Make a Smart Move With Your Money— Not a Mistake You'll Regret!

You're moving on, so here's your chance to be smart about what to do with the money you have in your company's plan. Your money is saved for the long term, but you need to make smart choices *now* about what to do with it.

Your Options

When it comes down to it, you generally have two smart choices to keep your money working for you:

Option 1: Directly roll over your savings into an individual retirement account (IRA) or a new employer's plan.

Option 2: Leave your savings in your current plan (if you meet plan requirements).

If a rollover sounds good, you have a great way to make it happen. Through your benefits Web site, you have access to a broad network of leading IRA providers and the convenience of a virtually paperless process. Setting up an IRA has never been easier.

It's easy to set up an IRA. Through your benefits Web site, you have access to leading IRA providers, including:

- American Century Investments
- Ameriprise Financial
- E*Trade Financial
- Fidelity Investments
- Merrill Lynch
- Scottrade
- TD AMERITRADE
- T. Rowe Price

The Simple Way to Roll Over Your Savings!

Three simple steps is all it takes to roll over your savings.

1) Go online to decide where you want to roll over your money.

Your benefits Web site has resources to help you compare and choose among several IRA providers. Choose one of the "rollover" links to see profiles for these IRA providers. (If you have an existing rollover IRA, or wish to establish an IRA rollover with another provider, you may choose to move your money there.)

2) Set up your rollover IRA account.

If you've picked an IRA provider from any of those providing an online profile, you can easily set up a new IRA rollover account online. In most cases, no paper forms are required!

If you choose another IRA provider, complete their necessary forms and go to the next step.

3) Roll over your money on your benefits Web site.

Initiate your rollover on your benefits Web site. If you're rolling your money into:

- An IRA, you'll need your account number.
- A new employer's plan, you'll need to provide information you'll receive from your new employer.

Make a Smart Choice: Don't Cash Out

Staying invested when you leave the company is generally your best bet—you can either roll over your savings into an IRA or another eligible employer plan, or stay in the plan (if your plan allows it). The reason is simple—your savings will continue to grow and will be there when you need it.

While taking your savings to spend now may sound like a good idea, you may end up feeling the pain twice: now, when you take the cash and need to pay taxes (and, in many cases, an additional early withdrawal penalty, too); and later, when you don't have the money available when you really need it.

Consequences of Cashing Out			Advantages of Keeping Your Money Tax-Deferred	
You'll pay taxes now and have less money saved when you need it.			You'll avoid paying taxes now and give your money more time to grow.	
Your Vested Account Balance:	**$50,000**		**Your Vested Account Balance:**	**$50,000**
20% withheld for taxes:	$10,000	*OR*	Your future earnings (assuming 25 years with an 8% annual return):[2]	$292,424
Additional taxes due when you file your tax return (assuming a 25% tax rate):	$2,500		**Account after 25 years:**	**$342,424**
10% early withdrawal penalty:[1]	$5,000		Less taxes (assuming a 25% tax rate):[3]	$85,606
What you have left to spend now:	**$32,500**		**What you could have in 25 years if you roll over your money:**	**$256,818**

[1] If you are under age 59½, taking a cash distribution may result in a 10% early withdrawal penalty. In certain circumstances, however, you can take a cash distribution without incurring the 10% early withdrawal penalty.

[2] This chart is for illustrative purposes only and does not imply that your actual investments will provide this return.

[3] While investments in an IRA grow tax-deferred, when withdrawals are made, they will be taxed at your ordinary income tax rate, which may be different from the one used in this example.

The Choice Is Yours

You are receiving this brochure because you're leaving or have left the company and, as a result, you may be able to roll over your account or take a distribution from your plan. To learn more about your options, visit your benefits Web site.

Take Action

To set up a new rollover IRA and to initiate your rollover, go to your benefits Web site at:

www.jcpenneypowerline.com

It's simple. Keep your savings working in your favor—you'll know it was a smart move when you need your savings in the future.

H000060259 07/08