

ROTH IRA DISTRIBUTION REQUEST

(PLEASE READ THE ATTACHED INSTRUCTIONS)

I. Account Holder's Information (Complete all sections)

Name (please print):

Account Number:

Social Security Number:

 - -

Date of Birth:

 / /

II. Beneficiary (or Former Spouse) Information (Complete all sections)

NOTE: This section should be completed by a beneficiary taking a Death Distribution or a former spouse taking a distribution as a result of a property settlement. DO NOT use this section to name or change your beneficiary (ies).

Name (please print):

Account Number:

Social Security Number:

 - -

Date of Birth:

 / /

Relationship:

III. Type of Distribution (Select one)

- ☐ Qualified (ROTH IRA greater than five years old, age 59 ½ and older, Death or Disability if ROTH IRA greater than five years old)
- ☐ Premature (Under age 59 ½)
- ☐ 72-T (customer should consult licensed tax advisor before choosing)
- ☐ Transfer to Identical Roth IRA
- ☐ Roth Distribution with Exception

☐

Excess Contribution Removal

Was the excess contribution made during the prior year?

☐ Yes ☐ No

☐

Same Year Re-characterization (Re-characterizations that occur in the same year for which the contribution(s) being re-characterized were made)

☐

Prior Year Re-characterization (Re-characterizations that occur after the year for which the contribution(s) being re-characterized were made)

☐

Death

☐

Disability (Physician's statement or Disability Letter from IRS required)

☐

Revocation (taken within 7 calendar days from the date account was opened)

☐

Prohibited Transaction (A prohibited transaction is a transaction between a plan and a disqualified person that is prohibited by law.)

IV. Distribution Method (Select one distribution method):

☐

A.) ONE-TIME DISTRIBUTION

1.) Payment in the amount of:

\$

2.) Distribution of securities (Indicate symbol/cusip and quantity)

SYMBOL / CUSIP

QUANTITY

<input type="text"/>
<input type="text"/>
<input type="text"/>

<input type="text"/>
<input type="text"/>
<input type="text"/>

☐

B.) SCHEDULED DISTRIBUTION (Complete applicable items)

1.) Select one:

☐ New Request ☐ Change of Instruction

2.) Frequency (Select one):

☐ Monthly ☐ Quarterly ☐ Annually ☐ Weekly ☐ Bi-Weekly

Beginning: / /

3.) Amount:

\$ -OR- ☐ Dividends and Interest

☐

C.) TOTAL ACCOUNT DISTRIBUTION (account will be closed)

ROTH IRA DISTRIBUTION REQUEST

(PLEASE READ THE ATTACHED INSTRUCTIONS)



133-25 37th Ave. Flushing, NY 11354
Tel: 1-800-869-8800 Fax: 718-961-3919
Member FINRA/SIPC

V. Tax Withholding (Select applicable items)

TAX WITHHOLDING ELECTION

1.) Federal Income Tax Withholding (Select one):

☐ Do **NOT** withhold federal income tax

(By selecting this, the account holder understands that they are still liable for the payment of Federal income tax on the amount of any distributions received. The account holder also understands that they may be subject to Federal income tax penalties under the estimated tax payment rules if their payments of the estimated tax and withholding are insufficient.)

☐ Withhold _____ % from the amount of the gross distribution (must be at least 10%)

☐ Withhold \$ _____ of federal income tax from the gross distribution amount

2.) State Income Tax Withholding (Select one):

☐ Do **NOT** withhold state income tax from the distribution.
(Not applicable to all states.)

☐ Withhold _____ % from the amount of the gross distribution

☐ Withhold \$ _____ of state income tax from the gross distribution amount

VI. DELIVERY INSTRUCTIONS (Select applicable items)

☐ Address of Record

☐ Alternative Payee or Alternate Address (complete all sections):

Name: _____

Address: _____

City: _____

State: _____ Zip: _____

(Notary Public/Signature Guarantee required if check is made payable to alternative payee)

☐ To the following Person account:

Account Number: _____

☐ Special Payment Instructions:

☐ Overnight Delivery (Fees will be assessed)

☐ Federal Fund Wire (Fees will be assessed):

ABA Number: _____

Bank Name: _____

City, State: _____

Account Number: _____

For the benefit of: _____

Type of IRA account receiving: _____

Account Number: _____

Further credit to: _____

Account Number: _____

VII. SIGNATURE (This request can not be processed without account holder's signature.)

I certify that I am the proper party to receive payment(s) from this ROTH IRA and that all information provided by me is true and accurate. I have read and understand the Rules and Conditions Applicable to Withdrawal on page 3 of this form and agree to abide by those rules and conditions. I further certify that no tax advice has been given to me by the Trustee or Custodian. All decisions regarding this withdrawal are my own. I expressly assume the responsibility for any adverse consequences which may arise from this withdrawal and I agree that the Trustee or Custodian shall in no way be held responsible.

(ROTH IRA Holder or Beneficiary)

(Date)

(Notary Public/Signature Guarantee)

(Date)

(Broker Approval Signature)

(Date)

(Notary Public Seal or Signature Guarantee Box)

RULES AND CONDITIONS APPLICABLE TO WITHDRAWAL

GENERAL INFORMATION

You must supply all requested information so the Trustee or Custodian can do the proper tax reporting. You may not request a distribution on behalf of another beneficiary.

DISTRIBUTION REASON

You are required to give the reason for taking the withdrawal from the Roth IRA. If you take a distribution (that is not rolled over) from a Roth IRA within the first five years of your initial Roth IRA contribution, you may be subject to an early distribution penalty and federal income taxes on the amount includible in your income. You must pay the appropriate penalty tax to the IRS. In addition, the Trustee or Custodian may impose substantial penalties for early withdrawal of the deposits. You will receive distribution reports from the Trustee or Custodian to assist you with reporting this income.

Qualified Distribution. If five years have passed since your initial Roth IRA contribution or conversion year, and either: (1) you are over age 59½, (2) your distribution is on account of death, or (3) you are disabled, then your distribution is a qualified distribution. Qualified distributions are reported on the IRS Form 1099R using Code Q. However, if qualified distributions are taken on account of the first-time homebuyer qualifying event, Code J is used on IRS Form 1099R.

Early Distribution (Premature). If you are under age 59½ and take a distribution from your Roth IRA, you may be subject to the early distribution penalty. Unless an exception to the early distribution penalty applies, you must pay the appropriate penalty tax to the IRS. In addition, the Trustee or Custodian may impose substantial penalties for early withdrawal of time deposits. Roth IRA holders who roll a nonqualifying distribution over into another Roth IRA will not be subject to the early distribution penalty. An early distribution is reported on IRS Form 1099R using Code J. Code J is also used for distributions where neither Code Q nor Code T applies but the distribution qualifies for an exception to the 10 percent early distribution penalty. This would include any of the following: payments made to pay medical expenses which exceed 7.5 percent of your adjusted gross income; certain distributions to pay for health insurance if you have separated from employment; payments made to pay qualifying education expenses; certain first-time home buyer distributions (up to \$10,000); distributions taken for substantially equal periodic payments (as defined in IRC Section 72(t)(2)(A)(iv)). To claim the exemption from the 10 percent early distribution penalty, you must file IRS Form 5329.

Early Distribution with Exception (72-T). If you are under age 59½ and take a distribution to which an exception under Internal Revenue Code section 72(t) applies for distributions made to pay an IRS levy, you may be exempt from the early distribution penalty. The Trustee or Custodian may impose substantial penalties for early withdrawal of time deposits. An early distribution with exception is reported on IRS Form 1099R using Code 2.

Transfer to Identical ROTH IRA. A transfer may be made by a Roth IRA holder, surviving spouse beneficiary, or recipient under a transfer incident to a divorce. In addition, the IRS has indicated that a nonspouse beneficiary can transfer the Roth IRA as long as the Roth IRA into which amounts are being moved is set up and maintained in the name of the deceased owner for the benefit of the beneficiary. No IRS reporting is required for a transfer.

Roth Distribution With Exception. If you are over age 59½, you may take Roth IRA distributions at any time you wish without incurring an IRS early distribution penalty. Roth distributions with exceptions are reported on the IRS Form 1099R using Code T, unless they are qualified distributions.

Excess Contribution Removal. If you have made an excess contribution to your Roth IRA, you must take the appropriate steps to remove or redesignate the contribution. Depending upon when you take the necessary corrective action and the amount of the excess contribution, you may have to pay the IRS either an excess contribution or early distribution penalty tax, or both. Code 8J or PJ will be applicable on IRS Form 1099R depending on the timing of the removal and age of the Roth IRA holder.

Same Year Recharacterization. If you make a contribution to your Roth IRA, you may recharacterize the amount as a Traditional IRA contribution and the earnings attributable to a Traditional IRA before your tax return due date (including extensions) for such tax year. Recharacterization may also be used to reverse a conversion from a Traditional IRA or SIMPLE IRA to a Roth IRA. Recharacterizations that occur in the same year for which the contributions being recharacterized were made are reported on IRS Form 1099R using Code N.

Prior Year Recharacterization. If a recharacterization of a contribution, as described in the paragraph above, occurs after the year for which the contribution being recharacterized was made, Code R is used on IRS Form 1099R.

Death. If you are requesting a distribution as a beneficiary, the Trustee or Custodian may require you to furnish proof of death, in a form acceptable to the Trustee or Custodian, to verify your entitlement to receive the distribution. This proof should also be provided by surviving spouse beneficiaries electing to treat the Roth IRA as their own. Death distributions are reported on IRS Form

Disability. You may take a distribution due to disability only if the disability renders you unable to engage in any substantial gainful activity and it is medically determined that the condition will last continuously for at least 12 months or lead to your death. You may be required to furnish proof of disability, in a form acceptable to the Trustee or Custodian, verifying your ability to use this distribution penalty exception. Disability distributions are reported on IRS Form 1099R using Code T, unless they are qualified distributions.

Revocation. If you receive a disclosure statement at the time you establish your Roth IRA, you have the right to revoke your Roth IRA within seven days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your Roth IRA. When reporting a revocation, the return of a regular or spousal contribution is reported on IRS Form 1099R using Code J. The return of a rollover, transfer, or conversion contribution is also reported on Form 1099R using Code J.

Prohibited Transactions. If you have performed a prohibited transaction as defined in IRC Section 4975(c), you may be subject to an IRS penalty. Prohibited distributions are reported on IRS Form 1099R using Code 5.

WITHHOLDING NOTICE INFORMATION (Form W-4P/OMB No. 1545-0415)

Basic Information About Withholding From Pensions And Annuities

Generally, Federal income tax withholding applies to payments made from pension, profit sharing, stock bonus, annuity and certain deferred compensation plans, IRAs, and commercial annuities.

Purpose Of Form W-4P

Unless you elect otherwise, Federal income tax will be withheld from payments from Individual Retirement Accounts (IRAs). You can use Form W-4P, or a substitute form, such as that contained on this form, furnished by the Trustee or Custodian, to instruct your Trustee or Custodian to withhold no tax from your IRA payments (or to revoke this election). This substitute form should be used only for distributions from IRAs which are payable upon demand.

Nonperiodic Payments

Payments from IRAs that are payable upon demand are treated as *nonperiodic payments* for Federal income tax purposes. Generally, nonperiodic payments must have income tax withheld at a rate not less than 10 percent. However, qualified distributions from a Roth IRA are nontaxable and, therefore not subject to withholding.

You can elect to have no income tax withheld from a nonperiodic payment (IRA payment) by filing Form W-4P or a substitute form with the Trustee or Custodian and checking the appropriate box on that form. Your election will remain in effect for any subsequent distribution unless you change or revoke it. A U.S. citizen or resident alien may not waive withholding on any distribution delivered outside of the U.S. or its possessions. Distributions to a nonresident alien are generally subject to a tax withholding rate of 30 percent. A reduced withholding rate, including exemption, may apply if there is a tax treaty between the nonresident alien's country of residence and the United States, and the nonresident alien submits Form W8-BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfies the documentation requirements as provided under the regulations. For more information, please see Publication 505, *Tax Withholding and Estimated Tax*, and Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, available from most IRS offices.

Caution: Remember that there are penalties for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your IRA using Form W-4P.

Revoking The Exemption From Withholding

If you want to revoke your previously filed exemption from withholding, file another Form W-4P with the Trustee or Custodian and check the appropriate box on that form.

Statement Of Income Tax Withheld From Your IRA

By January 31 of next year, you will receive a statement from your Trustee or Custodian showing the total amount of your IRA payments and the total Federal income tax withheld during the year. Copies of Form W-4P will not be sent to the IRS by the Trustee or Custodian.

DISCLOSURE STATEMENT

RIGHT TO REVOKE YOUR ROTH IRA

You have the right to revoke your Roth IRA within seven (7) days of the receipt of the Disclosure Statement. If revoked, you are entitled to a full return of the contribution you made to your Roth IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Custodian at the address listed on the Application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

If you have any questions about the procedure for revoking your Roth IRA, please call the Custodian at the telephone number listed on the Application.

REQUIREMENTS OF A ROTH IRA

A. **CASH CONTRIBUTIONS** – Your contribution must be in cash, unless it is a rollover or conversion contribution.

B. **MAXIMUM CONTRIBUTION** – The total amount you may contribute to a Roth IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$3,000 for years 2002-2004, \$4,000 for years 2005-2007, and \$5,000 for 2008, with possible cost-of-living adjustments in years 2009 and thereafter. If you also maintain a Traditional IRA (i.e., an IRA subject to the limits of Internal Revenue Code (Code) sections 408(a) or 408(b)), the maximum contribution to your Roth IRAs is reduced by any contributions you make to your Traditional IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation.

Your Roth IRA contribution is further limited if your modified adjusted gross income (MAGI) equals or exceeds \$150,000 if you are a married individual filing a joint income tax return, or equals or exceeds \$95,000 if you are a single individual. Married individuals filing a joint income tax return with MAGI equaling or exceeding \$160,000 may not fund a Roth IRA. Single individuals with MAGI equaling or exceeding \$110,000 may not fund a Roth IRA. Married individuals filing a separate income tax return with MAGI equaling or exceeding \$10,000 may not fund a Roth IRA. The MAGI limits described above are subject to cost-of-living increases for tax years beginning after 2006.

If you are married filing a joint income tax return and your MAGI is between the applicable MAGI phaseout range for the year, your maximum Roth IRA contribution is determined as follows: (1) Begin with the appropriate MAGI phase-out maximum for the applicable year and subtract your MAGI from it; (2) divide the result by the difference between the phase-out range maximum and minimum; and (3) multiply this number by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older. For example, if you are age 30 and your MAGI is \$155,000, your maximum Roth IRA contribution for 2002 is \$1,500. This amount is determined as follows: [(\$160,000 minus \$155,000) divided by \$10,000] multiplied by \$3,000.

If you are single and your MAGI is between the applicable MAGI phaseout for the year, your maximum Roth IRA contribution is determined as follows: (1) Begin with the appropriate MAGI phase-out maximum for the applicable year and subtract your MAGI from it; (2) divide the result by the difference between the phase-out range maximum and minimum; and (3) multiply this number by the maximum allowable contribution for the year, including catch-up contributions if you are age 50 or older. For example, if you are age 30 and your MAGI is \$98,000, your maximum Roth IRA contribution for 2002 is \$2,400. This amount is determined as follows: [(\$110,000 minus \$98,000) divided by \$15,000] multiplied by \$3,000.

C. **CONTRIBUTION ELIGIBILITY** – You are eligible to make a regular contribution to your Roth IRA, regardless of your age, if you have compensation and your MAGI is below the maximum threshold. Your Roth IRA contribution is not limited by your participation in a retirement plan, other than a Traditional IRA.

D. **CATCH-UP CONTRIBUTION** – If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your Roth IRA. The maximum additional contribution is \$500 for years 2002-2005 and \$1,000 for years 2006 and beyond.

E. **CATCH-UP CONTRIBUTIONS ALLOWED IN CERTAIN EMPLOYER BANKRUPTCIES** – You may be eligible to contribute an additional catch-up contribution of up to \$3,000 each year in 2006 through 2009. To be eligible, the following conditions must be met: 1) you were a participant in a 401(k) plan in which the employer matched at least 50% of your contributions to the plan with employer stock, 2) the employer must have been a debtor in a bankruptcy case in an earlier year and must have been indicted or convicted as a result of the events leading up to the

bankruptcy, and 3) you must have been a participant in the 401(k) plan at least six months before the bankruptcy case was filed. If you choose to make these special catch-up contributions, you will not be eligible for the normal catch-up contribution for individuals age 50 and older.

F. **NONFORFEITABILITY** – Your interest in your Roth IRA is nonforfeitable.

G. **ELIGIBLE CUSTODIANS** – The Custodian of your Roth IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

H. **COMMINGLING ASSETS** – The assets of your Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.

I. **LIFE INSURANCE** – No portion of your Roth IRA may be invested in life insurance contracts.

J. **COLLECTIBLES** – You may not invest the assets of your Roth IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum or palladium bullion (as described in Code section 408(m)(3)) are also permitted as Roth IRA investments.

K. **BENEFICIARY PAYOUTS** – Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death who remains your beneficiary(ies) as of September 30 of the year following the year of your death. The entire amount remaining in your account will, at the election of your beneficiary(ies), either

1. be distributed by December 31 of the year containing the fifth anniversary of your death, or
2. be distributed over the remaining life expectancy of your designated beneficiary(ies).

If your spouse is your sole designated beneficiary, he or she must elect either option (1) or (2) by the earlier of December 31 of the year containing the fifth anniversary of your death, or December 31 of the year you would have attained age 70½. Your designated beneficiary(ies), other than a spouse who is the sole designated beneficiary, must elect either option (1) or (2) by December 31 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (2). In the case of distributions under option (2), distributions must commence by December 31 of the year following the year of your death. Generally if your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 70½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your Roth IRA for purposes of determining the distribution period. If there is no designated beneficiary of your Roth IRA, the entire Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

A spouse who is the sole designated beneficiary of your entire Roth IRA will be deemed to elect to treat your Roth IRA as his or her own by either (1) making contributions to your Roth IRA or (2) failing to timely remove a required minimum distribution from your Roth IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your Roth IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own Roth IRA.

L. **WAIVER OF 2009 BENEFICIARY PAYMENT** – No beneficiary life expectancy payments are required from an inherited Roth IRA for calendar year 2009. If the five year rule applies to a Roth IRA with respect to any decedent, the five year period is determined without regard to calendar year 2009. For example, if a Roth IRA owner died in 2007, the beneficiary's five year period ends in 2013 instead of 2012.

INCOME TAX CONSEQUENCES OF ESTABLISHING A ROTH IRA

A. **CONTRIBUTIONS NOT DEDUCTED** – No deduction is allowed for Roth IRA contributions, including transfers, rollovers and conversion contributions.

B. **CONTRIBUTION DEADLINE** – The deadline for making a Roth IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your Roth IRA contribution on or before April 15, your

contribution is considered to have been made for the previous tax year if you designate it as such.

C. **TAX CREDIT FOR CONTRIBUTIONS** – You may be eligible to receive a tax credit for your Roth IRA contributions. This credit may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are

- age 18 or older as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

The credit is based upon your income (see chart below), and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

Adjusted Gross Income*			Applicable Percentage
Joint Return	Head of a Household	All Other Cases	
\$1 – 30,000	\$1 – 22,500	\$1 – 15,000	50
30,001 – 32,500	22,501 – 24,375	15,001 – 16,250	20
32,501 – 50,000	24,376 – 37,500	16,251 – 25,000	10
Over 50,000	Over 37,500	Over 25,000	0

*Adjusted gross income includes foreign earned income and income from Guam, America Samoa, North Mariana Islands and Puerto Rico. AGI limits are subject to cost-of-living adjustments for tax years beginning after 2006.

D. **TAX-DEFERRED EARNINGS** – The investment earnings of your Roth IRA are not subject to federal income tax as they accumulate in your Roth IRA. In addition, distributions of your Roth IRA earnings will be free from federal income tax if you take a qualified distribution, as described below.

E. **TAXATION OF DISTRIBUTIONS** – The taxation of Roth IRA distributions depends on whether the distribution is a qualified distribution or a nonqualified distribution.

1. **Qualified Distributions** – Qualified distributions from your Roth IRA (both the contributions and earnings) are not included in your income. A qualified distribution is a distribution which is made after the expiration of the five-year period beginning January 1 of the first year for which you made a contribution to any Roth IRA (including a conversion from a Traditional IRA), and is made on account of one of the following events:

- attainment of age 59½,
- disability,
- the purchase of a first home, or
- death.

For example, if you made a contribution to your Roth IRA for 1998, the five-year period for determining whether a distribution is a qualified distribution is satisfied as of January 1, 2003.

2. **Nonqualified Distributions** – If you do not meet the requirements for a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income and, if you are under age 59½, may be subject to an early distribution penalty. However, when you take a distribution, the amounts you contributed annually to any Roth IRA account and any military death gratuity or Servicemembers' Group Life Insurance (SGLI) payments that you rolled over to a Roth IRA, will be deemed to be removed first, followed by conversion contributions made to any Roth IRA on a first-in, first-out basis. Therefore, your nonqualified distributions will not be taxable to you until your withdrawals exceed the amount of your annual contributions, military death gratuity or SGLI payments, and your conversions.

F. **REQUIRED MINIMUM DISTRIBUTIONS** – You are not required to take distributions from your Roth IRA at age 70½ (as required for Traditional and SIMPLE IRAs). However, your beneficiary(ies) is generally required to take distributions from your Roth IRA after your death. See the section titled *Beneficiary Payouts* in this Disclosure Statement regarding beneficiary's(ies)' required minimum distributions.

G. **ROLLOVERS AND CONVERSIONS** – Your Roth IRA may be rolled over to another Roth IRA of yours, may receive rollover contributions, or may receive conversion contributions provided that all of the applicable rollover or conversion rules are followed. Rollover is a term used to

describe a tax-free movement of cash or other property to your Roth IRA from another Roth IRA. Conversion is a term used to describe the movement of Traditional IRA or SIMPLE IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.

1. **Roth IRA to Roth IRA Rollovers** – Funds distributed from your Roth IRA may be rolled over to a Roth IRA of yours if the requirements of Code section 408(d)(3) are met. A proper Roth IRA to Roth IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another Roth IRA to Roth IRA rollover from the distributing Roth IRA during the 12 months preceding the date you receive the distribution. Further, you may roll over the same dollars or assets only once every 12 months. Roth IRA assets may not be rolled over to other types of IRAs (e.g., Traditional IRA, SIMPLE IRA).

2. **Traditional IRA to Roth IRA Conversions** – If your MAGI is not more than \$100,000 and you are not married filing a separate income tax return, you are eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). Beginning in 2010, the \$100,000 MAGI limit and the married filing separate tax filing restriction will be eliminated for conversion eligibility. If you are age 70½ or older you must remove your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA shall be treated as a distribution for income tax purposes, and is includible in your gross income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty.

3. **SIMPLE IRA to Roth IRA Conversions** – If your MAGI is not more than \$100,000 and you are not married filing a separate income tax return, you are eligible to convert all or any portion of your existing savings incentive match plan for employees of small employers (SIMPLE) IRA(s) into your Roth IRA(s), provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. Beginning in 2010, the \$100,000 MAGI limit and the married filing separate tax filing restriction will be eliminated for conversion eligibility. If you are age 70½ or older you must remove your required minimum distribution prior to converting your SIMPLE IRA. The amount of the conversion from your SIMPLE IRA to your Roth IRA shall be treated as a distribution for income tax purposes and is includible in your gross income. Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a SIMPLE IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty.

4. **Rollovers of Roth Elective Deferrals** – Roth elective deferrals distributed from a 401(k) cash or deferred arrangement or 403(b) tax-sheltered annuity may be rolled into your Roth IRA.

5. **Rollovers from Employer-Sponsored Retirement Plans** – Distributions taken from your qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan after December 31, 2007 may be rolled over to your Roth IRA. If you are a spouse, nonspouse, or qualified trust beneficiary who has inherited a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan, you may be eligible to directly roll over the assets to an inherited Roth IRA. The inherited Roth IRA is subject to the beneficiary distribution requirements. Roth IRA conversion rules, as described above, will apply to rollovers by beneficiaries or plan participants, including the requirement to include the taxable portion in income in the year distributed.

6. **Beneficiary Rollovers from 401(k) or 403(b) Plans Containing Roth Elective Deferrals** – If you are a spouse, nonspouse, or qualified trust beneficiary of a deceased 401(k) or 403(b) plan participant who had made Roth elective deferrals to the plan, you may directly roll over the Roth elective deferrals, and their earnings, to an inherited Roth IRA. The Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements.

7. **Rollover of Military Death Benefits** – If you receive or have received a military death gratuity or a payment from the Servicemembers' Group Life Insurance (SGLI) program, you may be able to roll over the proceeds to your Roth IRA. The rollover contribution amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Coverdell education savings account. Proceeds must be rolled over within one year of

receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. For deaths occurring between October 7, 2001 and June 17, 2008, proceeds may be rolled over no later than one year from June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in your Roth IRA.

8. **Rollover of Exxon Valdez Settlement Payments** – If you receive a qualified settlement payment from Exxon Valdez litigation, you may roll over the amount of the settlement, up to \$100,000, reduced by the amount of any qualified Exxon Valdez settlement income previously contributed to a Traditional or Roth IRA or eligible retirement plan in prior taxable years. You will have until your tax return due date (not including tax extensions) for the year in which the qualified settlement income is received to make the rollover contribution. To obtain more information on this type of rollover, you may wish to visit the IRS website at www.irs.gov.
9. **Written Election** – At the time you make a proper rollover or conversion to a Roth IRA, you must designate in writing to us, your election to treat that contribution as a rollover or conversion. Once made, the election is irrevocable.
- H. **TRANSFER DUE TO DIVORCE** – If all or any part of your Roth IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's Roth IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another Roth IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Roth IRA to another.
- I. **RECHARACTERIZATIONS** – If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing a contribution from a Roth IRA to a Traditional IRA. If you have converted from a Traditional IRA to a Roth IRA you may recharacterize the conversion along with net income attributable back to the Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions), for the year for which the original contribution was made or conversion completed.

LIMITATIONS AND RESTRICTIONS

- A. **SPOUSAL ROTH IRA** – If you are married and have compensation, you may contribute to a Roth IRA established for the benefit of your spouse, regardless of whether or not your spouse has compensation. You must file a joint income tax return for the year for which the contribution is made. Your contribution may be further limited if your MAGI falls within the minimum and maximum thresholds.

The amount you may contribute to your Roth IRA and your spouse's Roth IRA is the lesser of 100 percent of your combined compensation or \$6,000 for 2002-2004, \$8,000 for 2005-2007 and \$10,000 for 2008. This amount may be increased with cost-of-living adjustments in 2009 and beyond. However, you may not contribute more than the individual contribution limit to each Roth IRA. Your contribution may be further limited if your MAGI falls within the minimum and maximum thresholds.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's Roth IRA. The maximum additional contribution is \$500 for years 2002-2005, and \$1,000 for years 2006 and beyond.

- B. **GIFT TAX** – Transfers of your Roth IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.
- C. **SPECIAL TAX TREATMENT** – Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to Roth IRA distributions.
- D. **INCOME TAX TREATMENT** – Any nonqualified withdrawal of earnings from your Roth IRA may be subject to federal income tax withholding. You may, however, elect not to have withholding apply to your Roth IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.
- E. **PROHIBITED TRANSACTIONS** – If you or your beneficiary engage in a prohibited transaction with your Roth IRA, as described in Code section 4975, your Roth IRA will lose its tax-deferred or tax-exempt status, and you must generally include the value of the earnings in your account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your Roth IRA: (1) taking a loan from your Roth IRA; (2) buying property for personal use (present or future) with Roth IRA funds; or (3) receiving certain bonuses or premiums because of your Roth IRA.

- F. **PLEDGING** – If you pledge any portion of your Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution, and may be included in your gross income for the taxable year in which you pledge the assets to the extent it represents earnings.

FEDERAL TAX PENALTIES

- A. **EARLY DISTRIBUTION PENALTY** – If you are under age 59½ and receive a nonqualified Roth IRA distribution, an additional tax of 10 percent will generally apply to the amount includible in income in the year of the distribution. If you are under age 59½ and receive a distribution of conversion amounts within the five-year period beginning with the year in which the conversion occurred, an additional tax of 10 percent will generally apply to the amount of the distribution. The additional tax of 10 percent will generally not apply if a distribution is made on account of 1) death, 2) disability, 3) a qualifying rollover, 4) the timely withdrawal of an excess contribution, 5) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary, 6) medical expenses which exceed 7.5 percent of your adjusted gross income, 7) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 8) certain qualified education expenses, 9) first-home purchases (up to a life-time maximum of \$10,000), 10) a levy issued by the IRS, or 11) active military duty (see *Qualified Reservist Distributions*, below).
- B. **EXCESS CONTRIBUTION PENALTY** – An additional tax of six percent is imposed upon any excess contribution you make to your Roth IRA. This additional tax will apply each year in which an excess remains in your Roth IRA. An excess contribution is any amount that is contributed to your Roth IRA that exceeds the amount that you are eligible to contribute.
- C. **EXCESS ACCUMULATION PENALTY** – As previously described, your beneficiary(ies) is generally required to take certain required minimum distributions after your death. An additional tax of 50 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.
- D. **PENALTY REPORTING** – You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.

OTHER

- A. **IRS PLAN APPROVAL** – The Agreement used to establish this Roth IRA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **ADDITIONAL INFORMATION** – You may obtain further information on Roth IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements*, by calling 1-800-TAX-FORM, or by visiting www.irs.gov on the Internet.
- C. **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT** – To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- D. **HURRICANE-RELATED RELIEF** – If you are an individual who sustained an economic loss due to, or are otherwise considered affected by, hurricane Katrina, Rita or Wilma, you may be eligible for favorable tax treatment on distributions and rollovers from your Roth IRA. Qualified distributions include Roth IRA distributions made on or after specified dates for each hurricane and before January 1, 2007 to a qualified individual. For a complete definition of what constitutes a qualified individual and a qualified hurricane distribution for purposes of hurricane relief, refer to IRS Publication 4492, *Information for Taxpayers Affected by Hurricanes Katrina, Rita and Wilma*.
1. **10 Percent Penalty Exception on Qualified Distributions** – Qualified hurricane distributions are not subject to the 10 percent early distribution penalty tax. This penalty exception applies only to the first \$100,000 of qualified distributions to each individual.
 2. **Taxation May be Spread Over Three Years** – If you receive qualified hurricane distributions, you may elect to include the distribution in your gross income ratably over three years, beginning with the year of the distribution.
 3. **Repayment of Qualified Hurricane Distributions** – You may roll over qualified hurricane distributions to an eligible retirement plan, and avoid federal income taxation, within three years of the date of receipt of the distribution. The 60-day rollover rule does not apply to these distributions.

For further detailed information on tax relief granted for hurricanes Katrina, Rita and Wilma, and other exceptions which may be granted in the future by

the IRS, you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements*, by calling 1-800-TAXFORM, or by visiting www.irs.gov on the Internet.

- E. **QUALIFIED RESERVIST DISTRIBUTIONS** – If you are a qualified reservist called to active duty, you may be eligible to take penalty-free distributions from your Roth IRA and recontribute those amounts to an IRA generally within a two-year period from your date of return. For further detailed information you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements* from the IRS.
- F. **CHARITABLE DISTRIBUTIONS** – If you are age 70½ or older, you may make tax-free distributions of up to \$100,000 per year directly from your Roth IRA to certain charitable organizations. Special tax rules may apply. This provision applies to distributions during tax years 2008 and 2009, or until such later time as extended by Congress. For further detailed information you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements* from the IRS.
- G. **HEARTLAND DISASTER RELATED TAX RELIEF** – If you are an individual who has sustained an economic loss due to, or are otherwise considered affected by, the severe storms, tornadoes and flooding that occurred in the Midwestern disaster area, you may be eligible for favorable tax treatment on distributions and rollovers from your Roth IRA. Qualified disaster recovery assistance distributions include Roth IRA distributions made on or after specified dates for each disaster, and before January 1, 2010 to a qualified individual. For more information on this tax relief, refer to IRS Publication 4492-B, *Information for Affected Taxpayers in the Midwestern Disaster Area*.
1. **10 Percent Penalty Exception on Qualified Distributions** – Qualified disaster recovery assistance distributions are not subject to the 10 percent early distribution penalty tax. This penalty exception applies only to the first \$100,000 of qualified distributions to each individual.
 2. **Taxation May be Spread Over Three Years** – If you received qualified disaster recovery assistance distributions, you may elect to include the distribution in your gross income ratably over three years, beginning with the year of the distribution.
 3. **Repayment of Qualified Disaster Recovery Assistance Distributions** – You may roll over qualified disaster recovery assistance distributions to an eligible retirement plan, and avoid federal income taxation, within three years of the date of receipt of the distribution. The 60-day rollover rule does not apply to these distributions.