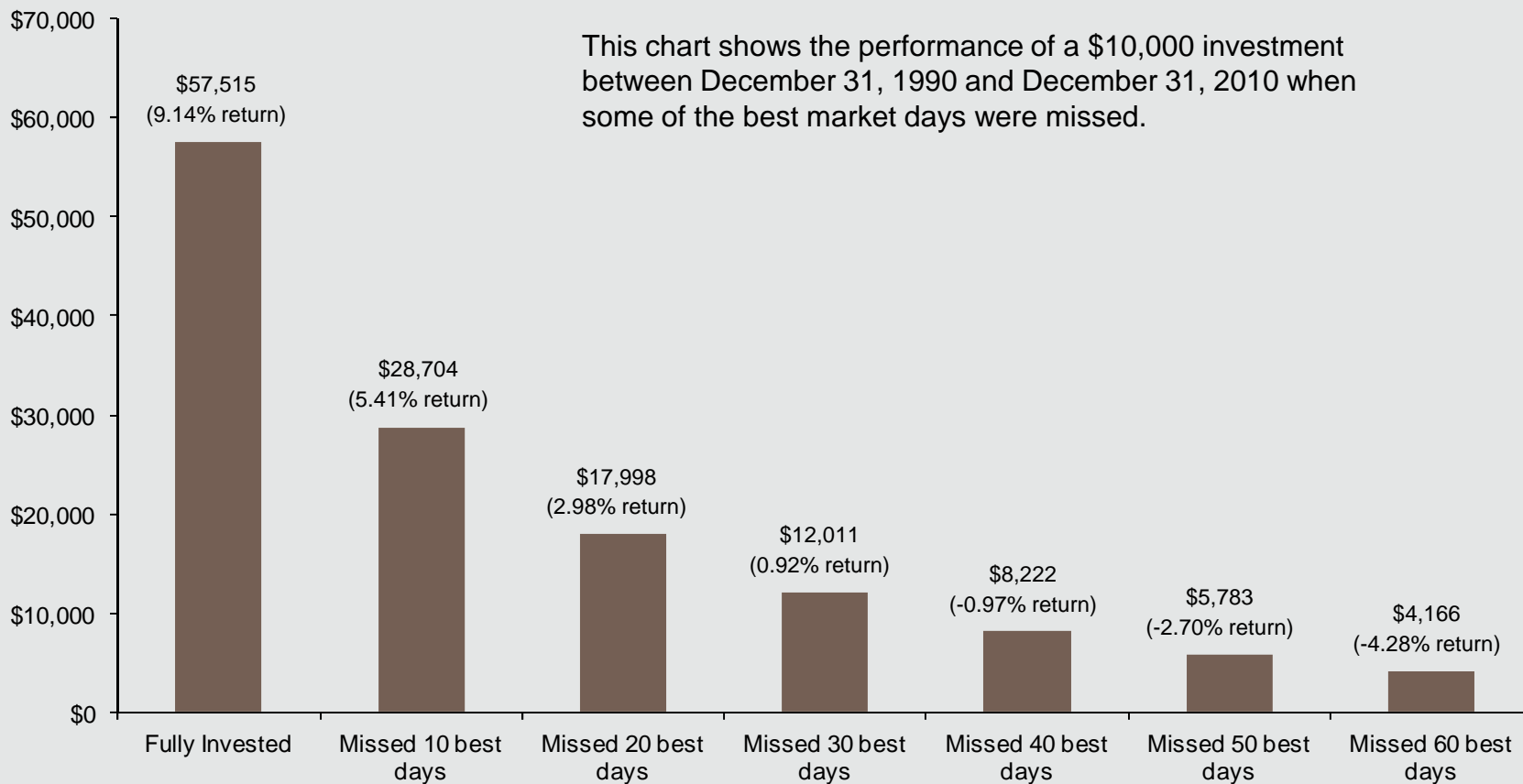
Return: 7.92%
Standard Deviation: 9.99%

Indexes and weights of the traditional portfolio are as follows: U.S. stocks: 55% S&P 500, U.S. bonds: 30% Barclays Capital Aggregate, International stocks: 15% MSCI EAFE. More diversified portfolio is as follows: U.S. stocks: 22.1% S&P 500, 8.8% Russell 2000; International Stocks: 4.4% MSCI EM, 13.2% MSCI EAFE; U.S. Bonds: 26.5% Barclays Capital Aggregate; Alternatives: 8.3% CS/Tremont Equity Market Neutral, 8.3% DJ/UBS Commodities, 8.3% NAREIT Equity REIT Index. Return and standard deviation calculated using Zephyr.

Charts are shown for illustrative purposes only. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data are as of 12/31/10.

Trying to time the market and missing a few of the best days can significantly affect returns

Returns of S&P 500

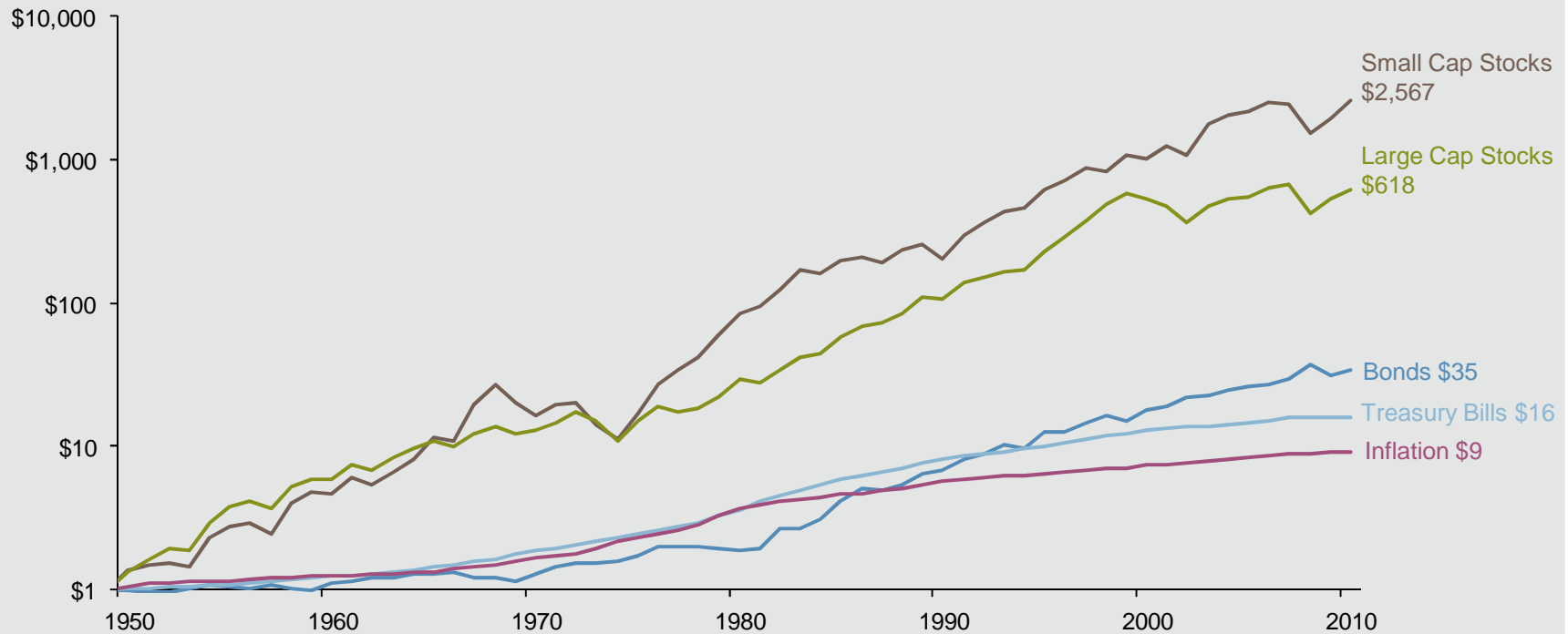


This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments.

Source: Prepared by J.P. Morgan Asset Management using data from Lipper. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large-capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

Cash may not be a long-term solution

Growth of One Dollar, 1950 - 2010



Source: Morningstar, Inc., Financial Communications © 2011. All rights reserved. Used with permission.

Hypothetical value of \$1 invested at year-end 1950. Assumes reinvestment of income and no transaction costs or taxes.

Small Company Stocks—represented by the fifth capitalization quintile of stocks on the NYSE for 1950–1981 and the performance of the Dimensional Fund Advisors, Inc. (DFA) U.S. Micro Cap Portfolio thereafter; Large Company Stocks—Standard & Poor’s 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Government Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index. Government Bonds and Treasury Bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Small-capitalization stocks typically carry more risk than stock funds investing in well-established “blue-chip” companies since smaller companies generally have a higher risk of failure. Historically, smaller companies’ stock has experienced a greater degree of market volatility than the average stock. This is for illustrative purposes only and not indicative of any investment. Past performance is no guarantee of future results. An investment cannot be made directly in an index. CDs, savings accounts and money market deposit accounts are insured by the FDIC for up to \$100,000.

Asset Class Returns

The best and worst performing asset classes vary greatly year to year

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10-ys '01 - '10
REITs 26.4%	REITs 13.9%	DJ UBS Cmnty 23.9%	MSCI EME 56.3%	REITs 31.6%	MSCI EME 34.5%	REITs 35.1%	MSCI EME 39.8%	Barclays Agg 5.2%	MSCI EME 79.0%	REITs 28.0%	MSCI EME 350.0%
DJ UBS Cmnty 24.2%	Market Neutral 9.3%	Barclays Agg 10.3%	Russell 2000 47.3%	MSCI EME 26.0%	DJ UBS Cmnty 17.6%	MSCI EME 32.6%	MSCI EAFE 11.6%	Market Neutral 1.1%*	MSCI EAFE 32.5%	Russell 2000 26.9%	REITs 178.0%
Market Neutral 15.0%	Barclays Agg 8.4%	Market Neutral 7.4%	MSCI EAFE 39.2%	MSCI EAFE 20.7%	MSCI EAFE 14.0%	MSCI EAFE 26.9%	DJ UBS Cmnty 11.1%	Asset Alloc. -23.8%	REITs 28.0%	MSCI EME 19.2%	Russell 2000 84.8%
Barclays Agg 11.6%	Russell 2000 2.5%	REITs 3.8%	REITs 37.1%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.4%	Market Neutral 9.3%	Russell 2000 -33.8%	Russell 2000 27.2%	DJ UBS Cmnty 16.7%	Asset Alloc. 80.2%
Asset Alloc. 0.6%	MSCI EME -2.4%	Asset Alloc. -5.4%	S&P 500 28.7%	Asset Alloc. 12.5%	Asset Alloc. 8.0%	S&P 500 15.8%	Asset Alloc. 7.3%	DJ UBS Cmnty -36.6%	S&P 500 26.5%	S&P 500 15.1%	Market Neutral 76.9%
Russell 2000 -3.0%	Asset Alloc. -3.4%	MSCI EME -6.0%	Asset Alloc. 25.2%	S&P 500 10.9%	Market Neutral 6.1%	Asset Alloc. 14.9%	Barclays Agg 7.0%	S&P 500 -37.0%	Asset Alloc. 22.5%	Asset Alloc. 12.7%	Barclays Agg 76.3%
S&P 500 -9.1%	S&P 500 -11.9%	MSCI EAFE -15.7%	DJ UBS Cmnty 22.7%	DJ UBS Cmnty 7.6%	S&P 500 4.9%	Market Neutral 11.2%	S&P 500 5.5%	REITs -37.7%	DJ UBS Cmnty 18.7%	MSCI EAFE 8.2%	MSCI EAFE 47.1%
MSCI EAFE -14.0%	MSCI EAFE -21.2%	Russell 2000 -20.5%	Market Neutral 7.1%	Market Neutral 6.5%	Russell 2000 4.6%	Barclays Agg 4.3%	Russell 2000 -1.6%	MSCI EAFE -43.1%	Barclays Agg 5.9%	Barclays Agg 6.5%	DJ UBS Cmnty 41.7%
MSCI EME -30.6%	DJ UBS Cmnty -22.3%	S&P 500 -22.1%	Barclays Agg 4.1%	Barclays Agg 4.3%	Barclays Agg 2.4%	DJ UBS Cmnty -2.7%	REITs -15.7%	MSCI EME -53.2%	Market Neutral 4.1%	Market Neutral -2.5%	S&P 500 15.1%

Source: Russell, MSCI Inc., Dow Jones, Standard and Poor's, Barclays Capital, NAREIT, J.P. Morgan Asset Management.

The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EMI, 30% in the Barclays Capital Aggregate, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data except commodities represent total return for stated period. Past performance is not indicative of future returns. Data are as of 12/31/10, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 11/30/10. "10-ys" returns represent cumulative total return and are not annualized. These returns reflect the period from 1/1/01 – 12/31/10.

Please see disclosure page at end for index definitions. *Market Neutral returns include estimates found in disclosures.

Data are as of 12/31/10.

Appendix: Traditional IRAs vs. Roth IRAs - 2010

	Traditional IRA – Tax-deductible	Traditional IRA – Non-deductible	Roth IRA	Roth IRA conversion
Maximum contribution	\$5,000 (under age 50) \$6,000 (age 50-70½)	\$5,000 (under age 50) \$6,000 (age 50-70½)	\$5,000 (under age 50) \$6,000 (age 50 or older)	No limit on conversions of traditional IRAs, SEP IRAs, SIMPLE IRAs (if open 2+ years) and former employer plans
Age limits to contribute	Under 70½	Under 70½	None	None
Income limits to contribute	Single: Up to \$56,000 for full deduction, \$66,000 for partial ¹ Joint: Up to \$89,000 for full deduction, \$109,000 for partial ¹	None	Single: Up to \$105,000 for full contribution, \$120,000 for partial Joint: Up to \$167,000 for full contribution, \$177,000 for partial	None
Federal tax treatment	<ul style="list-style-type: none"> ▪ Deductible contributions and investment gains taxed as ordinary income upon withdrawal ▪ Early withdrawals before 59½ subject to 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ Non-deductible contributions can be withdrawn tax-free ▪ Investment gains taxed as ordinary income upon withdrawal ▪ Early withdrawals before 59½ subject to 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ All contributions are non-deductible; can be withdrawn tax-free ▪ Investment gains are tax-free if withdrawn after five years and 59½ or older ▪ Early withdrawals of investment gains subject to taxes and 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ Taxes due upon conversion of account balances not yet taxed ▪ Converted amounts can be withdrawn tax-free² ▪ Investment gains are tax-free if withdrawn after five years and 59½ or older ▪ Early withdrawals of investment gains subject to taxes and 10% federal penalty unless certain exceptions apply
Mandatory withdrawals	<ul style="list-style-type: none"> ▪ After 70½ for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ After 70½ for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ None for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ None for account owner ▪ Upon account owner's death for non-spouse beneficiaries
Deadline to contribute	April 15, 2011	April 15, 2011	April 15, 2011	December 31, 2010 In 2010 only: Option to pay taxes in full in 2010 or divide conversion income equally over 2011 and 2012 tax returns

Source: IRS Publication 590

¹ Assumes participation in an employer's retirement plan. No income limits apply when investors and spouses are not covered by a retirement plan at work.

² Penalties may apply if converted amounts are withdrawn before five years of the conversion or age 59½.

Appendix: Traditional IRAs vs. Roth IRAs - 2011

	Traditional IRA – Tax-deductible	Traditional IRA – Non-deductible	Roth IRA	Roth IRA conversion
Maximum contribution	\$5,000 (under age 50) \$6,000 (age 50-70½)	\$5,000 (under age 50) \$6,000 (age 50-70½)	\$5,000 (under age 50) \$6,000 (age 50 or older)	No limit on conversions of traditional IRAs, SEP IRAs, SIMPLE IRAs (if open 2+ years) and former employer plans
Age limits to contribute	Under 70½	Under 70½	None	None
Income limits to contribute	Single: Up to \$56,000 for full deduction, \$66,000 for partial ¹ Joint: Up to \$90,000 for full deduction, \$110,000 for partial ¹	None	Single: Up to \$107,000 for full contribution, \$122,000 for partial Joint: Up to \$169,000 for full contribution, \$179,000 for partial	None
Federal tax treatment	<ul style="list-style-type: none"> ▪ Deductible contributions and investment gains taxed as ordinary income upon withdrawal ▪ Early withdrawals before 59½ subject to 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ Non-deductible contributions can be withdrawn tax-free ▪ Investment gains taxed as ordinary income upon withdrawal ▪ Early withdrawals before 59½ subject to 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ All contributions are non-deductible; can be withdrawn tax-free ▪ Investment gains are tax-free if withdrawn after five years and 59½ or older ▪ Early withdrawals of investment gains subject to taxes and 10% federal penalty unless certain exceptions apply 	<ul style="list-style-type: none"> ▪ Taxes due upon conversion of account balances not yet taxed ▪ Converted amounts can be withdrawn tax-free² ▪ Investment gains are tax-free if withdrawn after five years and 59½ or older ▪ Early withdrawals of investment gains subject to taxes and 10% federal penalty unless certain exceptions apply
Mandatory withdrawals	<ul style="list-style-type: none"> ▪ After 70½ for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ After 70½ for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ None for account owner ▪ Upon account owner's death for non-spouse beneficiaries 	<ul style="list-style-type: none"> ▪ None for account owner ▪ Upon account owner's death for non-spouse beneficiaries
Deadline to contribute	April 15, 2012	April 15, 2012	April 15, 2012	December 31, 2011

Source: IRS Publication 590

¹ Assumes participation in an employer's retirement plan. No income limits apply when investors and spouses are not covered by a retirement plan at work.

² Penalties may apply if converted amounts are withdrawn before five years of the conversion or age 59½.

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6. Managing Expectations of Ability to Work
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22. Diversification
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Appendix

26. Traditional IRAs vs. Roth IRAs – 2010
27. Traditional IRAs vs. Roth IRAs – 2011

Indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index.

The **S&P MidCap 400 Index** tracks a diverse basket of medium-sized U.S. firms. A mid-cap stock is broadly defined as a company with a market capitalization ranging from about \$2 billion to \$10 billion.

The **S&P SmallCap 600 Index** invests in a basket of small-cap equities. A small-cap company is generally defined as a stock with a market capitalization between \$300 million and \$2 billion.

The **Russell 2000 Index**[®] measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **MSCI[®] EAFE** (Europe, Australia, Far East) Net Index is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises 21 MSCI country indexes, representing the developed markets outside of North America.

The **MSCI Emerging Markets Index**SM is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of June 2007, the MSCI Emerging Markets Index consisted of the following 25 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

The **CS/Tremont Equity Market Neutral Index** takes both long and short positions in stocks with the aim of minimizing exposure to the systematic risk of the market (i.e., a beta of zero).

*Market Neutral returns for November 2008 are estimates by J.P. Morgan Funds Market Strategy and are based on a December 8, 2008 published estimate for November returns by CS/Tremont in which the Market Neutral returns were estimated to be +0.85% (with 69% of all CS/Tremont constituents having reported return data). Presumed to be excluded from the November return are three funds, which were later marked to \$0 by CS/Tremont in connection with the Bernard Madoff scandal. J.P. Morgan Funds believes this distortion is not an accurate representation of returns in the category. CS/Tremont later published a finalized November return of -40.56% for the month, reflecting this mark-down. CS/Tremont assumes no responsibility for these estimates.

The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

The **FTSE NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis.

The **HFRI Equity Market Neutral Index** is an equally weighted performance index. The HFRI is broken down into 33 different categories by strategy. The strategy of this index seeks to profit by exploiting inefficiencies between related equity securities, neutralizing exposure to market risk by combining long and short positions. In many cases, portfolios are structured to be market, industry, sector and dollar neutral. One example of this strategy is to build portfolios made up of long positions in the strongest companies in several industries and take corresponding short positions in those showing signs of weakness. Due to the mutual agreements with the hedge fund managers listed in the HFRI database, the index is not at liberty to disclose the particular funds behind this index.

The **Merrill Lynch Global Government Index** tracks the performance of investment-grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency. In order to qualify for inclusion in the Index, a country (i) must be an OECD member; (ii) must have an investment-grade foreign currency long-term sovereign debt rating (based on an average of Moody's, S&P and Fitch); (iii) must have \$50 billion (USD equivalent) outstanding face value of Index qualifying debt (i.e., after imposing constituent level filters on amount outstanding, remaining term to maturity, etc.) to enter the Index; (iv) must have at least \$25 billion (USD equivalent) in outstanding face value of Index qualifying debt in order to remain in the Index; (v) must be available to foreign investors; and (vi) must have at least one readily available, transparent price source for its securities.

The **Merrill Lynch U.S. High Yield Index** tracks the performance of US dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P and Fitch) and an investment-grade-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long-term sovereign debt ratings).

The **Dow Jones Industrial Average** measures the stock performance of 30 leading blue-chip U.S. companies.

The **Dow Jones-UBS Commodity Index** is composed of futures contracts on physical commodities and represents 19 separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc.

Past performance is no guarantee of comparable future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations.

Investments in **emerging markets** can be more volatile. As mentioned above, the normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

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