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**TRADITIONAL IRA  
ROTH IRA  
SEP-IRA  
CUSTODIAL AGREEMENT  
DISCLOSURE STATEMENT**

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**turner**  
funds



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# INDIVIDUAL RETIREMENT

## CUSTODIAL AGREEMENT • DISCLOSURE STATEMENT

### TRADITIONAL • ROTH • SEP

SEI PRIVATE TRUST COMPANY ACTS AS THE CUSTODIAN  
FOR TURNER FUNDS IRAS

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#### CONSUMER PRIVACY POLICY

SEI Private Trust Company strongly believes in protecting the confidentiality and security of information we collect about individuals. This notice describes the privacy policy followed by SEI Private Trust Company regarding:

- How we treat the information we receive (“Information”) about individuals who apply for or obtain our products or services (“Individuals”); and
- The third parties with whom we may share this Information.

#### INFORMATION WE COLLECT

“Nonpublic Personal Information” is nonpublic information about the Individual that we obtain in connection with providing a financial product or service to the Individual for personal, family, or household purposes. We collect Nonpublic Personal Information from the following sources:

- Information we receive from you on applications or other forms. This may include but not be limited to name, address, social security number and assets;
- Information about your transactions with us and our service providers, or others, such as account balance, payment history, and parties to a transaction.

#### INFORMATION WE SHARE

We do not disclose any Nonpublic Personal Information about our customers or former customers to anyone, except as permitted by law. For example, we may disclose Nonpublic Personal Information about customers:

- To government entities, in response to subpoenas or to comply with laws or regulations;
- When you, the customer, direct the Funds to do so or consent to the disclosure;
- To nonaffiliated companies that perform necessary business services such as performing general administrative activities and assisting us in processing a transaction requested by an Individual;
- To protect against fraud, or to collect unpaid debts.

#### DISCLOSURE OF INFORMATION ABOUT FORMER CUSTOMERS

If an Individual decides to close an account or otherwise becomes an inactive customer, we will continue to follow the privacy practices described in this notice with respect to such Individual.

#### PROTECTING CONFIDENTIALITY AND SECURITY

We treat Information in a confidential manner. Our employees are required to protect the confidentiality of Information. Employees may access Information only when there is an appropriate reason to do so, such as to administer or offer our products and services. Employees are subject to disciplinary rules if they do not comply with our policies.

We also maintain physical, electronic, and procedural safeguards to protect Information; these safeguards comply with all applicable laws. Our commitment to data security involves monitoring new advances in security technology and enhancing our security architecture to ensure that we provide the highest level of privacy and safety available for investment services firms and their customers.

# INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

## ARTICLE I PURPOSE OF THE AGREEMENT

1.01 **Purpose of the Agreement.** The purpose of this Agreement is to establish a Traditional IRA under Section 408(a) of the Code or a Roth IRA under Section 408A of the Code, as indicated on the IRA Application, to provide for the IRA Holder's retirement and for the support of his or her Beneficiary(ies) after death. The account is established for the exclusive benefit of the IRA Holder or his or her Beneficiaries.

You do not need to sign or return anything to us for this amendment to apply to your IRA. Your beneficiary designation we have on file will remain in effect unless you change it by completing and signing the form which we have for this purpose.

We recommend that you review this information carefully and keep it with your other IRA papers.

1.02 **Intent to Qualify.** It is the intent of the IRA Holder that this Agreement shall qualify for approval under Section 408(a) of the Code if Option 1 is selected on the IRA Application or under Section 408A of the Code if Option 2 is selected. In no event will the custodial account established under this Agreement operate as both a Traditional IRA and a Roth IRA.

1.03 **For More Information.** To obtain more information concerning the rules governing this Agreement, contact the Prototype Sponsor or Custodian listed on the IRA Application.

## ARTICLE II DEFINITIONS

The following words and phrases when used in this Agreement with initial capital letters shall, for the purpose of this Agreement, have the meanings set forth below unless the context indicates that other meanings are intended:

2.01 **IRA Application:** Means the document executed by the IRA Holder through which it adopts this Agreement and thereby agrees to be bound by all terms and conditions of this Agreement.

2.02 **Agreement:** Means this IRA prototype plan Agreement, including the IRA Application that was completed and signed to establish this Agreement.

2.03 **Beneficiary:** Means the individual(s) or entity(ies) properly named to receive any remaining IRA benefits upon the death of the IRA Holder.

2.04 **Code:** Means the Internal Revenue Code of 1986, as amended from time to time.

2.05 **Modified Adjusted Gross Income (MAGI):** For purposes of Sections 3.01(A) and 4.01 of this Agreement, MAGI is defined as wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered (including, but not limited to commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses) and includes earned income, as defined in Section 401(c)(2) of the Code (reduced by the deduction a self employed IRA Holder takes for contributions made to a self-employed retirement plan). For purposes of this definition, Section 401(c)(2) of the Code shall be applied as if the term trade or business for purposes of Section 1402 of the Code includes service described in Section 1402(c)(6) of the Code. Compensation does not include amounts derived from or received as earnings or profits from property (including but not limited to interest and dividends) or amounts not includible in gross income. MAGI also does not include any amount received as a pension or annuity or as deferred compensation. MAGI shall include any amount includible in an IRA Holder's gross income under Section 71 of the Code with respect to a divorce or separation instrument described in subparagraph (A) of Section 71(b)(2) of the Code. In the case of a married individual filing a joint return, the greater compensation of his or her spouse is treated as his or her own compensation, but only to the extent that such spouse's

compensation is not being used for purposes of the spouse making a contribution to a Roth IRA or a contribution to a Traditional IRA.

2.06 **Conversion Contribution:** Means a rollover contribution described in Section 408A(e) of the Code from a Traditional or SIMPLE IRA to a Roth IRA.

2.07 **Custodian:** Means the bank or savings and loan association, as defined in Section 408(n) of the Code, or any person who has the approval of the IRS to act as Custodian which is named on the IRA Application, or their successor.

2.08 **IRA:** Means both Traditional IRA and Roth IRA unless otherwise indicated.

2.09 **IRA Holder:** Means the individual whose name appears on the IRA Application.

2.10 **Prototype Sponsor:** Means the entity specified on the IRA Application which sponsors this prototype plan.

2.11 **Roth IRA:** Means an Individual Retirement Account as defined in Section 408A of the Code.

2.12 **Traditional IRA:** Means an Individual Retirement Account as defined in Section 408(a) of the Code.

## **ARTICLE III PROVISIONS GOVERNING ROTH IRAs**

This Article III shall only apply if this IRA has been designated by the IRA Holder on the IRA Application as a Roth IRA.

### **3.01 Contribution Rules.**

A. **\$2,000 Limit.** For this Roth IRA, except in the case of a rollover contribution described in Section 408A(e) of the Code or a recharacterization described in Section 1.408A-5 of the final income tax regulations, the Custodian will accept only cash contributions and only up to a maximum amount of \$2,000 for any tax year of the IRA Holder.

The \$2,000 limit described above is gradually reduced to \$0 between certain levels of MAGI. For a single IRA Holder, the \$2,000 annual contribution is phased out between MAGI of \$95,000 and \$110,000; for a married IRA Holder who files jointly, between MAGI of \$150,000 and \$160,000; and for a married IRA Holder who files separately, between MAGI of \$0 and \$10,000.

B. **Phase-out Range.** If the IRA Holder's MAGI for a taxable year is in the phase-out range, the maximum regular contribution determined pursuant to Section 408A(c) of the Code for that taxable year is rounded up to the next multiple of \$10 and is not reduced below \$200.

C. **Single IRA Limit.** If the IRA Holder makes regular contributions to both Roth and Traditional IRAs for a taxable year, the maximum regular contribution that can be made to all the IRA Holder's Roth IRAs for that taxable year is reduced by the regular contributions made to his or her Traditional IRAs for the taxable year.

D. **Conversion Contribution Limits.** A conversion from a Traditional or SIMPLE IRA cannot be made to this IRA if, for the year the amount is distributed from the Traditional or SIMPLE IRA, (a) the IRA Holder is married and files a separate income tax return, (b) the IRA Holder is not married and has MAGI in excess of \$100,000 or (c) the IRA Holder is married and together the IRA Holder and the IRA Holder's spouse have MAGI in excess of \$100,000. For purposes of the preceding sentence, an IRA Holder and his or her spouse are not treated as married for a taxable year if they have lived apart at all times during that taxable year and file separate income tax returns for the taxable year.

E. **SIMPLE IRA Limits.** No contributions will be accepted under a SIMPLE IRA Plan established by any employer pursuant to Section 408(p) of the Code. Also, no conversion of funds attributable to contributions made by a particular employer under its

SIMPLE IRA Plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE IRA Plan, prior to the expiration of the two-year period beginning on the date the employee first participated in that employer's SIMPLE IRA Plan.

**F. Recharacterization.** A regular contribution made to a Traditional or SIMPLE IRA may be recharacterized pursuant to the rules in Section 1.408A-5 of the final income tax regulations as a regular contribution to this Roth IRA, subject to the limits in Article 3.01(A) of this Agreement.

**G. MAGI.** For purposes of A, B, and D above, an individual's MAGI for a taxable year is defined in Section 408A(c)(3)(C)(i) of the Code and does not include any amount included in adjusted gross income as a result of a rollover from a Traditional or SIMPLE IRA (a Conversion Contribution).

**3.02 IRA Holder Distributions.** The IRA Holder is not required to take distributions from his or her Roth IRA during his or her lifetime. At the IRA Holder's death, however, the Beneficiary or Beneficiaries must begin taking distributions in accordance with Article 3.03 of this Agreement. The Custodian will make no payouts to the IRA Holder from this Roth IRA until the Custodian receives from the IRA Holder a written request for a distribution on a form provided by or approved by the Custodian.

**3.03 Beneficiary Rights.** If the IRA Holder dies before receiving all of the amounts in this Roth IRA, the entire remaining interest will be distributed to the Beneficiary or Beneficiaries. At the election of the IRA Holder or, if the IRA Holder has not so elected, at the election of the Beneficiary or Beneficiaries, the entire remaining interest will either:

(a) Be distributed by December 31 of the year containing the fifth anniversary of the IRA Holder's death, or

(b) Be distributed over the life expectancy of the Beneficiary or Beneficiaries starting no later than December 31 of the year following the year of the IRA Holder's death. If, however, the Beneficiary is the IRA Holder's spouse, then distribution is not required to begin before December 31 of the year in which the IRA Holder would have attained age 70½.

If the Beneficiary payment election described above is not made by December 31 of the year following the year the IRA Holder dies, the Custodian reserves the right, in its complete and sole discretion, to do any one of the following:

- make no payment until the Beneficiary(ies) provides the Custodian a proper payment request;
- pay the entire IRA to the Beneficiary(ies) in a single sum payment;
- pay the entire remaining interest to the Beneficiary(ies) pursuant to (a) above; or
- pay the entire remaining interest to the Beneficiary(ies) pursuant to (b) above.

In the case of distribution method (b) above, the required minimum distribution for each year will be calculated by dividing each Beneficiary's interest in this Roth IRA as of the close of business on December 31 of the preceding year by the life expectancy of such Beneficiary using the attained age of such Beneficiary. Each Beneficiary's life expectancy shall be determined using the attained age of the Beneficiary as of such Beneficiary's birthday in the year distributions are required to commence.

Life expectancy is computed by use of the expected return multiples in Tables V of Section 1.72-9 of the final income tax regulations. The Custodian reserves the right to elect whether or not life expectancy of a surviving spouse will be recalculated in connection with required distributions from this Roth IRA, provided, however, that the Custodian gives notice of its election. Alternatively, the Custodian may allow the surviving spouse to make such election. If neither the Custodian nor the surviving spouse elect a policy regarding determination of life expectancy by the time distributions are required to begin under Article 3.03 of this Agreement, life expectancies shall be recalculated annually. Such election shall be irrevocable and shall apply in all subsequent years. In the case of any other designated Beneficiary, life expectancies shall be calculated using the attained ages

of such Beneficiary during the calendar year in which distributions are required to begin, and payments for any subsequent calendar year shall be calculated on such life expectancy reduced by one for each calendar year that has elapsed since the calendar year life expectancy was first calculated.

The surviving spouse will also be entitled to such additional Beneficiary payment options as are permitted under the law or related regulations. The surviving spouse may elect to treat the account as his or her own Roth IRA. This election will be deemed to have been made if such surviving spouse makes a regular contribution to the account, makes a rollover to or from such account, or fails to take required distributions.

If the Beneficiary is the beneficiary of two or more Roth IRAs from the same decedent, he or she may satisfy these requirements by taking from one Roth IRA the amount required to satisfy the requirement for another.

**3.04 Transfers and Rollovers.** The Custodian can receive amounts transferred or rolled over to this Roth IRA from the trustee or custodian of another Roth IRA as permitted by statute or applicable regulations.

## **ARTICLE IV PROVISIONS GOVERNING TRADITIONAL IRAs**

This Article IV shall only apply if this IRA has been designated by the IRA Holder on the IRA Application as a Traditional IRA.

**4.01 Contribution Limits.** The Custodian may accept additional cash contributions on behalf of the IRA Holder for a tax year of the IRA Holder. The total cash contributions are limited to \$2,000 for the tax year unless the contribution is a rollover contribution described in Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3) of the Code, or an employer contribution to a Simplified Employee Pension Plan as described in Section 408(k) of the Code. No contribution will be accepted under a SIMPLE plan established by any employer pursuant to Section 408(p) of the Code. No transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE plan will be accepted from a SIMPLE IRA, that is, an IRA used in conjunction with a SIMPLE plan, prior to the expiration of the 2-year period beginning on the date the IRA Holder first participated in that employer's SIMPLE plan.

### **4.02 IRA Holder Distributions.**

**A. General Provision.** Notwithstanding any provision of this Agreement to the contrary, the distribution of the IRA Holder's interest in this Traditional IRA shall be made in accordance with the following requirements and shall otherwise comply with Section 408(a)(6) of the Code and Section 1.408-8 of the proposed income tax regulations, including the incidental death benefit provisions of Section 1.401(a)(9)-2 of the proposed income tax regulations, the provisions of which are herein incorporated by reference.

**B. Life Expectancy Calculation.** Life expectancy is computed by use of the expected return multiples in Tables V and VI of Section 1.72-9 of the final income tax regulations. The Custodian reserves the right to elect whether or not life expectancies will be recalculated in connection with required minimum distributions from this Traditional IRA, provided, however, that the Custodian gives notice of its election. Alternatively, the Custodian may allow the IRA Holder to make such election. If neither the Custodian nor the IRA Holder elect a policy regarding determination of life expectancy by the time distributions are required to begin under Article 4.02(C) of this Agreement, life expectancies shall be recalculated annually. Such election shall be irrevocable and shall apply in all subsequent years. For purposes of distributions beginning after the IRA Holder's death, unless elected by the surviving spouse by the time distributions are required to begin, life expectancies shall be recalculated annually. In the case of any other designated Beneficiary, life expectancies shall be calculated using the attained ages of such Beneficiary during the calendar year in which distributions are required to begin, and payments for any subsequent calendar year shall be calculated on such life expectancy reduced by one for each calendar year that has elapsed since the calendar year life expectancy was first calculated.

**C. Required Minimum Distributions.** The IRA Holder's entire interest in this Traditional IRA must be, or begin to be, distributed by the IRA Holder's required beginning date (April 1 of the year following the year in which the IRA Holder reaches age 70½). By that date, the IRA Holder may elect, in a manner acceptable to the Custodian, to have the balance in this Traditional IRA distributed in:

- A single sum payment.
- Substantially equal annual payments over a specified period that may not be longer than the IRA Holder's life expectancy.
- Substantially equal annual payments over a specified period that may not be longer than the joint life and last survivor expectancy of the IRA Holder and his or her designated Beneficiary.

If the IRA Holder fails to make such an election by his or her required beginning date, the Custodian can, at its complete and sole discretion, do any one of the following:

- make no payment until the IRA Holder provides a proper payment request to the Custodian;
- pay the entire Traditional IRA to the IRA Holder in a single sum payment; or
- calculate the IRA Holder's required minimum distribution from the Traditional IRA each year based on the IRA Holder's single life expectancy (not recalculated) and pay those distributions to the IRA Holder until directed otherwise.

In the case of a distribution over life expectancy in substantially equal annual payments, the required minimum distribution for each year is determined by dividing the IRA Holder's entire interest in this Traditional IRA as of the close of business on December 31 of the preceding year by the life expectancy of the IRA Holder (or the joint life and last survivor expectancy of the IRA Holder and the IRA Holder's designated Beneficiary, whichever applies). In the case of distributions under this Article 4.02(C), the initial life expectancy (or joint life and last survivor expectancy) is determined by using the attained ages of the IRA Holder and designated Beneficiary as of their birthdays in the year the IRA Holder reaches age 70½.

The amount to be distributed each year shall not be less than the amount determined by dividing the IRA Holder's entire balance by the lesser of the applicable life expectancy or, if the IRA Holder's spouse is not the designated Beneficiary, the applicable divisor determined from the table set forth in Q&A-4 or Q&A-5, as applicable, of Section 1.401(a)(9)-2 of the proposed income tax regulations. Distributions after the death of the IRA Holder shall be calculated without regard to Section 1.401(a)(9)-2 of the proposed income tax regulations.

An IRA Holder with two or more Traditional IRAs may use the "alternative method" described in Notice 88-38, 1988-1 C.B. 524, to satisfy the required minimum distribution requirements described above. This method permits an individual to satisfy these requirements by taking from one Traditional IRA the amount required to satisfy the requirement for another.

**4.03 Beneficiary Rights.** If the IRA Holder dies before his or her entire interest is distributed to him or her, the entire remaining interest will be distributed as follows:

If the IRA Holder dies on or after his or her required beginning date, distribution must continue to be made in accordance with Article 4.02 of this Agreement. If the IRA Holder receives distributions prior to the required beginning date and the IRA Holder subsequently dies, the IRA Holder will not be considered as having reached his or her required beginning date. If the IRA Holder dies before his or her required beginning date, the entire remaining interest will, at the election of the IRA Holder or, if the IRA Holder has not so elected, at the election of the Beneficiary or Beneficiaries, either

- (a) Be distributed by December 31 of the year containing the fifth anniversary of the IRA Holder's death, or
- (b) Be distributed in equal or substantially equal payments over the life or life expectancy of the designated Beneficiary or Beneficiaries starting by December 31 of the

year following the year of the IRA Holder's death. If, however, the Beneficiary is the IRA Holder's surviving spouse, then distributions are not required to begin before December 31 of the year in which the IRA Holder would have turned age 70½.

Notwithstanding the foregoing, the surviving spouse may elect to treat the account as his or her own Traditional IRA. This election will be deemed to have been made if such surviving spouse makes a regular contribution to the account, makes a rollover to or from such account, or fails to take required distributions.

In the case of distribution method (b) above, the required minimum distribution for each year will be calculated by dividing each Beneficiary's interest in this Traditional IRA as of the close of business on December 31 of the preceding year by the life expectancy of such Beneficiary using the attained age of such Beneficiary. Each Beneficiary's life expectancy shall be determined using the attained age of the Beneficiary as of such Beneficiary's birthday in the year distributions are required to commence.

If the Beneficiary payment election described above is not made by December 31 of the year following the year the IRA Holder dies, the Custodian reserves the right to elect, in its complete and sole discretion, to do any one of the following:

- make no payment until the Beneficiary(ies) provides the Custodian a proper payment request;
- pay the entire IRA to the Beneficiary(ies) in a single sum payment;
- pay the entire remaining interest to the Beneficiary(ies) pursuant to (a) above; or
- pay the entire remaining interest to the Beneficiary(ies) pursuant to (b) above over his or her single life expectancy (not recalculated).

The Custodian reserves the right to elect whether or not the life expectancy of a surviving spouse Beneficiary will be recalculated in connection with the required minimum distributions from this Traditional IRA, provided, however, that the Custodian gives the surviving spouse notice of its election. Alternatively, the Custodian may allow the surviving spouse to make such an election. If neither the Custodian nor the surviving spouse elect a policy regarding determination of life expectancy by the time distributions are required to begin to the surviving spouse, life expectancy shall be recalculated annually. Such election shall be irrevocable as to the surviving spouse and shall apply to all subsequent years. The life expectancy of a nonspouse Beneficiary may not be recalculated.

A Beneficiary of two or more Traditional IRAs may use the "alternative method" described in Notice 88-38, 1988-1 C.B. 524, to satisfy the required minimum distribution requirements described above. This method permits an individual to satisfy these requirements by taking from one Traditional IRA the amount required to satisfy the requirement for another.

**4.04 Rollovers and Transfers.** The Custodian can receive amounts transferred to this Traditional IRA from the trustee or custodian of another Traditional IRA. In addition, the Custodian can accept direct rollovers of eligible rollover distributions from employer plans as permitted by the Code. The Custodian reserves the right not to accept any transfer or direct rollover.

## **ARTICLE V PROVISIONS GOVERNING BOTH TRADITIONAL AND ROTH IRAs**

### **5.01 Investment of Amounts in the IRA.**

**A. Contributions** — If the IRA Holder dies before his or her entire interest has been distributed and if the Beneficiary is other than the surviving spouse, no additional cash contributions or rollover contributions may be accepted in this IRA.

**B. Direction Of Investment** — The IRA Holder has exclusive responsibility for and control over the investment of the assets in this IRA. The IRA Holder shall direct all

investment transactions, including transactions involving earnings and the proceeds from securities sales. The IRA Holder's selection of investments, however, shall be limited to publicly traded securities, mutual funds, money market instruments and other investments that are obtainable by the Custodian and that the Custodian is capable of holding in the ordinary course of its business.

In the absence of instructions from the IRA Holder or if the instructions are not in a form acceptable to the Custodian, the Custodian shall hold any uninvested amounts in cash and shall have no responsibility to invest uninvested cash unless and until directed by the IRA Holder.

All transactions shall be subject to any and all applicable Federal and State laws and regulations and the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed and to the Custodian's policies and practices.

After the IRA Holder's death, the Beneficiary(ies) shall have the right to direct the investment of the assets in this IRA, subject to the same conditions that applied to the IRA Holder during his or her lifetime under this Agreement (including, without limitation, this Article 5.01).

**C. The Custodian's Investment Powers And Duties** — The Custodian shall have no discretion to direct any investment in the IRA. The Custodian assumes no responsibility for rendering investment advice with respect to this IRA, nor will it offer any opinion or judgment to the IRA Holder on matters concerning the value or suitability of any investment or proposed investment for this IRA. The Custodian shall exercise the voting rights and other shareholder rights with respect to securities in this IRA but only in accordance with the instructions the IRA Holder gives to it.

**D. Delegation Of Investment Responsibility** — The Custodian may, but is not required to, permit the IRA Holder to delegate the IRA Holder's investment responsibility for this IRA to another party acceptable to the Custodian by giving written notice of the delegation in a format prescribed by the Custodian. The Custodian shall follow the direction of any such party who is properly appointed and shall be under no duty to review or question, nor be responsible for, any of that party's directions, actions or failures to act.

**E. Prohibited Investments** — No part of this IRA may be invested in life insurance contracts, nor may the assets of this IRA be commingled with other property except in a common trust fund or common investment fund (within the meaning of Section 408(a)(5) of the Code). No part of this IRA may be invested in collectibles (within the meaning of Section 408(m) of the Code) except as otherwise permitted by Section 408(m)(3) of the Code which provides an exception for certain gold, silver, and platinum coins issued under the laws of any state, and certain bullion.

**5.02 Restrictions on the Fund.** The IRA Holder's interest in the balance in this IRA is nonforfeitable. Neither the IRA Holder nor any Beneficiary may sell, transfer or pledge any interest in this IRA in any manner whatsoever, except as provided by law or this Agreement. The assets in this IRA shall not be responsible for the debts, contracts or torts of any person entitled to distributions under this Agreement.

**5.03 Withdrawal Procedures.** All requests for withdrawal shall be in writing on a form provided by or acceptable to the Custodian. The method of distribution must be specified in writing. The tax identification number of the recipient must be provided to the Custodian before it is obligated to make a distribution.

Any withdrawals shall be subject to all applicable tax and other laws and regulations including possible early withdrawal penalties and withholding requirements.

**5.04 Beneficiary Designations.** The IRA Holder may designate one or more person(s) or entity(ies) as Beneficiary of the IRA. This designation can only be made on a form prescribed by the Custodian and it will only be effective when it is filed with the Custodian during the IRA Holder's lifetime. Except as otherwise provided by the IRA holder, each Beneficiary designation the IRA Holder files with the Custodian will cancel all previous ones. The consent of a Beneficiary shall not be required for the IRA Holder to revoke a Beneficiary designation. If the IRA Holder

does not designate a Beneficiary, the estate will be the Beneficiary. Unless specifically designated otherwise in writing and in a manner acceptable to the Custodian, the assets of this IRA will be distributed equally to all primary Beneficiaries who survive the IRA Holder and in equal shares to all contingent Beneficiaries if all primary Beneficiaries die before the IRA Holder.

**5.05 Reporting Responsibilities.** The IRA Holder agrees to provide the Custodian with information necessary for the Custodian to prepare any reports required under Sections 408(i), 408A(d)(3)(D) of the Code, and Sections 1.408-5 and 1.408-6 of the final income tax regulations. The Custodian agrees to submit reports to the Internal Revenue Service (IRS) and the IRA Holder (or Beneficiary(ies) upon the IRA Holder's death) as prescribed by the IRS and such additional reports as the Custodian may choose to deliver. The Custodian shall furnish annual calendar year reports concerning the status of the IRA.

If the IRA Holder does not notify the Custodian of any errors or omissions in the reports or statements within sixty (60) days following the mailing of such reports to the last known address of the IRA Holder (or Beneficiary(ies) upon the death of the IRA Holder) which the Custodian has in its files, such reports will be considered accurate and accepted by the IRA Holder (or Beneficiary(ies) if applicable) and the Custodian shall be discharged from all liability to anyone with respect to matters covered in such reports or statements.

**5.06 Representations and Responsibilities.** The IRA Holder represents and warrants to the Custodian that any information the IRA Holder has given or will give to the Custodian with respect to this Agreement is complete and accurate. Further, the IRA Holder agrees that any directions the IRA Holder gives, or action the IRA Holder takes, will be proper under this Agreement and that the Custodian is entitled to rely upon any such information or directions. The Custodian shall not be responsible for losses of any kind that may result from the IRA Holder's directions, actions or failures to act and the IRA Holder agrees to reimburse the Custodian for any loss it may incur as a result of such directions, actions or failures to act. The Custodian shall not be responsible for any penalties, taxes, judgments or expenses the IRA Holder incurs in connection with this IRA. The Custodian has no duty to determine whether the contributions or distributions comply with the Code, regulations, rulings or this Agreement.

**5.07 Service Fees.** The Custodian has the right to charge an annual service fee or other designated fees (for example, a transfer, rollover or termination fee) for maintaining this IRA. In addition, the Custodian has the right to be reimbursed for all reasonable expenses incurred in connection with the administration of this IRA. The Custodian may charge the IRA Holder separately for any fees or expenses or may deduct the amount of the fees or expenses from the assets in the IRA at its discretion. The Custodian reserves the right to charge any additional fee upon 30 days notice to the IRA Holder that the fee will be effective.

Any brokerage commissions attributable to the assets in the IRA will be charged to the IRA. The IRA Holder cannot reimburse the IRA for those commissions.

**5.08 Notices and Change of Address.** Any required notice regarding this IRA will be considered effective when mailed by the Custodian to the last known address of the intended recipient which the Custodian has in its records. Any notice to be given to the Custodian will be considered effective when actually received. The IRA Holder must notify the Custodian of any change of address.

**5.09 Terminations.** Either party may terminate this Agreement at any time by giving written notice to the other. The Custodian can resign at any time effective 30 days after mailing written notice of its resignation to the IRA Holder. Upon receipt of that notice, the IRA Holder must make arrangements to transfer the IRA to another financial organization. If the IRA Holder does not complete a transfer of the IRA within 30 days from the date the Custodian mails the notice to the last known address of the IRA Holder which the Custodian has in its file, the Custodian has the right to transfer the assets of this IRA to a successor IRA trustee or custodian that the Custodian chooses in its sole discretion or the Custodian may pay the assets of this IRA to the IRA Holder in a single sum. The Custodian shall not be liable for any actions or failures to act on the part of any successor trustee or custodian nor for any tax consequences the IRA Holder may incur that result from the transfer or distribution of IRA assets pursuant to this section.

If this Agreement is terminated, the Custodian may hold back from this IRA a reasonable amount of money that it believes is necessary to cover any one or more of the following:

- (a) any fees, expenses or taxes chargeable against this IRA;
- (b) any penalties associated with the early withdrawal of any savings instrument or other investment in this IRA.

**5.10 Liquidation of Assets.** The Custodian has the right to liquidate assets in this IRA if necessary to make distributions or to pay fees, expenses or taxes properly chargeable against this IRA. If the IRA Holder fails to direct the Custodian as to which assets to liquidate, the Custodian will decide in its complete and sole discretion and the IRA Holder agrees not to hold the Custodian liable for any adverse consequences that result from its decision.

**5.11 Applicable Law.** This Agreement is subject to all applicable Federal and State laws and regulations. If it is necessary to apply any State law to interpret and administer this Agreement, the law of the Custodian's domicile shall govern.

If any part of this Agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither the IRA Holder nor the Custodian's failure to enforce at any time or for any period of time any of the provisions of this Agreement shall be construed as a waiver of such provisions, or either party's right thereafter to enforce each and every such provision.

**5.12 Amendments.** By adopting this Agreement the IRA Holder delegates to the Prototype Sponsor the power to amend or replace the IRA Application or this Agreement to conform them to the provisions of any law, regulations or administrative rulings pertaining to IRAs and to make such other changes to this Agreement, which, in the judgment of the Prototype Sponsor, are necessary or appropriate. The IRA Holder shall be deemed to have consented to all such amendments.

The Prototype Sponsor shall notify the IRA Holder should it discontinue sponsorship of this Agreement. Unless the Prototype Sponsor also serves as the Custodian of the IRA, the Prototype Sponsor's duties are limited to those expressly assigned to it under the terms of this Agreement together with any requirements of prototype IRA plans that may be set forth from time to time by the IRS under its rules and procedures.

**5.13 Successor Custodians.** If the Custodian is merged with another organization (or comes under the control of any Federal or State agency) or if its entire organization (or any portion which includes this IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of this IRA, but only if it is the type of organization authorized to serve as an IRA trustee or custodian.

If the Custodian is required to comply with Section 1.408-2(e) of the Treasury Regulations and fails to do so, or is not keeping the records, making the returns or sending the statements as are required by forms or regulations, the IRS may, after notifying the IRA Holder, require the IRA Holder to substitute another trustee or custodian.

## **IRA DISCLOSURE STATEMENT AMENDMENT**

**This Disclosure Statement explains the rules governing the type of IRA you designated on the IRA Application . The term IRA will be used in this disclosure statement to refer to a Traditional IRA (under Section 408(a) of the Internal Revenue Code) or a Roth IRA (under Section 408A of the Code) unless specified otherwise.**

### **AMENDMENT TO YOUR IRA**

This IRA disclosure statement amendment updates your Individual Retirement Account (IRA) documents which we previously provided to you. Specifically, this information updates your IRA disclosure statement to reflect recent law changes resulting from the Economic Growth and Tax Relief Reconciliation Act of 2001.

Unless directed by us to do so, you do not need to sign or return anything to us for this amendment to apply to your IRA. Your beneficiary designation we have on file will remain in effect unless you change it by completing and signing the form which we have for this purpose.

We recommend that you review this information carefully and keep it with your other IRA papers.

## RIGHT TO REVOKE YOUR IRA

If you receive this Disclosure Statement at the time you establish your IRA, you have the right to revoke your IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your 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 IRA Application.

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

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

## REQUIREMENTS OF AN IRA

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

**B. MAXIMUM TRADITIONAL IRA CONTRIBUTION** — The total amount you may contribute to a Traditional 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 beyond. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (IRC) Sections 408(a) or 408(b)) is reduced by any contributions you make to your Roth 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.

**C. MAXIMUM ROTH IRA 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 beyond. If you also maintain a Traditional IRA (i.e., an IRA subject to the limits of Internal Revenue Code (IRC) Sec. 408(a) or 408(b)) the maximum contribution to your Roth IRA 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) exceeds \$150,000 and you are a married individual filing jointly (\$95,000 for single taxpayers). Married individuals filing jointly with MAGI which exceeds \$160,000 may not fund a Roth IRA. Married individuals filing separately with MAGI exceeding \$10,000 may not fund a Roth IRA. Single individuals with MAGI exceeding \$110,000 may not fund a Roth IRA.

If you are married filing jointly and your MAGI is between \$150,000 and \$160,000, your maximum Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$160,000, (2) divide the difference by \$10,000, and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are 50 or older. For example, if you are 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 \$95,000 and \$110,000, your maximum Roth IRA contribution is determined as follows: (1) Subtract your MAGI from \$110,000, (2) divide the difference by \$15,000, and (3) multiply the result in step (2) by the maximum allowable contribution for the year, including catch-up contributions if you are 50 or older. For example, if you are 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.

Your Roth IRA contribution is not limited by your participation in a retirement plan other than a Traditional IRA, as discussed above. In addition, unlike Traditional IRAs, you may continue to fund a Roth IRA after age 70½ so long as you have earned income and your MAGI is below the maximum thresholds discussed above.

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

**E. NONFORFEITABILITY** — Your interest in your IRA is nonforfeitable.

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

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

**H. LIFE INSURANCE** — No portion of your IRA may be invested in life insurance contracts.

**I. COLLECTIBLES** — You may not invest the assets of your IRA in collectibles (within the meaning of IRC 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. However, specially minted United States gold and silver bullion coins and certain state-issued coins are permissible investments. Beginning January 1, 1998, platinum coins and certain gold, silver, platinum or palladium bullion (as described in IRC Section 408(m)(3)) are also permitted as IRA investments.

**J. REQUIRED MINIMUM DISTRIBUTIONS AND BENEFICIARY OPTIONS FOR TRADITIONAL IRAs** — You are required to take minimum distributions from your Traditional IRA at certain times in accordance with Proposed Treasury Regulations Section 1.408-8. Below is a summary of the IRA distribution rules.

1. You are required to take a minimum distribution from your Traditional IRA for the year in which you reach age 70½ and for each year thereafter. You must take your first payout by your required beginning date, April 1 of the year following the year you attain age 70½. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year (less any required distribution taken between January 1 and April 1 of the year following the year you attain age 70½) by the applicable divisor.

2. The applicable divisor is generally determined using the Uniform Distribution Period table. The table assumes a beneficiary exactly 10 years younger than you, regardless of who is the named beneficiary. If your spouse is your sole beneficiary and is more than 10 years younger than you, the required minimum distribution must be calculated using the actual joint life expectancy of you and your spouse, recalculated, rather than the life expectancy divisor from the Uniform Distribution Period table.

We reserve the right to do any one of the following by April 1 following your 70½ year:

- (a) make no payment until you give us a proper payout request,
- (b) pay your entire IRA to you in a single sum payment, or
- (c) determine your required minimum distribution each year based on your life expectancy calculated using the Uniform Distribution Period table, and pay those distributions to you until you direct otherwise.

3. If you die,

(a) on or after your required beginning date, distributions must be made to your beneficiary or beneficiaries over the single life expectancy of your designated beneficiary or beneficiaries.

(b) before your required beginning date, the entire amount remaining in your account will, at the election of your beneficiary or beneficiaries, either

(i) be distributed by December 31 of the year containing the fifth anniversary of your death, or

(ii) be distributed in equal or substantially equal payments over the life or life expectancy of your designated beneficiary or beneficiaries.

Your beneficiary or beneficiaries must elect either option (i) or (ii) by December 31 of the year following the year of your death. If no election is made, distribution will be made

in accordance with (ii) if the beneficiary is your surviving spouse, and in accordance with (i) if your beneficiary is not your surviving spouse. In the case of distributions under (ii), distributions must commence by December 31 of the year following the year of your death. If your spouse is the beneficiary, distributions need not commence until December 31 of the year you would have attained age 70½, if later.

4. To the extent the Internal Revenue Service (IRS) permits use of the 1987 Proposed Treasury Regulations under IRC Section 408 those rules, as summarized in your prior disclosure statement, may continue to be applied.

**K. ROTH IRA HOLDER AND BENEFICIARY PAYOUTS** — You are not required to take distribution from your Roth IRA at age 70½ (as required for Traditional and SIMPLE IRAs).

If your surviving spouse is your sole beneficiary, your spouse may treat your Roth IRA as his or her own Roth IRA and would not be subject to the required minimum distribution rules. Your surviving spouse will also be entitled to such additional beneficiary payment options as are permitted under the law or related regulations. If the beneficiary or beneficiaries include anyone other than your surviving spouse, the entire amount remaining in your account will, at the election of your beneficiary or beneficiaries, either

(a) be distributed by December 31 of the year containing the fifth anniversary of your death, or

(b) be distributed in equal or substantially equal payments over the life or life expectancy of your designated beneficiary or beneficiaries.

A nonspouse beneficiary or beneficiaries must elect either option (a) or (b) by December 31 of the year following the year of your death. If no election is made, distribution will be made in accordance with option (b).

## **INCOME TAX CONSEQUENCES OF ESTABLISHING AN IRA**

**A. IRA DEDUCTIBILITY FOR TRADITIONAL IRAs** — If you have not yet reached the year in which you attain age 70½ and have earned income from services rendered, you may make a Traditional IRA contribution of the lesser of 100 percent of 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 beyond. However, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are an active participant in an employer-maintained retirement plan. If you are not an active participant, your Traditional IRA contribution will be totally deductible. If you are an active participant, the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) for the tax year for which the contribution was made. MAGI is determined on your tax return using your adjusted gross income but disregarding any deductible Traditional IRA contribution. Note: No IRA deduction is allowed for Roth IRA contributions.

**Definition of Active Participant** — Generally, you will be an active participant if you are covered by one or more of the following employer-maintained retirement plans:

1. a qualified pension, profit sharing, 401(k), or stock bonus plan;
2. a qualified annuity plan of an employer;
3. a simplified employee pension (SEP) plan;
4. a retirement plan established by the Federal government, a State, or a political subdivision (except certain unfunded deferred compensation plans under IRC Section 457);
5. a tax sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. a plan meeting the requirements of IRC Section 501(c)(18);
7. a qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
8. a SIMPLE IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans or whether you are an active participant in it, check with your employer and your tax advisor. Also, the Form W-2 (Wage and Tax Statement) that you receive at the end of the year from your employer will indicate whether you are an active participant.

If you are an active participant and are single, the deductible amount of your contribution is determined as follows: (1) take the Phase-out Maximum for the applicable year (specified below) and subtract your MAGI, (2) divide this total by the difference between the phase-out maximum and minimum, (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$36,000 in 2002, your maximum deductible contribution is \$2,400 (the 2002 Phase-out Maximum of \$44,000 minus your MAGI of \$36,000, divided by the difference between the maximum and minimum phase-out limits of \$10,000 and multiplied by the contribution limit of \$3,000.) You must round the resulting number to the next highest \$10 if the number is not a multiple of 10.

If you are an active participant, are married and you file a joint tax return, the deductible amount of your contributions is determined as follows: (1) take the Phase-out Maximum for the applicable year (specified below) and subtract your MAGI, (2) divide this total by the difference between the phase-out maximum and minimum, (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$56,000 in 2002, your maximum deductible contribution is \$2,400 (the 2002 Phase-out Maximum of \$64,000 minus your MAGI of \$56,000, divided by the difference between the maximum and minimum phase-out limits of \$10,000 and multiplied by the contribution limit of \$3,000.) You must round the resulting number to the next highest \$10 if the number is not a multiple of 10.

<b>Tax Year</b>	<b>Joint Filers Phase-out Range</b>	<b>Single Taxpayers Phase-out Range</b>
1997	\$40,000 – \$50,000	\$25,000 – \$35,000
1998	\$50,000 – \$60,000	\$30,000 – \$40,000
1999	\$51,000 – \$61,000	\$31,000 – \$41,000
2000	\$52,000 – \$62,000	\$32,000 – \$42,000
2001	\$53,000 – \$63,000	\$33,000 – \$43,000
2002	\$54,000 – \$64,000	\$34,000 – \$44,000
2003	\$60,000 – \$70,000	\$40,000 – \$50,000
2004	\$65,000 – \$75,000	\$45,000 – \$55,000
2005	\$70,000 – \$80,000	\$50,000 – \$60,000
2006	\$75,000 – \$85,000	\$50,000 – \$60,000
2007	\$80,000 – \$100,000	\$50,000 – \$60,000

If you are married filing jointly and are not an active participant in an employer-maintained retirement plan, but are married to someone who is an active participant, your maximum deductible contribution is determined by taking (1) \$160,000 minus your MAGI (2) divide this total by \$10,000 (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are 50 or older. The resulting figure will be the maximum IRA deduction you may take.

**B. TAX CREDIT FOR IRA CONTRIBUTIONS** — For taxable years beginning on or after January 1, 2002 and ending on or before December 31, 2006, you may be eligible to receive a tax credit on your Traditional or Roth IRA contributions equaling a percentage of your qualified retirement savings contributions not exceeding \$2,000. This credit will be allowed in addition to any tax deduction that may apply, and 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 qualified retirement savings contributions, add all of the contributions made to your Traditional or 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 plus 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 retirement savings contributions that do not exceed \$2,000.

Adjusted Gross Income*						Applicable Percentage
Joint Return		Head of a Household		All Other Cases		
Over	Not over	Over	Not over	Over	Not over	
	\$30,000		\$22,500		\$15,000	50
30,000	32,500	22,500	24,375	15,000	16,250	20
32,500	50,000	24,375	37,500	16,250	25,000	10
50,000		37,500		25,000		0

\*Adjusted gross income includes foreign earned income and income from Guam, America Samoa, North Mariana Islands and Puerto Rico.

**C. TAX-DEFERRED EARNINGS** — The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

**D. NONDEDUCTIBLE CONTRIBUTIONS** — You may make nondeductible contributions to your Traditional IRA to the extent that deductible contributions are not allowed. The sum of your deductible and nondeductible IRA contributions cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100 percent of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.

If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution on your federal income tax return (using IRS Form 8606).

If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown. Failure to file any form required by the IRS to report nondeductible contributions (e.g., IRS Form 8606) will result in a \$50 per failure penalty.

**E. TAXATION OF TRADITIONAL IRA DISTRIBUTIONS** — The taxation of Traditional IRA distributions depends on whether or not you have ever made nondeductible Traditional IRA contributions. If you have only made deductible contributions, any Traditional IRA distribution will be fully included in income.

If you have ever made nondeductible contributions to any Traditional IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income:

$$\frac{(\text{Aggregate Nondeductible Contributions}) \times (\text{Amount Withdrawn})}{\text{Aggregate IRA Balance}} = \text{Amount Excluded From Income}$$

**NOTE:** Aggregate nondeductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that aggregate IRA balance includes the total balance of all of your IRAs as of the end of the year of distribution and any distributions occurring during the year.

**F. TAXATION OF ROTH IRA DISTRIBUTIONS** — The taxation of a Roth IRA distribution depends on whether the distribution is a qualified distribution or a nonqualified distribution. In addition, if your withdrawal is attributable to amounts converted from a Traditional IRA to a Roth IRA, taxation may be accelerated depending upon the length of time which has passed since the conversion occurred.

1. **Qualified Distributions** — Qualified distributions from your Roth IRA (both the contributions and earnings) are excluded from gross income. A qualified distribution is a distribution which is made after the five-year period beginning with the first year for which you made any contribution to a Roth IRA (including a conversion from a Traditional or SIMPLE 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 make a contribution to your Roth IRA for 1998, the five-year requirement for determining whether a distribution is a qualified distribution will be 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 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 and your conversion contributions. These “ordering rules” are complex. If you have any questions regarding the taxation of distributions from your Roth IRA, please see a competent tax advisor.

**G. ROLLOVERS, TRANSFERS AND CONVERSIONS** — Your IRA may be rolled over to an IRA of yours, or may receive rollover contributions, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from another IRA, or from your employer’s Qualified Retirement Plan, Tax Sheltered Annuity, or 457(b) deferred compensation plan (beginning 1/1/2002). SIMPLE IRA funds may not be rolled to your Traditional IRA during the first two years you participate in your employer’s SIMPLE IRA plan. Conversion is a term used to describe the movement of Traditional and 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. **Traditional IRA To Traditional IRA Rollovers** — Funds distributed from your Traditional IRA may be rolled over to a Traditional IRA of yours if the requirements of IRC Section 408(d)(3) are met. A proper Traditional IRA to Traditional 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 Traditional IRA to Traditional IRA rollover from the distributing IRA during the 12 months preceding the date you receive the distribution. Further, you may roll the same dollars or assets only once every 12 months.

2. **Qualified Plan (Or Tax-Sheltered Annuity) To Traditional IRA Rollovers** — Effective for qualified plan distributions received after January 1, 1993, you may roll over, directly or indirectly, any eligible rollover distribution. An eligible rollover distribution is defined generally as any distribution from a qualified plan, tax-sheltered annuity, or 457(b) deferred compensation plan (beginning 1/1/2002), (other than distributions to nonspouse beneficiaries) unless it is part of certain series of substantially equal periodic payments, a required minimum distribution, or a hardship distribution.

If you elect to receive your rollover distribution prior to placing it in a Traditional IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20 percent of your distribution as a prepayment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your qualified plan balance, if you so choose. To qualify as a rollover, your eligible rollover distribution must be rolled over to your Traditional IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income and pay the applicable income tax and, if you are under age 59½, the 10 percent early distribution penalty (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option of directly rolling your qualified plan balance over to a Traditional IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the Traditional IRA (or other qualified plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

If you place your rollover contribution in a separate (i.e., conduit) Traditional IRA plan which holds just those dollars, you preserve the right to later roll the money originating from the qualified plan into another qualified plan.

***NOTE: You may not roll over distributions from your employer's qualified retirement plan or 403(b) arrangement into your Roth IRA.***

**3. Traditional IRA to Employer-Sponsored Retirement Plans** — Effective January 1, 2002, you may roll over, directly or indirectly, any eligible rollover distribution from an IRA to an employer's qualified retirement plan, tax-sheltered annuity, or 457(b) deferred compensation plan. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution. The IRA does not have to be maintained as a conduit IRA in order to be eligible to roll over to an employer-sponsored retirement plan.

**4. Traditional IRA Or SIMPLE IRA To Roth IRA Conversions** — Unless your modified adjusted gross income is more than \$100,000, or you are married filing a separate tax return, you are eligible to convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). SIMPLE IRAs are eligible to convert after satisfying a two year period within the SIMPLE IRA.

The amount of any conversion from your Traditional IRA or SIMPLE IRA to your Roth IRA will 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 will not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exception to the 10 percent penalty.

If you converted assets from your Traditional IRA to your Roth IRA prior to January 1, 1999, you must generally include the taxable amount of the distribution in your gross income ratably over a four-year period beginning with 1998. However, if you made an irrevocable election on or before your 1998 tax return due date (including extensions) you included the entire taxable amount of the conversion in your 1998 income. If you chose to include your 1998 conversion contributions in income ratably over a four-year period, the amount included in income each year will be increased by the amount of any distributions you take from your Roth IRA between 1998 and 2000 which represent taxable conversion contributions. If you die prior to the end of the four-year period, the remaining amount of your 1998 conversion which has not been included in income will generally be taxable in the year of your death. However, if your spouse is your sole beneficiary, he or she may elect to include the remaining conversion amounts in his or her income over the remaining portion of the original four-year period. The irrevocable election must be made on or before your spouse's tax return due date (including extensions) for the year in which you die.

**5. Recharacterizations** — You may be able to treat a contribution to one type of IRA as if it had been contributed to another type of IRA. Through a trustee-to-trustee transfer, completed before your tax return due date, including extensions, either a current year contribution or a Conversion Contribution may be recharacterized. The amount being recharacterized must also be accompanied by the net earnings attributable to the recharacterized amount.

**6. Reconversions** — You may be able to convert amounts that have been previously involved in a conversion and recharacterization. Reconversions are generally restricted, for tax purposes, to one a year for years 1998 and 1999. For years after 1999 you may generally reconvert, for tax purposes, in the tax year following the conversion or 30 days following the recharacterization, whichever ever is later.

7. **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 IRC 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 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).

8. **Written Election** — At the time you make a proper rollover to an IRA, you must designate to the Custodian, in writing, your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

H. **CARRYBACK CONTRIBUTIONS** — A contribution is deemed to have been made on the last day of the preceding taxable year if you make a contribution by the deadline for filing your income tax return (not including extensions), and you designate that contribution as a contribution for the preceding taxable year. For example, if you are a calendar year taxpayer and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designated it as such.

## LIMITATIONS AND RESTRICTIONS

A. **SEP PLANS** — Under a Simplified Employee Pension (SEP) Plan that meets the requirements of IRC Section 408(k), your employer may make contributions to your Traditional IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP Plan. No SEP contributions may be made to a Roth IRA.

B. **SPOUSAL IRA** — If you are married, you may make payments to an IRA established for the benefit of your spouse. For Traditional IRAs your spouse must not have attained age 70½ in that year, or any prior year, even if you are age 70½ or older. You must file a joint tax return for the year for which the contribution is made.

The amount you may contribute to your IRA and your spouse's 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 possible cost-of-living adjustments in 2009 and beyond. However, you may not contribute more than the dollar amounts described above, to any one IRA. For Roth IRAs, your contribution may be further limited if your MAGI exceeds the levels discussed in the section titled Maximum Roth IRA Contribution.

C. **DEDUCTION OF ROLLOVERS AND TRANSFERS** — A deduction is not allowed for rollover or transfer contributions.

D. **ESTATE TAX EXCLUSION** — The \$100,000 federal estate tax exclusion previously available has been repealed for individuals dying after 12/31/84. No exclusion will be allowed for individuals dying after that date. Transfers of your IRA assets to a named beneficiary made during your life and at your request or because of your failure to instruct otherwise, may be subject to federal gift tax under IRC Section 2501 if made after October 22, 1986.

E. **SPECIAL TAX TREATMENT** — Capital gains treatment and the favorable five or ten year forward averaging tax authorized by IRC Section 402 do not apply to IRA distributions.

F. **INCOME TAX TREATMENT: TRADITIONAL IRAs** — Any withdrawal from your Traditional IRA, except a direct transfer, is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your Traditional IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.

G. **INCOME TAX TREATMENT: ROTH IRAs** — Any nonqualified withdrawal of earnings from your Roth IRA, is 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.

**H. PROHIBITED TRANSACTIONS** — If you or your beneficiary engage in a prohibited transaction with your IRA, as described in IRC Section 4975, your IRA will lose its tax-exempt status. For Traditional IRAs, you must include the value of your account in your gross income for that taxable year. If you designated your IRA as a Roth IRA, you must generally include the value of the earnings in your account in your gross income for that taxable year.

**I. PLEDGING** — If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year. If you designated your IRA as a Roth IRA, the amount pledged will be included in income if it represents a taxable portion of the account (i.e., earnings).

## **FEDERAL TAX PENALTIES**

**A. EARLY DISTRIBUTION PENALTY** — If you are under age 59½ and receive a nonqualified Roth IRA distribution, or if you 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 includible in income in the year of the distribution or conversion, unless the distribution is made on account of death, disability, a qualifying rollover, a transfer, the timely withdrawal of an excess contribution; or if the distribution is part of 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. Payments made to pay medical expenses which exceed 7.5 percent of your adjusted gross income and distributions to pay for health insurance by an individual who has separated from employment and who has received unemployment compensation under a federal or state program for at least 12 weeks are also exempt from the 10 percent tax. Payments to cover certain qualified education expenses and distributions for first-home purchases (up to a life-time maximum of \$10,000) are exempt from the 10 percent tax. Beginning January 1, 2000, distributions to satisfy a levy issued by the Internal Revenue Service are exempt from the 10 percent tax.

**B. EXCESS CONTRIBUTION PENALTY** — An excise tax of 6 percent is imposed upon any excess contribution you make to your IRA. This tax will apply each year in which an excess remains in your IRA. An excess contribution is any contribution amount which exceeds your contribution limit, excluding rollover and direct transfer amounts. Your contribution limit is the lesser of the contribution limit as described previously, or 100 percent of your compensation for the taxable year. If you designated your IRA as a Roth IRA, your contribution may be further limited if your MAGI exceeds the levels discussed in the section titled Maximum Roth IRA Contribution.

**C. EXCESS ACCUMULATION PENALTY** — One of the requirements listed above for Traditional IRAs is that you are required to take a minimum distribution by April 1 of the year following the year you attain age 70½ and by the end of each year thereafter and that your designated beneficiary(ies) is required to take certain 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. This tax is referred to as an excess accumulation penalty tax. Because Roth IRA Holders are not required to take distributions at age 70½, the excess accumulation penalty does not apply to you. However, unless your sole beneficiary is your surviving spouse, your designated beneficiary(ies) is required to take certain minimum distributions after your death. The additional excess accumulation tax of 50 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.

**D. EXCESS DISTRIBUTION PENALTY** — Prior to 1997, you would have been taxed an additional 15 percent on any amount received and included in income during a calendar year from qualified retirement plans, tax sheltered annuities and IRAs which exceeded \$112,500 (indexed each year for the cost of living). Certain exceptions applied. If you received an excess distribution as described above, your tax advisor could determine if these exceptions applied to you. This tax is referred to as an excess distribution penalty. However, this tax is repealed effective for all payouts received after December 31, 1996, as a result of the Taxpayer Relief Act of 1997.

**E. EXCESS RETIREMENT ACCUMULATION PENALTY** — In the past, your estate would have paid additional federal estate tax if you died with an excess retirement accumulation. An excess retirement accumulation existed if, at the time of your death, the value of all your interests in qualified plans, tax-sheltered annuities and IRAs exceeded the present value of an annuity with annual payments of \$112,500 (indexed each year for the cost of living), payable over your life expectancy immediately before your death. This tax was referred to as an excess retirement accumulation tax penalty. However, this tax is repealed for estates of decedents dying after December 31, 1996, as a result of the Taxpayer Relief Act of 1997.

**F. PENALTY REPORTING** — You must file Form 5329 with the Internal Revenue Service to report and remit any penalties or excise taxes.

## **OTHER**

**ADDITIONAL INFORMATION** — You may obtain further information on IRAs from your District Office of the Internal Revenue Service. 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](http://www.irs.gov) on the Internet.



