us® Wealth Management
U.S. Bancorp Investments

# Traditional & Roth IRA

## Custodial agreements and disclosure statement

Protect your future

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Investment and insurance products and services including annuities are:

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U.S. Bancorp Investments and its representatives do not provide tax or legal advice. Each individual's tax and financial situation is unique. You should consult your tax or legal advisor for advice and information concerning your particular situation.

U.S. Bancorp Investments can assist clients with IRA Rollovers. However, keep in mind that a rollover of qualified plan assets into an IRA is not your only option. Before deciding whether to keep assets in your current employer's plan, to roll assets to a new employer's plan, to take a cash distribution, or to roll assets into an IRA, clients should be sure to consider potential benefits and limitations of all options. These include total fees and expenses, range of investment options available, penalty-free withdrawals, availability of services, protection from creditors, RMD planning and taxation of employer stock. Discuss rollover options with your tax advisor for tax considerations.

# Traditional/Roth IRA custodial agreements

This Agreement governs your Traditional IRA or Roth IRA with U.S. Bancorp Investments. We serve as the custodian of your Account.

To open a new Account for a Traditional IRA or Roth IRA, you must complete and sign an Application and return it to us. If this Agreement amends your existing Account, your original Application remains in effect.

In this Agreement, "you" and "your" refer to the individual who has signed the Application to become a Participant in the Traditional IRA or Roth IRA. "We," "us," and "our" refer to the financial organization designated as Custodian in the Application.

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# SECTION 1: DEFINITIONS

### 1.1. Account.

"Account" means each separate custodial account we establish and maintain for you as a Traditional IRA or Roth IRA under this Agreement. The account is credited with contributions made by or for you under this Agreement and adjusted for any increase or decrease.

We will maintain separate Accounts for you for:

**(a)** Contributions to your Traditional IRA

**(b)** Contributions to your Roth IRA

**(c)** Rollover or transfer contributions you designate for a separate Account

After your death, we will establish a separate Account for each Beneficiary's share of your Account.

### 1.2. Agreement.

"Agreement" means this custodial agreement, as amended from time to time.

### 1.3. Application.

"Application" means an application form used by you and accepted by us under this Agreement.

### 1.4. Beneficiary.

"Beneficiary" means the person or persons you have designated or otherwise specified under Section 5 of this Agreement.

### 1.5. Benefits.

"Benefits" mean the balance of your Account or, after your death, the separate Account of each Beneficiary.

### 1.6. Broker-Dealer.

"Broker-Dealer" means the following financial organization that is designated in the Application as the Broker-Dealer for your Account:

**(a)** U.S. Bancorp Investments, Inc.

**(b)** As permitted by the Custodian, any other registered Broker-Dealer whether or not affiliated with U.S. Bancorp.

### 1.7. Code.

"Code" means the Internal Revenue Code of 1986, including applicable regulations for the specified section of the Code.

### 1.8. Compensation.

"Compensation" means wages, salaries, professional fees, or other amounts derived from or received for personal services actually rendered (including, but not limited to, commissions paid salespersons, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses).

If you are self-employed, compensation includes earned income as defined in Code section 401(c)(2) (reduced by the deduction you take for contributions made to a self-employed retirement plan). For purposes of this definition, Code section 401(c)(2) is applied as if the term trade or business for purposes of Code section 1402 included service described in subsection (c)(6).

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. Compensation also does not include any amount received as a pension or annuity or as deferred compensation.

Compensation includes any amount includible in your gross income under Code section 71 with respect to a divorce or separation instrument described in subparagraph (A) of Code section 71(b)(2). Compensation also includes combat zone compensation that is excluded from income for federal income tax purposes under Code section 112.

If you are married filing a joint return, the greater compensation of your spouse is treated as your 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 deductible contribution to a Traditional IRA.

**1.9. Custodian.**
"Custodian" means the following financial organization that is designated in the Application as the Custodian for your Account:

**(a)** U.S. Bank National Association; or

**(b)** Any other financial organization affiliated with U.S. Bank which is either a "bank" as defined in Code section 408(n) or a business entity with Internal Revenue Service authorization under Code section 408(h) to serve as custodian. The address for the Custodian is in the Application for your Account.

**1.10. Modified AGI.**
"Modified AGI" means your modified adjusted gross income for a year, as defined in Code section 408A(c)(3)(C)(i), but not including any amount included in adjusted gross income as a result of a rollover from a Traditional IRA (or, beginning in 2009, from an eligible retirement plan described in Code section 402(c)(8)(B)) to a Roth IRA (a "conversion").

**1.11. Participant.**
"Participant" means you, the individual who signed the Application.

**1.12. Roth IRA.**
"Roth IRA" means an individual retirement plan (as defined in Code section 7701(a)(37)) designated at the time it is established as a Roth IRA under Code section 408A. The designation must be made in the manner prescribed by the Secretary of Treasury under Code section 408A(b).

**1.13. SIMPLE IRA.**
"SIMPLE IRA" means an individual retirement plan (as defined in Code section 7701(a)(37)), that is used in conjunction with a SIMPLE IRA plan established by an employer pursuant to Code section 408(p).

**1.14. Sponsor.**
"Sponsor" means U.S. Bank National Association.

**1.15. Spouse.**
"Spouse" means the person to whom you are legally married, as determined under federal tax law.

**1.16. Traditional IRA.**
"Traditional IRA" means an individual retirement plan (as defined in Code section 7701(a)(37)) which is not a Roth IRA or a SIMPLE IRA.

**1.17. Year.**
"Year" means the calendar year or other taxable year of the Participant or beneficiary(ies) for federal income tax purposes.

## SECTION 2: CONTRIBUTIONS

**2.1. Contributions to Account.**
All contributions we receive on your behalf under this Agreement will be credited to your Account.

**2.2. Traditional IRA and Roth IRA.**
If you or your spouse receives compensation during the year, you may contribute to your own Account for the year or to the separate Account of your spouse if you are married and file a joint tax return according to the following rules:

**(a)** **Amount.** Your total contributions may never exceed 100% of your compensation for the year. If you are under age 50, your total contributions for the year may not exceed $5,500 for years beginning in 2013 and 2014. If you are age 50 or older, your total contributions for the year may not exceed $6,500 for any year beginning in 2013 and 2014. After 2014, the contribution limits will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 219(b)(5)(D) in multiples of $500.

If you are married, both you and your spouse may make contributions for the year up to the limits specified above so long as the contributions do not exceed 100% of the combined compensation for the year of you and your spouse. However, the most that can be contributed to each Account is the limit specified above for the year in which the contribution is made.

If you have made any contributions for the year to a special pre-June 25, 1959 pension plan under Code section 501(c)(18), the amount you may contribute to the Account for the year will be reduced by the amount of such contributions.

**(b) Phase-Out of Maximum Amount for Roth IRAs.** The annual limit for contributions to Roth IRAs is gradually reduced to $0 between certain levels of Modified AGI as provided in Code section 408(A)(c). For 2013, if you are single or head of household, the annual contribution limit is phased-out between Modified AGI of $112,000 and $127,000. For 2013, if you are a qualifying widow(er) or married filing a joint tax return, the annual contribution limit is phased-out between Modified AGI of $178,000 and $188,000. If you are married filing a separate return, the contribution is phased-out between Modified AGI of $0 and $10,000. After 2013, the phase-out amounts above will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code section 408A(c)(3), in multiples of $1,000.

**(c) Form.** All contributions must be in the form of a check or debited in cash from a linked bank account or debited in cash from a U.S. Bancorp Investments, Inc. brokerage account.

**(d) Maximum Age.** You cannot contribute to your Traditional IRA for the year in which you attain age 70½ or thereafter (except for rollover contributions and transfers). However, this maximum age limitation does not apply to Roth IRAs.

**(e) Time.** The contribution for the year may be made in one or more payments at any time from the first day of the year until the date prescribed by the law for filing your federal income tax return for the year (not including extensions thereof). You must include a written notice with each payment indicating the year for which it is made. In the absence of such notice, we will presume the payment is made for the year in which we receive it.

**(f) Contributions from Alimony.** All taxable alimony or separate maintenance payments you receive during the year under a decree of divorce or separate maintenance or a written instrument incident to such a decree will be treated as compensation in determining the amount which may be contributed to your Account for the year.

**(g) Recharacterization.** A contribution to a Traditional IRA may be recharacterized pursuant to the rules in section 1.408A-5 of the Income Tax Regulations as a contribution to a Roth IRA, subject to the limits in (b) above.

**(h) SIMPLE IRA Limits.** You cannot contribute to either a Traditional IRA or a Roth IRA under a SIMPLE IRA plan established by an employer pursuant to Code section 408(p). Also, no transfer or rollover of funds attributable to contributions made by a particular employer under its SIMPLE IRA plan can be made to either a Traditional IRA or a Roth IRA from a SIMPLE IRA prior to the expiration of the 2-year period beginning on the date you first participated in that employer's SIMPLE IRA plan.

**(i) Special Rules.** Notwithstanding the limitations in (a) or (b) above, certain special rules apply. Notwithstanding the dollar limitations in (a) above, you may make a repayment contribution of a quali- fied reservist distribution described in Code section 72(t)(2)(G) during the 2-year period beginning on the day after the end of the active duty period.

If you have received (i) a military death gratuity (under 10 United States Code 1477) or (ii) Servicemembers' Group Life Insurance, you may contribute such amounts to your Roth IRA (but not a Traditional IRA), even if you are not otherwise eligible to make Roth IRA contributions due to income levels or the annual contribution limits.

The contribution must be made to the Roth IRA before the end of the one-year period beginning on the date on which you received the military death gratuity or Servicemembers' Group Life Insurance payment. In addition, the amount contributed cannot exceed the total such amounts you received in the one-year period reduced by the amounts so received that you contributed to another Roth IRA or a Coverdell Education Savings Account.

Certain payments by a commercial passenger airline carrier to its employees or former employees who participated in the carrier's defined benefit pension plan can be contributed to an IRA (subject to applicable limits for transfers to a Traditional IRA under the 2012 FAA Modernization Act), even if the individual is not otherwise eligible to make a deductible Traditional IRA contribution or a Roth IRA contributions due to income levels or the annual contribution limits.

### 2.3. Rollover Contributions.

In addition to the contributions otherwise permitted under this Section 2, you may make a rollover contribution (including a direct rollover) to your own Account of cash or, with our prior consent, other assets, provided that you determine that the contribution is attributable to a distribution from an individual retirement plan or a qualified employer or government plan and meets the requirements described in Code section 402(c), 403(a)(4), 403(b)(8), 403(b)(10), 408(d)(3), 408A(c)(6), or 457(e)(16).

You may make a rollover contribution (including a direct rollover) to a Roth IRA (but not to a Traditional IRA) of a distribution from a designated Roth contribution account described in Code section 402A, as provided in Code section 408A(c)(6).

Prior to January 1, 2010, a rollover from a Traditional IRA or from an eligible retirement plan described in Code section 402(c)(8)(B) (other than of designated Roth contributions described in Code section 402A) could not be made to a Roth IRA if for the year the amount is distributed from the other plan or IRA (i) you are married and file a separate return, (ii) you are not married and have Modified AGI in excess of $100,000 or (iii) you are married and together you and your spouse have Modified AGI in excess of $100,000. As of January 1, 2010, these limitations ceased to apply.

If you make a written request at the time of the contribution, we will establish a separate Account for you consisting only of that rollover contribution and earnings on it.

### 2.4. Transfer Contributions.

In addition to the contributions otherwise permitted under this Section 2, you may direct us to accept for deposit into your Account a check, or with our prior consent, other assets transferred directly to us from a custodian or trustee (or other funding agent) of an individual retirement plan or a qualified employer or government plan, provided you determine that such cash or other assets are eligible for transfer to an individual retirement plan.

If you make a written request at the time of the transfer, we will establish a separate Account for you consisting only of that transfer contribution and earnings on it.

If the transfer includes after-tax contributions, it is your responsibility to keep track of and report to the IRS the amount of these after-tax contributions.

### 2.5. SEP-IRA.

In addition to the contributions otherwise permitted under this Section 2, your employer (including a self-employed individual) may make simplified employee pension (as defined in Code section 408(k)) ("SEP") contributions for the year to your Traditional IRA according to the following rules:

**(a) Amount.** The employer will determine the amount (if any) to be contributed to your Account for the year under the written allocation formula it has adopted. The employer's total contributions to your Account for the year may not exceed the lesser of:

**(1)** $51,000 (or any larger limitation in effect under Code section 415(c)(1)(A)), or

**(2)** 25% of your compensation for that year from the employer (as limited under Code section 408(k)(3)(C)).

For this purpose, compensation (i) does not include any elective deferrals which are not includible in your gross income under Code sections 125, 132(f)(4), 401(k), 402(h)(1)(B), 403(b), or 457 and (ii) is determined without regard to the employer's SEP contributions, except as specified in Section 1.8 for self-employed individuals.

**(b) Form.** All SEP contributions must be in the form of cash or check.

**(c) No Maximum Age.** There is no maximum age limitation on SEP contributions.

**(d) Time.** The SEP contributions for the year may be made in one or more payments at any time from the first day of the year until the date prescribed by law for filing the Participant's federal income tax return for the year (including extensions thereof). The employer must include a written notice with each payment indicating the year for which it is made. In the absence of such notice, we will presume the payment is made for the year in which we receive it.

**(e) Roth IRAs.** SEP contributions cannot be made to Roth IRAs.

### 2.6. Correction of Excess Contributions.

You are subject to a penalty tax on an excess contribution for each year the excess contribution is not corrected.

**(a) Timely Correction.** To avoid the penalty tax for any year, the amount of the excess contribution plus any net income attributable to it must be withdrawn by you on or before the date prescribed by law (including extensions of time) for filing your federal income tax return for the year. No tax deduction may be taken for the excess contribution. If such a withdrawal is made, the net income (if any) attributable to the excess contribution is subject (unless an exception applies) to a penalty tax on premature distribution before age 59½.

If we receive a timely written notice from you specifying the amount of an excess contribution, we will distribute to you from the Account the amount of the excess contribution plus the net income (if any) attributable to it.

**(b) Late Correction.** If an excess contribution is not timely corrected as described in (a) above, the penalty tax on the excess contribution continues for each year the excess contribution is not corrected.

If after the deadline in (a) above, you give us a written notice specifying the amount of the excess contribution, we will, at your election, either (i) distribute the amount of the excess contribution to you from the Account, or (ii) subject to the limitations in Sections 2.2, 2.3, and 2.5, treat the amount of the excess contribution as if it were a cash contribution by or for you for the current year.

The excess contribution distributed under (i) above is subject (unless an exception applies) to a penalty tax on premature distribution before age 59½.

### 2.7. Allocation of Responsibility.

Your employer will not make a contribution to your Account under Section 2.2 for any year unless the contribution is in the form of cash or check and does not exceed the dollar limit that applies to you for that year as set forth in Section 2.2.

You, or anyone on your behalf, will not make a SEP contribution to your Account under Section 2.5 for any calendar year unless the contribution is in the form of cash or check and does not exceed $51,000 (or any larger limitation in effect under Code section 415(c)(1)(A)).

We do not have any duty to question, investigate, or give advice with respect to the amount, form, timeliness, tax effect, or any other aspect of any contribution or any return of an excess contribution. All such matters are your exclusive responsibility. Our responsibility is limited to holding and administering in accordance with the terms of this Agreement the contributions we actually receive.

### 2.8. ABO-IRAs.

This Agreement may be used by a non-spouse beneficiary on or after January 1, 2007, to establish an "As Beneficiary Of" IRA with funds from an eligible retirement plan described in Code section 402(c)(8)(B). This type of ABO- IRA must be established by a direct transfer as described in Section 2.4. No other contributions are allowed to an ABO-IRA.

## SECTION 3: INVESTMENTS

### 3.1. Investment Management Choices.

You may choose between the following types of investment management for your Account on the Application and by completing any required additional investment advisory agreements. You may change your selection at any time by providing us with written notice in a form acceptable to us.

(a) **Self-Directed Investments.** You will direct us with respect to the investment of all contributions in your Account and the earnings on them. You will control and management the investment of the Account in your own discretion. If you prefer not to manage your Account, you may authorize another individual to give investment directions to us. All investment directions must be delivered to us in such manner as we may require.

(b) **Investment Advisory Management.** We will provide such investment related services as stated in the applicable investment advisory agreement entered into between you and us. We may have such discretion, power or authority (if any) regarding the investment, reinvestment or disposition of the Account as provided in such investment advisory agreement and our duties and liabilities are limited accordingly.

The investment management selection in place at the time of your death will continue until such time as changed by the beneficiary(ies).

### 3.2. Investments Generally.

(a) **Limitations.** Investment directions are limited to investments available through us or the Broker-Dealer in the regular course of business. Also, under Code sections 408(a)(3) and 408(m), no part of the Account may be invested in life insurance contracts or "collectibles" (that is, any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other similar tangible personal property which has been designated as collectible by the Secretary of the Treasury), with exceptions to allow investment in (i) gold, silver, and platinum coins issued by the United States, (ii) coins issued under state laws, and (iii) gold, silver, platinum, or palladium bullion meeting or exceeding the quality standards for delivery under regulated futures con- tracts. Transactions in options, coins, precious met- als, limited partnerships, and certain other investments are limited or prohibited under business policies we have established, which policies are subject to change from time to time. Subject to those legal and business limitations, we will comply with all your directions.

(b) **Investment Risk.** YOU UNDERSTAND THE FOLLOWING: INVESTMENT PRODUCTS, INCLUDING SHARES OF MUTUAL FUNDS SUCH AS THE FIRST AMERICAN FUNDS, ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK, INCLUDING U.S. BANK NATIONAL ASSOCIATION AND/OR ANY OF ITS AFFILIATES, NOR ARE THEY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY. AN INVESTMENT IN SUCH PRODUCTS INVOLVES INVESTMENT RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL.

(c) **Affiliates.** As permitted by the Custodian, each person who directs the Custodian under this Plan Document shall be authorized and hereby retains the right to direct the Custodian to (i) retain the services of any registered broker-dealer organization that is currently or hereafter becomes affiliated with U.S. Bank National Association and any future successors in interest thereto (collectively, including U.S. Bank National Association and its other affiliates, for the purposes of this section referred to as the "affiliated entities"), to provide services to assist in or facilitate the purchase or sale of investment securities in the Account, (ii) acquire as assets of the Account shares of mutual funds to which affiliated entities provide for a fee, services in any capacity and (iii) acquire for the Account any other services or products of any kind or nature from affiliated entities. The Custodian may be so directed to retain one or more of the affiliated entities regardless of whether the same or similar services or products are available from other institutions. Pursuant to such directions, the Account may directly or indirectly (through mutual funds fees and charges, for example) pay management fees, transaction fees, and other commissions to the affiliated entities for the services or products provided to the Account or such mutual funds at such affiliated entities' standard or published rates without offset (unless required by law) from any fees charged by the Custodian for its services as Custodian. The Custodian may also be so directed to deal directly with the affiliated entities regardless of the capacity in which it is then acting to purchase, sell, exchange, or transfer assets of the Account even though the affiliated entities are receiving compensation or otherwise profiting from such transaction or are acting as a principal in such transaction. Included specifically, but not by way of limitation, among the transactions authorized by this provision are transactions in which any of the affiliated entities is serving as an underwriter or member of an underwriting syndicate for a security being purchased or is purchasing or selling a security for its own account.

**(d) FDIC.** You understand the following: As permitted by the Custodian, retirement bank deposits of U.S. Bank National Association (i.e., savings certificates and money market retirement savings accounts) are FDIC insured separately from non-retirement deposits, up to legal limits. Other investment products are not FDIC insured, are not deposits of, obligations of, or guaranteed by U.S. Bank National Association affiliate banks or other affiliates, and involve investment risks including possible loss of the principal invested.

### 3.3. Prohibited Transactions.

If you, your beneficiary(ies), or another "disqualified person" engages in a "prohibited transaction" with the Account (within the meaning of Code section 4975), the Account will lose its exemption for federal income tax purposes, and part or all of the assets of the Account (depending on the transaction) will be deemed distributed to you with a potential tax penalty for premature distribution before age 59½. Prohibited transactions include (but are not limited to) using the Account as security for a loan, borrowing from the Account, selling assets to the Account, and buying assets from the Account.

### 3.4. Allocation of Responsibility.

Except as provided in an investment advisory agreement, our responsibilities with respect to the investment of your Account is limited to implementing the investment directions we receive in proper form for the Account and to maintaining safe custody for the assets of the Account. We have no duty to question any investment direction we receive in the proper form, to review the investments of the Account, or to make any suggestions with respect to the investment of the Account.

We will not be liable for any tax or penalties imposed for premature withdrawal or redemption of time deposit certificates or other investments, or loss of any kind which may result from any action taken pursuant to such investment directions or from any failure to act because of the absence of such directions.

### 3.5. Legal Incapacity of Participant.

If you are a minor or otherwise legally disabled, then we may require that any and all rights that could otherwise be exercised by you under the terms of this Agreement or at law be exercised on your behalf by your representative, and we may rely on the authority and direction of such representative for all actions taken with respect to the Account, including, without limitation:

**(a)** Investing the Account as such representative may direct in accordance with the terms of this Agreement or liquidating the assets of the Account and investing them in an interest-bearing account or money market fund, and

**(b)** Paying benefits as such representative may direct in accordance with the terms of this Agreement.

We will not be liable for any loss which may result by reason of any action taken by us in good faith under this section.

## SECTION 4: BENEFITS

### 4.1. General Rule and Deadline.

Benefits will be paid to you at any time at your request. Except for Roth IRAs, however, payment of benefits must be made or started not later than the April 1 following the calendar year in which you reach age 70½.

### 4.2. Benefits Before Age 59½.

You are subject to a penalty tax under Code section 72(t) if benefits are paid before you reach age 59½ except for the proper rollover or transfer of the Account or the other situations listed below.

**(a) Traditional IRAs.** There are exceptions under Code section 72(t) for the payment of benefits from the Account (i) after your disability or death, (ii) in substantially equal periodic payments for your life (or life expectancy) or the joint lives (or life expectancies) of you and your beneficiary, (iii) for health insurance premiums after at least 12 weeks of unemployment, (iv) as qualified first-time home- buyer distributions (up to $10,000), (v) for qualified higher education expenses, (vi) for unreimbursed medical expenses exceeding 7.5% of adjusted gross income, (vii) as a result of a tax levy on the Account, (viii) that qualify for special disaster relief (such as "qualified hurricane distributions"), and (ix) as "qualified reservist distributions."

**(b) Roth IRAs.** Benefits attributable to contributions made to a Roth IRA may be paid before you reach age 59½ without penalty with the exception of conversion contributions. Conversion contributions are subject to a penalty tax under Code section 72(t) if they are paid prior to the expiration of a five-year holding period under Code section 408A(d)(3)(F) as though they were includable in income. This holding period begins on the first day of the year in which the conversion contribution is made.

Benefits attributable to earnings on contributions to Roth IRAs are subject to a penalty tax under Code section 72(t) if paid to you before age 59½ unless they are paid as a qualified distribution under Code section 408A(d). A qualified distribution is a payment of benefits made after the 5-year period beginning with the first year for which you (or your spouse) made a contribution to a Roth IRA established for your benefit which is paid (i) after your disability or death or (ii) for a qualified first- time homebuyer distribution (up to $10,000).

The exceptions to Code section 72(t) listed in (a) above also apply to non-qualified distributions of earnings from a Roth IRA and to distributions of conversion contributions prior to the expiration of the 5-year holding period.

**(c) Disability Defined.** You will be considered to be disabled (so as to be able to receive benefits before age 59½ without penalty) if you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration. The degree and permanence of such impairment must be supported by medical evidence.

**(d) Payment Directions.** At your written direction, we will pay you benefits for any reason at any time before age 59½. Your direction must specify the amount, form, and time of the payment and must include a statement of the reason for the payment. You may direct that the payment be made in the form of the assets held in the Account, in cash (by liquidating such investments as you may direct), or in any combination of those ways.

### 4.3. Benefits Between Ages 59½ and 70½.

At your written direction we will pay you benefits for any reason at any time between ages 59½, and 70½; Your direction must specify the amount, form, and time of the payment but it does not have to mention the reason for the payment. You may direct that the payment be made in the form of the assets held in the Account in cash by liquidating such investments as you may direct or in any combination of those ways.

### 4.4. Benefits After Age 70½.

After attaining age 70½, you are subject to a substantial penalty tax under Code section 4974 if the benefits paid are less than the minimum amount required by Code section 408(a)(6). However, the penalty tax and minimum distribution rules do not apply to Roth IRAs prior to your death.

**(a) Payment Procedure.** At your direction we will pay you benefits for any reason after age 70½. Your direction must specify the amount, form, and time of the payment; it does not have to mention the reason for the payment. You may direct that payment be made in the form of the assets held in the Account, in cash by liquidating such investments as you direct, or in any combination of those ways. Except for Roth IRAs, the directions for payment must conform with the following rules in this Section 4.4.

**(b) Selection of Form of Benefits.** Before the required beginning date under Section 4.1 for an Account (other than a Roth IRA), you must direct, by written notice to us, that payment of benefits be made or started in any one or a combination of the following forms:

(1) **Lump Sum** – a single payment.

(2) **Installments** – a series of installments payable monthly, quarterly, or annually over a period you select which does not exceed your life expectancy or the joint and last survivor life expectancy of you and your beneficiary. (For this purpose, life expectancy is determined from the tables published under section 1.401(a)(9)-9 of the Income Tax Regulations.) Also, you may elect at any time to receive additional payments from your Account. Any such election must be made by giving us written notice describing the amount and time of the additional payment desired.

(3) **Annuities** (to the extent made available by the Custodian under its policies and procedures) – by purchasing and distributing a nontransferable immediate annuity contract which will provide a term certain, lifetime, or other annuity selected by you which complies with the requirements of Code section 401(a)(9).

**(c) Minimum Distribution Requirement.** The amount to be distributed each year, beginning with the first calendar year for which distributions are required and then for each succeeding calendar year, must not be less than the quotient obtained by dividing your Account balance by the applicable distribution period. The applicable distribution period for required minimum distributions for calendar years up to and including the calendar year of your death is determined using the Uniform Lifetime Table in Q&A-2 of section 1.401(a)(9)-9 of the Income

Tax Regulations for your age as of your birthday in the distribution calendar year. However, if your sole designated beneficiary is your spouse and your spouse is more than ten years younger than you, then you may use the joint life expectancy of you and your spouse as set forth in the Joint and Last Survivor Table in Q&A-3 of section 1.401(a)(9)-9 of the Income Tax Regulations, using your age and your spouse's age as of the birthdays in the distribution calendar year.

**(d) Failure to Elect Method.** If you fail to elect a method of distribution for your Traditional IRA by the required beginning date, we will assume you are taking your required minimum distribution from another Traditional IRA and will make no payment from this Account until you give us a proper payment direction. However, we in our sole discretion may change our default procedures for this Account and may follow any other course of action permitted under this Agreement and applicable law that has been disclosed to you in a written notice provided at least 30 days prior to the applicable required distribution date. For example, after appropriate written notice, we could:

(1) Pay your entire Account to you in a single payment.

(2) Determine your required minimum distribution each calendar year based on your application distribution period and pay those distributions to you until you direct otherwise in writing.

We will have no liability in this regard. It is your responsibility to ensure that you satisfy the minimum distribution rules.

**(e) Special Rule for 2009.** You were not required under federal law to take a minimum distribution for 2009, due to an amendment to Code section 401(a)(9) enacted in late 2008.

### 4.5. Death Benefits.

If you die before your entire Account has been paid, upon receipt of appropriate proof of your death, we will establish a separate Account for each beneficiary's share of your Account as provided in Section 5.4(a).

**(a) Payment Procedure.** At the written direction of a beneficiary, we will pay benefits to him/her from his/her separate Account. The beneficiary must specify the amount, form, and time of the payment. The beneficiary may direct that the payment be made in the form of the assets held in the Account, in cash by liquidating such investments as the beneficiary may direct, or in any combination of those ways. The directions for payment must conform with the following rules under this Section 4.5.

**(b) Selection of Form of Benefits.** Each beneficiary may select one or a combination of the following forms of payment for his/her benefits:

**(1) Lump sum** – a single payment.

**(2) Installments** – a series of installments payable monthly, quarterly, or annually over a period selected by the beneficiary that complies with section 1.401(a)(9)-5 of the Income Tax Regulations. Also, the beneficiary may elect at any time to receive additional payments from his/her Account. Any such election must be made by giving us written notice describing the amount and time of the additional payment desired.

**(3) Annuities** (to the extent made available by the Custodian under its policies and procedures) – by purchasing and distributing a non-transferable immediate annuity contract which will provide a term certain, lifetime, or other annuity selected by the beneficiary that complies with Code section 401(a)(9).

**(c) Minimum Distribution Requirement.**

**(1) Death of Participant Before Benefit Payments Begin.** If you die before benefit payments begin under Section 4.4(c), your beneficiary must direct, by written notice to us, that payment of his/her benefits be made or started no later than the following date:

**(i)** If your surviving spouse is your sole designated beneficiary, then benefit payments to the surviving spouse must begin by December 31 of the calendar year immediately following the calendar year of your death or by December 31 of the calendar year in which you would have attained age 70½, if later.

**(ii)** If your surviving spouse is not your sole designated beneficiary, then benefit payments to the designated beneficiary(ies) must begin by December 31 of the calendar year immediately following the calendar year of your death.

**(iii)** If there is no designated beneficiary as of September 30 of the calendar year following the calendar year of your death, the entire benefit must be paid by December 31 of the calendar year containing the fifth anniversary of your death.

**(iv)** If your surviving spouse is your sole designated beneficiary and he/she dies before benefit payments begin, the subsequent payments to the surviving spouse's beneficiary(ies) will be made in accordance with this section (other than subsection (c)(1)(i)) as though the surviving spouse had been you. But if the surviving spouse has remarried since your death and the new spouse is the surviving spouse's beneficiary, the special rules applicable to surviving spouses would not apply to the new spouse.

The minimum amount that will be paid for each distribution calendar year after the calendar year of your death is the quotient obtained by dividing the designated beneficiary's account balance by the remaining life expectancy of the designated beneficiary.

(2) **Death of Participant On or After Date Benefit Payments Begin.** If you die on or after the date benefit payments begin under

Section 4.4(c) and you have one or more designated beneficiaries, the minimum amount that must be distributed to each designated beneficiary for each distribution calendar year after the calendar year of your death is the quotient obtained by dividing the designated beneficiary's account balance by the longer of your remaining life expectancy or the remaining life expectancy of the designated beneficiary, determined as follows:

(i) Your remaining life expectancy is calculated using your age as of your birthday in the calendar year of your death, reduced by one for each subsequent calendar year.

(ii) If your surviving spouse is your sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the calendar year of your death using the surviving spouse's age as of his/her birthday in that year. For distribution calendar years after the year of the surviving spouse's death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of his/her birthday in the calendar year of his/her death, reduced by one for each subsequent calendar year.

(iii) If your surviving spouse is not your sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the designated beneficiary in the calendar year following the calendar year of your death, reduced by one for each subsequent calendar year.

If you die on or after the date benefit payments begin and you have no designated beneficiary as of September 30 of the calendar year after the calendar year of your death, the minimum amount that must be distributed for each distribution calendar year after the year of your death is the quotient obtained by dividing your Account balance by your remaining life expectancy calculated using your age as of your birthday in the calendar year of your death, reduced by one for each subsequent calendar year.

(3) **Payments from a Beneficiary IRA Established by a Non-Spouse Beneficiary with Inherited Funds from Certain Eligible Retirement Plans.** The required minimum distribution rules for an Account established by a non-spouse beneficiary with funds inherited from an eligible retirement plan described in Code section 402(c)(8)(B) are described below.

(i) If the eligible retirement plan uses the life expectancy rule in Code section 401(a)(9)(B)(iii) to determine required minimum distributions for beneficiaries and if the retirement plan participant died before his/her required beginning date under that plan, the yearly required minimum distribution for the non-spouse beneficiary is calculated by dividing the Account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period is the beneficiary's life expectancy listed in "Table 1 (Single Life Expectancy)" for the beneficiary's birthday in the calendar year immediately following the calendar year of death of the plan participant, reduced by 1 for each subsequent year.

(ii) If the eligible retirement plan uses the 5-year rule in Code section 401(a)(9)(B)(ii) to determine required minimum distributions for beneficiaries and if the retirement plan participant dies before his/her required beginning date under that plan, then if the non-spouse beneficiary made the rollover to the Account before the end of the calendar year immediately following the calendar year in which the death of the plan participant occurred, the beneficiary can elect to have required minimum distributions from the Account determined under the life expectancy rule or the 5-year rule. However, if the non-spouse beneficiary made the rollover to the Account in the second through fourth calendar years following the calendar year in which the death of the plan participant occurred, the non-spouse beneficiary must use the 5-year rule under this Account.

**(iii)** If the eligible retirement plan participant dies after his/her required beginning date, Section 4.5(c)(1)(ii) applies to the beneficiary.

(4) **Special Rule for 2009.** Your beneficiary was not required under federal law to take a minimum distribution for 2009, due to an amendment to Code section 401(a)(9) enacted in late 2008.

**(d) Life Expectancy Calculations.** Life expectancy is determined from the tables published under section 1.401(a)(9)-9 of the Income Tax Regulations.

**(e) Penalty Tax.** The beneficiary is subject to a substantial penalty tax under Code section 4974 if the benefits paid are less than the minimum amount required by Code section 408(a)(6).

### 4.6. Allocation of Responsibility.

Each Participant or beneficiary of a deceased Participant has the exclusive authority to control the payment of benefits from his/her Account. Our responsibility is limited to implementing the oral or written payment directions we receive for the Account. We have no duty to question, investigate, or give advice with respect to the amount, form, timeliness, tax effect, or any other aspect of any payment, and all such matters are the exclusive responsibility of the Participant or beneficiary(ies). We will not be liable for any tax or any loss of any kind which may result from any action taken pursuant to such payment directions or from any failure to act because of the absence of such directions.

## SECTION 5: BENEFICIARIES

### 5.1. Designation of Beneficiaries.

You may designate on forms to be furnished by and filed with us one or more primary beneficiaries or alternative beneficiaries to receive all or a specified part of your Account in the event of your death. You may change or revoke any such designation from time to time. No such designation, change, or revocation will be effective unless executed by you and received by us during your lifetime. No such change or revocation will require the consent of any beneficiary previously designated by you unless otherwise required by us.

### 5.2. Automatic Beneficiary.

Your Account will be payable to your surviving spouse or if there is no surviving spouse, to the representative of your estate if you:

**(a)** Fail to designate a beneficiary including, but not limited to, an illegible designation

**(b)** Designate a beneficiary and thereafter revoke such designation without naming another beneficiary

**(c)** Designate one or more beneficiaries and all such beneficiaries fail to survive you

### 5.3. Rules for Interpreting Designations.

Beneficiary designations will be interpreted according to the following rules:

**(a) Primary Beneficiaries.**

**(1)** Unless you have otherwise specified in the beneficiary designation, the Account will be paid in equal shares to the primary beneficiaries who survive you.

**(2)** If you have specified percentage or fractional shares for the primary beneficiaries and if some but not all such beneficiaries fail to survive you, any amounts that such non- surviving beneficiary(ies) otherwise would have been entitled to will be divided among the surviving primary beneficiary(ies) in proportion to the relative percentage or fractional shares of such surviving beneficiary(ies).

**(b) Alternative Beneficiaries.**

**(1)** If no primary beneficiary survives you, the Account will be paid in equal shares unless otherwise specified in the beneficiary designation to the alternative beneficiary(ies) who survive you.

**(2)** If you have specified percentage or fractional shares for the alternative beneficiaries and if some but not all such beneficiaries fail to survive you, any amounts that such non-surviving beneficiary(ies) otherwise would have been entitled to will be divided among the surviving alternative beneficiary(ies) in proportion to the relative percentage or fractional shares of such surviving beneficiary(ies).

**(3)** Alternative beneficiaries may also be referred to in the Custodian's forms as contingent or secondary beneficiaries.

**(c) Death Before Full Distribution.** Unless you have otherwise specified in the beneficiary designation, the beneficiary(ies) will become fixed as of your death. If a beneficiary(ies) survives you but dies before the receipt of all amounts due such beneficiary(ies), the remaining amounts will be payable to the representative of such beneficiary's estate or to one or more beneficiaries designated by such beneficiary under the rules of Section 5.4(c).

**(d) Designation by Name and Relationship.** Any designation of a non-spouse beneficiary(ies) by name that is accompanied by a description of his/her relationship to you will be given effect without regard to whether the relationship exists either then or at the time of your death.

**(e) Designation by Relationship Only.**

**(1)** Any designation of a beneficiary(ies) only by statement of his/her relationship to you will be effective only to designate the person or persons standing in such relationship at the time of your death. If a beneficiary(ies) is designated by relationship only, we may require legal confirmation of the beneficiary(ies) at the time of your death, and may hold all investments comprising the Account on the date of your death until such legal confirmation is provided, and/or may liquidate the assets of the Account and invest them in an interest bearing account or money market fund until such legal confirmation is provided.

**(2)** Unless you have otherwise specified in the beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; and "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child.

**(f) Simultaneous Deaths.** "Survive" and "surviving" mean living after your death. If there is insufficient evidence that a beneficiary was living after your death, it shall be deemed that the beneficiary was not living after your death.

**(g) Termination of Marriage.** If you designate your spouse as a beneficiary either by name or by relationship or both, the dissolution, annulment, or other legal termination of your marriage shall automatically revoke such designation. This does not prevent you from designating a former spouse as a beneficiary on a form executed by you and received by us after the date your marriage legally terminated, and during your lifetime.

### 5.4. Administration of Beneficiary's Account.

**(a) Separate Account for Each Beneficiary.** Upon receipt of appropriate proof of your death, we will establish a separate Account for each beneficiary's share of your Account. Each beneficiary will be bound by the provisions of this Agreement, including the investment provisions of Section 3, determine the amount, form, and time for payment of benefits under Section 4.5 and designate one or more subsequent beneficiary(ies) under (c) below. No contribution may be made to the beneficiary's account except as provided in (b) below.

**(b) Surviving Spouse's Election.** If a separate Account is established under (a) above for a beneficiary who is your surviving spouse, the surviving spouse may elect by written notice to us to adopt that separate Account as his/her own Traditional IRA or Roth IRA and thus, to become a Participant under this Agreement. If such an election is made, the surviving spouse will be treated as a Participant under all the provisions of this Agreement, and:

**(1)** Contributions may be made to the Account by or for him/her under Section 2

**(2)** Benefits may be paid to him/her under the rules of Section 4 applicable to Participants instead of those applicable to beneficiaries

**(3)** He/she will have all the other powers and responsibilities of a Participant under this Agreement

**(c) Subsequent Beneficiaries.** Your beneficiary may designate on forms to be furnished by and filed with us one or more primary beneficiaries or alternative beneficiaries to receive all or a specified part of such beneficiary's benefits in the event such beneficiary survives you but dies before the receipt of all amounts due such beneficiary and may change or revoke any such designation from time to time. No such designation, change, or revocation will be effective unless executed by such beneficiary and received by us during such beneficiary's lifetime. No such change or revocation will require the consent of any beneficiary previously designated by such beneficiary. All such designations will be interpreted according to the rules of Section 5.3 as though such beneficiary were a Participant. In the absence of an effective beneficiary designation by a surviving beneficiary of a deceased Participant, the beneficiary's benefits will be payable to the representative of the beneficiary's estate.

**(d) Legal Incapacity of Beneficiary.** If the beneficiary is a minor or otherwise legally disabled, we may require that any and all rights that could otherwise be exercised by the beneficiary under the terms of this Agreement or at law be exercised on behalf of the beneficiary by a representative of the beneficiary and may rely on the authority and direction of such representative for all actions taken with respect to the Account including without limitation:

**(1)** Investing the Account as such representative may direct in accordance with the terms of this Agreement or liquidating the assets of the Account and investing them in an interest-bearing account or money market fund

**(2)** Paying benefits as such representative may direct in accordance with the terms of this Agreement.

We will not be liable for any loss which may result from any investment, liquidation, or distribution made by us in good faith under this paragraph.

**(e) Missing Beneficiary.** If, after receiving notice of your death, we are unable to locate a beneficiary by mailing to your own or your beneficiary's last known address in our records, then we will hold the assets of the beneficiary's Account in the same investments until such time as a written claim is received from the beneficiary or the Account escheats to a governmental agency by operation of law. We will not be liable for any loss which may result from any action taken by us in good faith under this paragraph, including the retention of any investment or the distribution to a governmental agency.

**(f) Disputes as to Beneficiary.** If, within 30 days after receiving written notice of a dispute as to the effectiveness of a purported designation of beneficiary for the Account, we are unable to determine a beneficiary from among conflicting claims, then unless otherwise instructed in writing prior to the expiration of such 30 day period by all persons claiming to have an interest in the Account, we will hold the assets of the Account in the same investments until such time as the conflicting claims are resolved by written agreement or court order. We will not be liable for any loss which may result from any action taken by us in good faith under this paragraph, including the retention of any investment or the settlement of any conflicting claims.

### 5.5. Disclaimers by Beneficiaries.

A beneficiary entitled to part or all of your Account may disclaim his/her interest therein subject to the following requirements. To be eligible to disclaim, a beneficiary must be a natural person of legal age and under no other legal disability and must not have received a distribution of any part of the Account at the time the disclaimer is received by us. Alternatively, a disclaimer may be executed by (i) the duly appointed legal guardian or conservator of a beneficiary who is a minor or under other legal disability or (ii) the duly appointed personal representative of a deceased beneficiary.

The disclaimer must be made in writing and must be executed personally by the beneficiary or a duly appointed legal guardian, conservator or personal representative acting on the beneficiary's behalf and acknowledged before a notary public. The disclaimer must state that the beneficiary's entire interest in the Account is disclaimed or must specify what portion thereof is disclaimed.

To be effective, the disclaimer must be both executed by the beneficiary and received by us after the date of your death but not later than nine (9) months after the date of your death. It must be accompanied by either of the following documents in a form satisfactory to us: (a) a certified copy of the order of a court of competent jurisdiction authorizing the disclaimer if the disclaimer is executed by a legal guardian, conservator, or a personal representative, or (b) a written instrument executed by the beneficiary indemnifying us and holding us harmless from any and all liability or responsibility arising out of or in connection with any action we may take in reliance on the disclaimer. A disclaimer will be irrevocable when received by us. Upon the filing of a disclaimer in accordance with this Section 5.5 regardless whether the disclaimer is effective for gift tax or other purposes, the interest disclaimed will be payable under the rules of this Section 5 as though the disclaiming beneficiary had not survived you. A disclaimer by a beneficiary will not be considered to be a transfer of an interest in violation of Section 6.5.

### 5.6. Allocation of Responsibility.

Each Participant or beneficiary of a deceased Participant has the exclusive authority to designate the beneficiaries of his/her Account.

Our responsibility is limited to implementing any written beneficiary designation or disclaimer we receive for the Account. We have no duty to question, investigate, or give advice with respect to the content, form, legal or tax effect, or any other aspect of any beneficiary designation or disclaimer. Upon the death of you or your beneficiary, we will be the sole judge of the content, interpretation, and validity of any purported beneficiary designation or disclaimer. We will not be liable for any loss of any kind which may result from any action we may take in good faith with respect to any beneficiary designation or disclaimer.

## SECTION 6: NATURE OF ACCOUNT

### 6.1. Account Assets.

Each Account will consist of the contributions received on your behalf under this Agreement, the investments made with such contributions, and the earnings on them. All Account assets are held and administered by us as a non- discretionary, directed Custodian under the terms of this Agreement.

### 6.2. Vesting.

All contributions received on your behalf, all investments made with such contributions, and all earnings on them will immediately become and at all times remain fully vested in you and are nonforfeitable.

### 6.3. No Commingling.

The assets of the Account will not be commingled with other property except in a common trust fund or common investment fund.

### 6.4. Exclusive Benefit.

At no time will any part of the Account be used for or diverted to purposes other than for the exclusive benefit of you or your beneficiaries.

### 6.5. Alienation or Assignment of Account.

The Account is not subject to alienation, assignment, garnishment, attachment, execution, or levy of any kind whether voluntary or involuntary, and any attempt to cause the Account to be so subjected will not be recognized except as required by law.

You may transfer your Account to a former spouse, however, under a divorce decree or under a written instrument incident to such divorce, as provided in Code section 408(d)(6). If such a transfer is made, the Account then will be held under this Agreement as a Traditional IRA or Roth IRA for the former spouse.

## SECTION 7: ADMINISTRATIVE POWERS AND DUTIES

**7.1. General Powers.**
We will have all powers necessary to carry out our duties under this Agreement, including but not limited to the following:

**(a) Investment Matters.** As directed by the person with investment responsibility for the Account, we will have the power:

**(1)** To invest and reinvest the assets of the Account in any investments available through us or the Broker-Dealer in the regular course of business, subject to the limitations in Section 3.

**(2)** To periodically and automatically invest the Account's cash in a default investment selected by such person. The default investment may be any mutual fund, common trust fund or collective investment fund (whether or not maintained or advised by us or any of our affiliated entries), interest bearing account of us or an affiliated entity, or other investment. However, such investment must be compatible with our procedures for sweeping cash into the investment and for withdrawing cash from it for reinvestment in our assets, as directed.

**(3)** To deposit cash in a checking or other disbursement account, which may or may not bear interest, in the commercial or savings departments of us or any other bank, trust company or other financial institution (including those affiliated in ownership with us) and should such amounts be held with- out interest pending investment or distribution, such reasonable practice is expressly authorized, notwithstanding our or any affiliated entity's receipt of "float" from such investment.

**(4)** To exercise subscription or conversion rights and to pay calls, assessments, and any other amounts chargeable or accruing against the assets of the Account.

**(5)** To consent to or participate in dissolutions, reorganizations, consolidations, mergers, sales, leases, mortgages, transfers, any other changes or legal causes of action (including but not limited to class action shareholder lawsuits) affecting or involving the assets of the Account.

**(b) Other Matters.** We will have the power:

**(1)** To authorize additional forms of acceptable written notice to us, including as we may determine from time to time facsimile, e- mail, or other methods.

**(2)** To hold the assets of the Account without qualification or description in our name or the name of any nominee of us or in any other form under which title will pass by delivery.

**(3)** To exchange information about you, your beneficiary(ies), and Account with affiliated entities as permitted by applicable law and regulations.

**(4)** To make, execute, and deliver as Custodian any and all contracts, waivers, releases, or other written documents with respect to the administration of the Account.

**(5)** To employ agents and to delegate duties to them as we see fit and to employ or consult with experts, advisors, and legal counsel who may be employed also by you or your beneficiary(ies) and to rely on information and advice received. We will be reimbursed by the Account or you or, if you die, your beneficiary(ies), for costs incurred by us when employing such parties.

**7.2. Confirmations and Documents.**
We will send the person with investment responsibility for the Account a written confirmation of each transaction in the Account. We also will forward to that person any prospectuses, annual reports, proxies, and proxy solicitation materials relating to the assets of the Account.

**7.3. Liquidation of Investments.**
If any investments of the Account are to be liquidated for administrative purposes (for example, to pay benefits, fees, expenses, or taxes) and we do not receive timely directions from the person with investment responsibility for the Account, we will liquidate the investments in the following order:

**(a)** First, interest bearing accounts and shares of money market funds

**(b)** Second, shares of investment companies registered under the Investment Company Act of 1940 (i.e., mutual funds), except shares of a money market fund

**(c)** Third, shares of stock whether common or preferred

**(d)** Fourth, bonds, debentures, and other evidences of indebtedness

**(e)** Last, any other assets of the Account

**7.4. Protection of Custodian and Broker-Dealer.**
To the maximum extent permitted by law, you agree to fully indemnify us and hold us harmless from any and all liabilities which may arise in connection with this Agreement and the matters it contemplates except any liabilities which arise due to our negligence or willful misconduct, and for any legal fees

and other expenses we reasonably incur in the defense of any claim relating thereto. If you do not reimburse us for any fees or expenses within a reasonable time after they are incurred, we may deduct the amount of the fee or expense from the Account, even if it is necessary to liquidate or partially liquidate an investment. In such event, we may choose which investment to liquidate or partially liquidate in our sole discretion, and we will have no liability to you or any beneficiary for such selection and liquidation.

## SECTION 8: INFORMATION AND REPORTS

**8.1. Your Duties.**
You will provide us in the manner we require any information we need to prepare reports required by the Internal Revenue Service or other governmental agencies.

**8.2. Our Duties.**
We will submit to the Internal Revenue Service or other governmental agencies and to you reports containing the information prescribed by the Internal Revenue Service or such other governmental agencies.

**8.3. Our Records.**
We will keep accurate and detailed records of all contributions, receipts, investments, distributions, disbursements, and all other transactions for the Account.

**8.4. Valuation of Accounts.**
We will determine annually the value of each Account. In addition, we will determine the value of the Account at such other times as may be necessary to permit payment of benefits as provided in this Agreement. The valuation will reflect, as nearly as possible, the then fair market value of the assets of the Account.

**8.5. Our Reports.**
We will make such reports regarding the Account to the Internal Revenue Service and to you as the Secretary of Treasury or Commissioner of Internal Revenue may require. Such reports will be made at such time and in such manner as may be required under Code sections 408(i) and 408A(d)(3)(D), and under any applicable guidance issued by the Internal Revenue Service.

Unless you file written objections to the report within 60 days after it is mailed, it will be deemed to have been approved and we will be released and discharged from all liability to anyone with respect to all matters set forth in the report as though the account had been settled by the decree of a court of competent jurisdiction.

## SECTION 9: FEES, EXPENSES, AND TAXES

**9.1. In General.**
We will be compensated for the services we render and will be reimbursed for the expenses we incur under this Agreement, including:

**(a)** Custodial fees in accordance with our fee schedule, as amended from time to time, and any special expenses (including legal fees) incurred in connection with the custodianship of the Account

**(b)** Brokerage and other investment fees and expenses for the investment of the Account

**(c)** Administrative fees and expenses for any special services not covered in the custodial fee schedule

**(d)** Transfer taxes incurred in connection with the investment of the Account

**(e)** Income taxes or other taxes of any kind that may be levied or assessed upon or in respect of the Account or the payment of benefits

These fees and expenses will be paid from the Account unless we, in our sole discretion, agree to accept payment directly from you. We may liquidate any investments in the Account for the purpose of making such payments. If the Account is not sufficient to satisfy the amounts due or the investments are not sufficiently liquid, we, in our sole discretion, may charge you for the unpaid amounts.

**9.2. Tax Withholding.**
We will deduct, withhold, and transmit to the proper taxing authorities such income or other taxes of any kind that may be levied or assessed upon or in respect of the Account or the payment of benefits. You will furnish us with all information we need to compute and withhold such income or taxes.

**9.3. Final Payment.**
At the end of our services to the Account, we may reserve from the Account such sum of money as we deem advisable for payment of any custodial or administrative, brokerage, or other fees and expenses, and any taxes or other liabilities constituting a charge against us or the income or assets of the Account. We may liquidate any investments in the Account to establish such reserve and make such payments. Any portion of such reserve remaining after payment of all such items will be paid over to the person or persons otherwise entitled to the assets of the Account.

## SECTION 10: CHANGE OF CUSTODIAN

**10.1. Change.**
The custodian of the Account may be changed as follows:

(a) **Resignation.** We may resign at any time upon thirty (30) days' advance written notice to you.

(b) **Removal.** You may remove us as custodian at any time by giving us written notice.

Upon such resignation or removal, you or your beneficiary(ies) need to appoint a successor custodian or trustee.

**10.2. Substitution.**

(a) **Appointment of Successor by You.** You must appoint a successor custodian or trustee if the Commissioner of Internal Revenue notifies you that such substitution is required because we have failed to comply with the requirements of Treasury Department Regulation 26 C.F.R. § 1.401-12(n)(7)(v) or we are not keeping such records, making such returns, or rendering such statements as are required by forms or regulations. If you or your beneficiary(ies) fail to appoint such a successor, the failure will be deemed a termination of this Agreement and the provisions of Section 11.3 will apply.

(b) **Appointment of Successor by Us.** We may appoint a successor custodian or trustee effective upon 30 days advance written notice to you or your beneficiary(ies). Any such successor custodian or trustee will have the power to amend this Agreement pursuant to Section 11.

**10.3. Qualification of Successor.**
The successor custodian or trustee must be either a bank as defined in Code section 408(n) or a person who has Internal Revenue Service approval to serve in that capacity as provided in Code section 408(h).

**10.4. Payment to Successor.**
Once we receive written acceptance of appointment by the successor custodian or trustee, we will transfer and pay over to the successor the assets of the Account, less any amount reserved under Section 9.3.

**10.5. Successor Organizations.**
By designating a Custodian, original or successor, hereunder, there is included in such designation and as a part thereof any other corporation authorized by law to accept the Account into which or with which the designated Custodian, original or successor, is converted, consolidated, or merged, and the corporation into which or with which any Custodian hereunder is so converted, consolidated, or merged will continue to be the Custodian of the Account.

## SECTION 11: AMENDMENT or TERMINATION of AGREEMENT

**11.1. Power to Amend.**
You cannot amend this Agreement other than by changing an election or designation in the Application. You and your beneficiary(ies) delegate to the Sponsor the power to amend this Agreement from time to time in any respect (subject only to the limitation in Section 11.2), without obtaining your approval or consent or that of your beneficiary(ies). Either the Sponsor or its agent will furnish you a copy of any such amendment.

**11.2. Limitation on Amendments**
This Agreement may not be amended in any manner that would cause or permit any part of the Account to be diverted to purposes other than for your or your beneficiary's(ies') exclusive benefit.

**11.3. Termination.**
You may terminate this Agreement at any time by written notice to us. Also, you may be deemed to have terminated this Agreement as provided in Section 10.2(a).

Upon such termination, we will distribute the assets of the Account, less any amount reserved under Section 9.3, to you (or your beneficiary(ies)) or according to the directions of you (or your beneficiary(ies)) and the provisions of this Agreement. We will comply with the directions we receive in proper form and will not be liable for any tax or any loss of any kind resulting from any action we take pursuant to such directions.

**11.4. Transfer.**
At your written direction, we will transfer the assets of the Account, less any amount reserved under Section 9.3, directly to the custodian or trustee or other funding agent of another individual retirement plan or of a qualified employer or government plan. We have no duty to ascertain whether such direction is proper under the Code or under the provisions of the plan receiving the transfer. We will comply with your (or your beneficiary's(ies')) directions and will not be liable for any tax or any loss of any kind resulting from any action we take pursuant to such directions.

## SECTION 12: MISCELLANEOUS

**12.1. Initial Adoption or Revocation.**

(a) **Adoption of Agreement.** This Agreement will be effective once the Application has been signed by you and accepted by us at our principal office as evidenced by our written notice to you, which may be a trade confirmation or an Account statement.

(b) **Right to Defer Initial Investment Directions.** In our discretion, we may defer execution of the initial investment directions for the Account until the end of the revocation period described in (c) below.

(c) **Revocation of Agreement.** You may revoke this Agreement for any reason within seven calendar days after the date you sign the Application. If it is revoked during that period, the Agreement will be void from its inception, and we will return all assets you contributed and all fees you paid us.

### 12.2. Notices.

All written notices required or permitted to be given under this Agreement shall be subject to the following rules.

(a) **Notices to You.** Notices to you (or your beneficiary(ies)) may be provided by us by mail or by electronic means. If any such notice is provided by mail, it will be deemed to have been given when sent by mail to your (or your beneficiary's(ies')) most recent address in our records. If any such notice is provided by electronic means, it will be deemed to have been given when transmitted to your (or your beneficiary's(ies')) most recent e-mail or other electronic address in our records. You acknowledge that any notices provided electronically to you (or your beneficiary(ies)) will be deemed to have been provided in writing for purposes of this Agreement and applicable federal and state law.

(b) **Notices to Us.** Notices to us may be provided by you (or your beneficiary(ies)) by mail or by such electronic means as we may authorize from time to time by written notice to you (or your beneficiary(ies)). If any such notice is provided by mail, it will be deemed to have been given when received by us at our principal office or at such other address as we may provide to you (or your beneficiary(ies)) from time to time. If any such notice is provided by electronic means, it will be deemed to have been given when received by us in accordance with our procedures for such notices.

We acknowledge that any notices provided electronically to us in accordance with our procedures will be deemed to have been provided in writing for purposes of this Agreement and applicable federal and state law.

### 12.3. Statutory and Other References.

Any reference in this Agreement to a statute, regulation, or document will be considered also to mean and refer to any subsequent amendment or replacement of that statute, regulation, or document.

### 12.4. Community and Marital Property Laws.

Under Code section 408(g), the provisions of this Agreement are applied without regard to the community or marital property laws of any state. However, residents of community or marital property states or persons placing property into the Account acquired while married and residing in a community or marital property state, may want to consult with legal counsel to ensure that they have properly considered the effects of any applicable community or marital property laws.

### 12.5. Governing Law.

The internal laws of the State of Minnesota govern this Agreement and the administration and distribution of the Account except as superseded by federal law.

### 12.6. Duplicates.

This Agreement, the Application, and any beneficiary designation form or other administrative form under the Agreement may be proved either by a signed original or by a reproduced copy thereof including, not by way of limitation, a microfiche copy or an electronic file copy.

### 12.7. Privacy Pledge and Information Sharing.

You received our Privacy Pledge when you opened your IRA. Every year we will send you another copy. You may get a copy by contacting us. Our Privacy Pledge tells how we collect, protect, and use non-public personal information about you. It also tells when we may share that information with members of our corporate family or unrelated businesses. The Privacy Pledge also tells you how you can limit the ways we share that information and market products and services to you. It also tells you how to request that we correct that information.

### 12.8. Effective Date.

For a new Account, this Agreement applies for years beginning with the year for which the initial contribution is made to the Account.

For an existing Account, this Agreement applies for years beginning on or after January 1, 2014 (or such earlier date as may apply to a given provision, as stated herein), unless the Sponsor or we specify otherwise in a written notice provided to you at your last known address in our records.

No later than December 31, 2013, we submitted a request to the Internal Revenue Service for an opinion letter regarding the form of our prototype custodial account for Traditional IRAs and Roth IRAs. We received the Internal Revenue Service opinion letter on March 26, 2014.

## 2018 Amendment to the U.S. Bancorp Investments, Inc. Traditional/Roth IRA Custodial Agreement

Pursuant to the authority delegated in Section 11.1., U.S. Bank National Association hereby amends the U.S. Bancorp Investments, Inc. Traditional/Roth IRA Custodial Agreement, in the following respects:

**I. Section 2.2(g) (titled "Recharacterization") is amended, effective January 1, 2018, to add the following to the end of that section:**

> Recharacterizations are also subject to the requirements of Code section 408A(d)(6), including the limitation of recharacterizing of amounts previously converted to Roth IRA amounts.

**II. Section 2.2(i) (titled "Special Rules") is amended to add the following to the end of that section:**

> Notwithstanding the dollar limitation in (a) above, you may qualify to make a repayment contribution of certain qualified disaster distributions (such as a "qualified 2016 disaster distribution" or a "qualified 2017 disaster distribution"), in accordance with applicable guidance.

**III. Section 4.2(a) (titled "Traditional IRAs") is amended to add the language "(or such other amount that applies under Code section 213(a) for the year)" following "7.5%" where it occurs in that section.**

Dated: April 2, 2018

• • • • •

## 2020 Amendment to the U.S. Bancorp Investments, Inc. Traditional/Roth IRA Custodial Agreement

Pursuant to the authority delegated in Section 11.1, U.S. Bank National Association hereby amends the U.S. Bancorp Investments, Inc. Traditional/Roth IRA Custodial Agreement, in the following respects:

**1. Section 2.2(d) (titled "Maximum Age") is amended, effective January 1, 2020, to add the following to the end of that section:**

> This Sec. 2.2(d) shall cease to apply as of January 1, 2020.

**2. Section 2.2(f) (titled "Contributions from Alimony") is amended, effective January 1, 2019, to add the following to the end of that section:**

> However, on or after January 1, 2019, may no longer be treated as compensation to the extent provided under Code section 219(f).

**3. Section 2.3 (titled "Rollover Contributions") is amended, effective January 1, 2020, to add the following to the end of that section:**

> If you previously received a qualified birth or adoption distribution from an IRA or an applicable eligible retirement plan, you may recontribute some or all of the amount distributed as a qualified birth or adoption distribution to your Account. The amount recontributed cannot exceed the amount distributed as a qualified birth or adoption distribution, and will be treated as a rollover contribution to your Account. Similarly, if you received a coronavirus-related distribution from an IRA or an eligible retirement plan, you may recontribute some or all of the amount distributed to your Account. The amount recontributed cannot exceed the amount distributed as a coronavirus-related distribution and must be recontributed within the three-year period starting on the date the distribution was received.

**4. Section 4.2(a) (titled "Traditional IRAs") is amended, effective January 1, 2020, to replace the text "and, (ix) as "qualified reservist distributions." with the following:**

> (ix) as "qualified reservist distributions," and (x) as "qualified birth or adoption distributions."

**5. Section 4.4 is amended, to revise the first sentence to read as follows:**

> After attaining age 70½ (if born prior to July 1, 1949, or age 72 if born after June 30, 1949), you are subject to a substantial penalty tax under Code section 4973 if the benefits pad are less than the minimum amount required by Code section 408(a)(6). If you were born after June 30, 1949, age 72 replaces all references to age 70½ in this Section 4.4.

**6. Section 4.4 is amended to add a new section (f) to read as follows:**

> (f) Special Rule for 2020. You are not required under federal law to take a minimum distribution for 2020.

**7. Section 4.5 is amended, effective January 1, 2020, to add a new section (f) to read as follows:**

> (f) Changes to the Minimum Distribution Requirements. Effective January 1, 2020, the minimum distribution requirements in this Section 4.4 shall be applied as provided in Code section 401(a)(9), as amended by the Setting Every Community Up for Retirement Enhancement Act of 2019.

Date of adoption: December 21, 2020

# Traditional/Roth IRA disclosure statement

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The remaining information must be retained by the IRA Participant.

This disclosure statement explains our Traditional/Roth IRA and the basic federal tax rules for Traditional and Roth IRAs.

It does not cover state or local tax rules.

**Disclaimer.** Please note the following limitations to this disclosure:

This disclosure statement is based on federal laws and regulations on December 31, 2019, which are effective for tax years beginning on or after January 1, 2020.

- Additional information has been obtained from sources believed to be accurate and current as of December 31, 2018, but we do not guarantee its accuracy.
- Changes to the federal tax laws may have been made after the date this disclosure statement was prepared.
- This disclosure statement is provided for general informational purposes. You should consult with your attorney, accountant, or other qualified tax advisor before making any investments in, making withdrawals from, or taking any other actions with respect to your IRA.
- This disclosure statement does not discuss the state and local tax treatment of IRA contributions and distributions which may differ substantially from the federal tax rules. You should consult with your attorney, accountant, or other qualified tax advisor regarding any state or local tax rules that may apply to your IRA.
- Our employees cannot give you legal or tax advice with respect to your IRA.

## 1. INTRODUCTION

You may revoke this IRA for any reason during the seven-day period after you sign the IRA Application. To revoke this IRA, you must give written notice to the Custodian by mailing or personally delivering the written notice of revocation to the attention of the IRA Department at the Custodian whose name, address, and telephone number appear on your IRA Application. The written notice of revocation must be received by the Custodian or postmarked by the close of the seven-day revocation period.

If you revoke your IRA as described above, we will return all contributions made to the account.

## 2. KINDS OF IRAs

**We offer you the following IRA choices:**

**Traditional IRA.** You may establish a Traditional IRA to hold tax-deductible and non-deductible contributions for you or your spouse. (See item 4.) Also, a Traditional IRA may hold cash or other assets rolled over or transferred from an eligible retirement plan (other than designated Roth contributions) or from another Traditional IRA.

**Roth IRA.** You may establish a Roth IRA to hold non¬deductible contributions for you or your spouse. (See item 5.) The Roth IRA may also be established to hold rollover or transfer contributions from another Roth IRA or from a designated Roth contribution account under an eligible retirement plan or conversions from a Traditional SEP or SIMPLE IRA. You may also make a conversion of amounts other than designated Roth contributions directly from an eligible retirement plan to a Roth IRA.

**ABO-IRA.** "As Beneficiary Of" IRA. If you inherit an IRA and you wish to continue holding it, your inherited IRA must be maintained as an ABO-IRA. No additional contributions may be made to the ABO-IRA. (See item 6.) However, a surviving spouse beneficiary may elect to treat the inherited IRA as his/her own and an ABO-IRA will not be established. (See item 17.)

An ABO-IRA may also be established with funds from certain eligible retirement plans inherited by a non-spouse beneficiary. In this case, the ABO-IRA must be established by a direct trustee-to-trustee transfer of the funds. (Note: The funds cannot be distributed to the non-spouse beneficiary.)

**SEP-IRA.** A SEP-IRA is designed to hold any tax-deductible employer contributions to a simplified employee pension ("SEP") plan and employee pre-tax contributions, if the SEP permits them. It may also hold the Traditional IRA contributions of a participant in the SEP plan. (See item 7.)

**This Traditional/Roth IRA cannot be used for the following:**

- **Coverdell Education Savings Accounts.** Formerly called Education IRAs, these accounts are used to hold tax-deductible contributions for a minor's education expenses.
- **SIMPLE IRAs:** These IRAs are used to hold employer tax-deductible contributions and employee pre-tax contributions to a Savings Incentive Match Plan for Employees ("SIMPLE") plan.

**However, we offer Coverdell Education Savings Accounts and SIMPLE IRAs through other vehicles. Please contact us for more information.**

## 3. CONTRIBUTIONS TO YOUR IRA

You may maintain and contribute to more than one kind of IRA. Also, you may have more than one IRA of the same type.

### 3(a) Maximum Contributions.

There is a combined tax law limit on how much you can contribute to all of your Traditional and Roth IRAs in a given year. The annual limit that applies to you depends on your age at the end of the calendar year in question and the Internal Revenue Code maximum for that tax year. For the limit in effect for any given tax year, refer to the chart below.

**Limit for Taxpayers under Age 50.** For 2020, your total Traditional and Roth IRA contributions cannot exceed the lesser of $6,000 or 100% of your compensation, or if you are married and file a joint tax return, the combined compensation of you and your spouse. You may also contribute to your spouse's IRAs if you file a joint tax return, so long as the contributions made for each spouse do not exceed $6,000 (if both spouses are under age 50) and the combined IRA contributions for you and your spouse do not exceed 100% of your combined compensation.

**Limit for Taxpayers Age 50 or Over.** If you are 50 or over by the end of the applicable calendar year, you may make additional "catch-up" contributions to your IRAs for that year. If you qualify, you may contribute a total of $7,000 to your IRAs for 2020 (subject to the compensation requirements above). You may make this additional contribution regardless of your past contribution history.

**CONTRIBUTION LIMITS.**

| For tax years beginning in | Contribution limit for taxpayers under age 50 | Contribution limit taxpayers age 50 or over |
|---|---|---|
| 2020 and after | $6,000 | $7,000 |

The annual contribution limits will be adjusted for inflation for years after 2020.

**The appropriate dollar figure for the applicable tax year will replace all references to the $6,000 annual limit (or $7,000 for those age 50 or over) used in this disclosure statement.**

**Special Exceptions**. The contribution limits described above generally apply to all individuals. However, a number of special rules may apply in limited situations, including:

The Heroes Earned Retirement Opportunity Act of 2006 (the "HERO Act") provides that combat-zone compensation that is excluded from income for federal income tax purposes under Sec. 112 of the Internal Revenue Code can be considered "compensation" for purposes of making IRA contributions for you or your spouse.

The Pension Protection Act of 2006 (the "PPA") allows qualifying members of the military reserves to contribute amounts to a Traditional IRA as repayment of a "qualified reservist distribution" previously received from an IRA or a 401(k) or 403(b) plan. The repayment must be made within the 2-year period after the reservist's active duty period ended. A repayment contribution will be a non-deductible contribution.

The Heroes Act of 2008 allows certain military death benefits to be contributed to a Roth IRA (but not a Traditional IRA). A person who has received (i) a military death gratuity (under 10 United States Code 1477) or (ii) Servicemembers' Group Life Insurance payments may contribute such amounts to his or her Roth IRA, even if the individual is not otherwise eligible to make Roth IRA contributions due to income levels or the annual contribution limits. The contribution must be made to the Roth IRA before the end of the one-year period beginning on the date on which the person received the military death gratuity or Servicemembers' Group Life Insurance payment. In addition, the amount contributed cannot exceed the total such amounts received by the individual in the one-year period reduced by the amounts so received that were contributed to another Roth IRA or a Coverdell Education Savings Account.

The Worker, Retiree, and Employer Recovery Act of 2008 allows certain payments by a commercial passenger airline carriers to its employees or former employees who participated in the carrier's defined benefit pension plan to be contributed to an IRA (subject to applicable limits for transfers to a Traditional IRA under the 2012 FAA Modernization Act), even if the individual is not otherwise eligible to make a deductible Traditional IRA contribution or a Roth IRA contribution due to income levels or the annual contribution limits.These special exceptions are also subject to additional requirements and limitations. To make IRA contributions under the HERO Act, the PPA, or some other exception, such as disaster relief, you should consult with an accountant, lawyer, or other qualified tax advisor to determine whether you are eligible and to discuss the requirements and limitations that apply.

The Setting Every Community Up For Retirement Enhancement Act of 2019 (the "SECURE Act") allows individuals who previously received a "qualified birth or adoption distribution" from an IRA or an applicable eligible retirement plan to recontribute some or all of the amount distributed as a qualified birth or adoption distribution to an IRA (or, in certain situations, to an eligible retirement plan). The amount recontributed cannot exceed the amount distributed as a qualified birth or adoption distribution, and will be treated as a rollover contribution to the IRA. The Coronavirus Aid, Relief, and Economic Security Act of 2020 (the "CARES Act") allows individuals who previously received a "coronavirus-related distribution" from an IRA or an eligible retirement plan to recontribute some or all of the amount distributed to an IRA (or, in certain situations, to an eligible retirement plan). The amount recontributed cannot exceed the amount distributed as a coronavirus-related distribution and must be recontributed within the three-year period starting on the date the distribution was received.

**3(b) Minimum Contribution.**

You may contribute less than the maximum amount for a year if you wish. Under our Traditional/Roth IRA, annual contributions are not required and there is no minimum investment unless otherwise provided in the Application for this IRA. However, if you skip a year or contribute less, federal tax rules do not allow you to contribute more in a later year to make up for the missed contribution.

**3(c) Compensation.** Generally, if you work, the amount that you earn is compensation. Compensation includes wages, salaries, professional fees, and other amounts (such as bonuses, commissions, and tips) you receive for providing personal services. Compensation also includes combat-zone compensation that is otherwise excluded from your income and differential wage payments (as defined in Sec.3401(b) (2) of the Internal Revenue Code) you may receive and taxable amounts you receive to aid you in the pursuit of graduate or post-doctoral study. Compensation is based on your own earnings without regard to state community property laws. In addition, for certain limited purposes, compensation excluded from income as a qualified foster care payment which is a difficulty of care payment may also be considered.

However, compensation does not include the following: (i) deferred compensation, (ii) pensions, annuities, and other retirement income, (iii) earnings and profits from property (including dividends, interest, and rents), and (iv) amounts excluded from income (such as foreign earned income).

You may determine your compensation based on your W-2 by subtracting the amount in box 11 (Non-qualified Plans) from box 1 (Wages, etc.). (This assumes that the amounts shown on your W-2 are correct.)

**Self-Employment Income.** Compensation includes net earnings from self-employment as a sole proprietor or partner – your earned income (as defined in Sec. 401(c)(2) of the Internal Revenue Code). To qualify as earned income, your personal services must be a material income-producing factor in the business or profession. In determining compensation, your net earnings must be reduced by the deduction you take for the contributions you made to a self-employed retirement plan.

**Alimony/Maintenance.** Alimony or maintenance payments received by a divorced spouse under a decree of divorce or separate maintenance and which are taxable to the divorced spouse may be treated as compensation of the divorced spouse for IRA purposes. Tax reform in 2017 changed the rules regarding taxation of alimony or maintenance, effective for settlement instruments, and certain modifications of settlements, signed after December 31, 2018. We encourage you to consult with an accountant, lawyer or other qualified tax advisor about your situation.

**Marital Status.** If a taxpayer and the taxpayer's spouse did not live together at any time during a year and did not file a joint return for that year, these married taxpayers will be treated as unmarried for purposes of determining the IRA contribution limits for that year.

## 4. TRADITIONAL IRA

### 4(a) Eligibility.

**General Rules.** You may contribute to your Traditional IRA for any year that you (or your spouse) have compensation. You may have a Traditional IRA even if you participate in another retirement plan.

**No Age Limit.** For years prior to 2020, under federal tax rules, you could not contribute to your Traditional IRA for the year in which you reach age 70½ or any later year. Effective for 2020 and later, there is no age limit for Traditional IRA contributions..

### 4(b) Types of Contributions.

There are two types of Traditional IRA contributions: those that are deductible on your income tax return (tax-deductible contributions) and those that are not (non-deductible contributions). Your Traditional IRA contributions may be all tax-deductible contributions, all non-deductible, or a mixture of both. However, your total Traditional IRA contribution may not exceed the applicable maximum contribution limit that applies to you in the given tax year. (See item 3.)

### 4(c) Tax-Deductible Contributions.

The federal income tax deduction for contributions to a Traditional IRA for you and/or your spouse may be less than the IRA maximum contribution limit. The deduction depends on both of these:

**(1)** Whether you (or your spouse) are an active participant in a retirement plan

**(2)** The amount of your adjusted gross income ("AGI"), or if you file a joint return, the combined AGI of you and your spouse

**Active Participant.** You are an "active participant" for a year if at any point in that year your employer or union has a retirement plan under which money is added to your account or you are eligible to earn retirement credits. For example, you are likely to be an active participant if you are covered under:

- A profit sharing plan, a pension plan, a stock bonus plan, an ESOP, or an annuity plan
- A salary reduction arrangement (for instance, under a 401(k) plan, SIMPLE IRA, or tax-sheltered annuity) to which you contribute
- A SEP-IRA
- A SIMPLE IRA with non-elective employer contributions
- A tax-sheltered annuity contract for employees of public schools and certain tax-exempt organizations
- Certain governmental plans

Your Form W-2 for the year should indicate your participation status. You are an active participant for a year even if you are not yet vested in your retirement benefit. Also, if you make required contributions or voluntary employee contributions to a retirement plan, you are an active participant. You may be an active participant even if you were only with the employer for part of the year.

The following situations alone do not make you an active participant: receiving benefits from a previous employer's retirement benefit plan or being covered by Social Security or railroad retirement.

**AGI Defined.** "AGI" for purposes of determining your tax-deductible Traditional IRA contributions means your adjusted gross income for a year for federal income tax purposes, plus the amounts you deducted for student loan interest, foreign earned income and housing costs, employer paid adoption expenses, qualified tuition and related expenses, domestic production activities, and certain qualified savings bond interest amounts. In addition, AGI for Traditional IRA purposes is also computed before deducting any Traditional IRA contributions you make for the year.

**Full Deduction If Not Active Participants.** If you and your spouse (if married) are not active participants, your entire Traditional IRA contribution may be made as a tax-deductible contribution.

**See table on pages 44 and 45.**

### 4 (d) Phase-Out of Deductions for Active Participants.

If you are an active participant, the maximum amount of tax-deductible contributions that you may make to your Traditional IRA is phased-out over the following range of AGI for 2020:

| | |
|---|---|
| • Single Return/Head of Household: | $65,000 to $75,000 |
| • Joint Return/Qualified Widow(er): | $104,000 to $124,000 |
| • Married Filing Separate Return: | $0 to $10,000 |

Note: These phase-out ranges were different in prior years and may change in subsequent years due to inflationary adjustments.

**Full Deduction Below Range.** If your AGI is below the applicable phase-out range for the year, you (or your spouse) may make the maximum amount of tax-deductible contributions to your Traditional IRAs for that year.

**No Deduction Above Range.** If your AGI is above the applicable phase-out range for the year and you are an active participant, you (or your spouse) may not make any tax-deductible contributions to your Traditional IRAs for the year. However, you may still make non-deductible contributions up to the maximum contribution limit for IRAs for that year. (See item 3.)

## IRA HIGHLIGHTS (WITH 2020 VALUES)

| | TRADITIONAL | ROTH |
|---|---|---|
| ELIGIBILITY | • You are eligible if you (or your spouse) have taxable compensation for the year.<br>• There is no upper limit on your income.<br>• There is no upper limit on age. | • You are eligible to contribute if you (or your spouse) have taxable compensation for the year and your modified adjusted gross income is less than $139,000 (single), $206,000 (married filing jointly), or $10,000 (married filing separately).<br>• There is no upper limit on age. |
| MAXIMUM CONTRIBUTION | • $6,000 ($7,000 if age 50 or over) or, if less, 100% of your compensation (or your combined compensation if you are married and filing jointly).<br>• Your maximum deductible contributions will be reduced if you participate in another retirement plan and your adjusted gross income is $65,000 or more (single), $104,000 or more (married filing jointly) or $0 (married filing separately).<br>• Your maximum tax-deductible contribution will be reduced if your spouse participates in a retirement plan and you have a combined adjusted gross income of $196,000 or more (married filing jointly) or $0 (married filing separately).<br>• No income restrictions on nondeductible contributions.<br>• No minimum annual contributions. | • $6,000 ($7,000 if age 50 or older) or, if less, 100% of your compensation (or your combined compensation if you are married and filing jointly).<br>• Your maximum contribution to the Roth will be reduced if your income is between $124,000 and $139,000 (single), $196,000 and $206,000 (married filing jointly) or up to $10,000 (married filing separately).<br>• No minimum annual contributions. |
| TAX BENEFITS | • Contributions are tax-deductible, subject to the income limits.<br>• Earnings on the contributions are not taxed until withdrawn.<br>• Possible tax credit for making contributions | • Contributions are nondeductible.<br>• Earnings are never taxed if taken as qualified distributions.<br>• Possible tax credit for making contributions.<br>• You generally control how benefits are paid and when. |

## IRA HIGHLIGHTS (WITH 2020 VALUES)

| | TRADITIONAL | ROTH |
|---|---|---|
| PAYMENT OF BENEFITS | • You generally control how the benefits are paid and when.<br>• You must begin receiving minimum distributions after age 70½ (if born before July 1, 1949) or after age 72 (if born after June 30, 1949).<br>• Distributions prior to age 59½ are subject to 10% penalty tax unless an exception applies. | • No required minimum distributions after age 70½ (if born before July 1, 1949) or after age 72 (if born after June 30, 1949).<br>• Contributions (other than conversions) may be withdrawn tax-free at any time.<br>• Conversion contributions may be withdrawn without penalty after a 5-year holding period or after age 59½.<br>• Distribution of earnings not taken as qualified distributions are subject to income tax and, if prior to age 59½, a 10% penalty tax unless an exception applies. |

| | SEP |
|---|---|
| ELIGIBILITY | • You are eligible to participate in a SEP-IRA if your employer has established a SEP plan and you meet the plan's eligibility requirements.<br>• If you are self-employed, you may establish a SEP plan.<br>• There is no upper limit on age. |
| MAXIMUM CONTRIBUTION | • Your employer may contribute up to $57,000 or 25% of your compensation if less. For this purpose, your compensation will be capped at $285,000.<br>• If your plan offers a salary deferral option, you may contribute up to $19,500 ($25,500 if age 50 or over).<br>• Your participation in a SEP may reduce your tax-deductible IRA contributions. |
| TAX BENEFITS | • Contributions are excluded from your income and are not taxed until withdrawn.<br>• Earnings on the contributions are not taxed until withdrawn.<br>• Possible tax credit for making salary deferral contributions. |
| PAYMENT OF BENEFITS | • You generally control how benefits are paid and when.<br>• You must begin receiving minimum distributions after age 70½ (if born before July 1, 1949) or after age 72 (if born after June 30, 1949).<br>• Distributions prior to age 59½ are subject to 10% penalty tax unless an exception applies. |

### 4(e) Phase-Out of Deduction for Spouses of Active Participants.

If your spouse is an active participant but you are not, the maximum amount of tax-deductible contributions that may be made to your Traditional IRA is phased out over the following AGI range in 2020:

| | |
|---|---|
| • Joint Return: | $196,000 to $206,000 |
| • Married Filing Separate Return: | $0 to $10,000 |

Note: The phase-out range for married joint return filers were different in prior years and may change in subsequent years due to inflationary adjustments.

**Full Deduction Below Range.** If your AGI is below the applicable range for your tax filing status and year, you (or your spouse) may make the maximum amount of tax-deductible contributions to your Traditional IRAs.

**No Deduction Above Range.** If your AGI is above the applicable range for your tax filing status and year, you (or your spouse) may not make any tax-deductible contributions to your Traditional IRAs for the year. However, you may still make non-deductible contributions up to the maximum contribution limit for IRAs for that year. (See item 3.)

### 4(f) Figuring Your Deduction Limit if Your AGI Is Within a Phase-out Range.

If your AGI is within a phase-out range for the applicable year, you must determine your deduction limit — the amount you may contribute to your Traditional IRA on a tax-deductible basis. The first step in determining the deduction limit is to calculate your "excess AGI" for the year. You do this by subtracting the bottom number of the phase-out range applicable to you (the "Threshold Level") from your AGI.

The second step is to apply the following formula:

$$\frac{\$10{,}000 - \text{Excess AGI}}{\$10{,}000} \text{ x } \$6{,}000 = \text{Deduction Limit}$$

The third step is to adjust your result by rounding the result up to the next lower $10 level (the next lower number which ends in zero). For example, if the result is $1,525, you round it up to $1,530. However, if the final result is between $0 and $200, your deduction limit is $200.

If both you and your spouse are active participants, the deduction limit applies separately to each spouse. You do not have to divide it between the spouses.

Your deduction limit cannot in any event exceed 100% of your compensation (or 100% of the combined compensation of you and your spouse).

Note: $20,000 replaces $10,000 in the formula above for a married active participant who files a joint tax return.

- **Example 1-Single, Active Participant:** MMs. Smith, a single person under age 50, is an active participant and has an AGI of $68,615 in 2020. She calculates her tax-deductible IRA contribution as follows:

  Her AGI is $68,615

  Her Threshold Level is $65,000

  Her Excess AGI is (AGI – Threshold Level) = $3,615

  So, her Traditional IRA deduction limit is:

  $$\frac{\$10{,}000 - \$3{,}615}{\$10{,}000} \text{ x } \$6{,}000 = \$3{,}831$$

  (rounded to $3,840)

- **Example 2-Married Participants, Filing Joint Tax Return:** Mr. and Mrs. Young file a joint tax return. Each spouse earns more than $6,000 and each is an active participant. They are both under age 50. They have a combined AGI of $106,225 in 2020. They may each contribute to an IRA and calculate their tax-deductible contributions to each IRA as follows:

  Their AGI is $106,225

  Their Threshold Level is $104,000

  Their Excess AGI is (AGI – Threshold Level) = $2,225

  So, each spouse would determine their Traditional IRA deduction limit as follows:

  $$\frac{\$20{,}000 - \$2{,}225}{\$20{,}000} \text{ x } \$56{,}000 = \$5{,}332.50$$

  (rounded to $5,340)

  The deduction limit is $5,340 for Mr. Young's Traditional IRA and $5,340 for Mrs. Young's Traditional IRA. This gives the Youngs a maximum deduction of $10,680 on their joint return.

- **Example 3-Married Participant, Filing Separate Tax Return:** Mr. Jones, a married person over age 50 (and eligible to make "catch-up" contributions), is an active participant. He files a separate tax return. He has $1,500 of compensation in 2020 and wishes to make a tax-deductible contribution to a Traditional IRA

  His AGI is $1,500

  His Threshold Level is $0

  His Excess AGI is (AGI – Threshold Level) = $1,500

  So, his Traditional IRA deduction limit is:

  $$\frac{\$10{,}000 - \$1{,}500}{\$10{,}000} \text{ x } \$7{,}000 = \$5{,}950$$

  Even though his IRA deduction limit under the formula is $5,950, Mr. Jones may not deduct an amount in excess of his compensation, so his actual deduction is limited to $1,500.

- **Example 4-Spouse of Active Participant, Filing Joint Tax Return:** Mr. and Mrs. Wilson file a joint tax return. Each spouse earns more than $6,000 and is under age 50. Mr. Wilson is an active participant in 2020, but Mrs. Wilson is not. Mrs. Wilson calculates her 2020 tax-deductible contributions as follows:

  Their AGI is $201,000.

  Her threshold level is $196,000.

  Her Excess AGI is (AGI – threshold level) is $5,000.

  Therefore her Traditional IRA deduction limit is:

  $$\frac{\$10{,}000 - \$5{,}000}{\$10{,}000} \text{ x } \$6{,}000 = \$3{,}000$$

  Mrs. Wilson's deduction limit is $3,000. However, because the Wilsons' AGI is above the phase-out range for married participants filing joint tax returns, Mr. Wilson will not be able to make any tax-deductible contributions to his Traditional IRA for the year.

### 4(g) Non-Deductible Contributions.

If your tax-deductible contributions are limited due to the phase-out rules described above, you may make non-deductible contributions. (See item 3.) In addition, you may also elect to treat a Traditional IRA contribution as non-deductible even if you could have deducted part or all of the contribution. You designate a contribution as non-deductible at the time you file your tax return.

Investment earnings on your non-deductible Traditional IRA contributions (like the earnings on your deductible contributions) are not taxed until withdrawn from your Traditional IRA.

If you make a non-deductible contribution to an IRA (or designate a contribution as such), you must report the amount to the IRS on Form 8606 as a part of your tax return for the year. (You must file the Form 8606 even if you do not otherwise have to file a tax return for the year.)

Note: A penalty of $50 is imposed for each failure to properly file the Form 8606. In addition, a $100 penalty is imposed for any overstatement of the amount of designated non-deductible contributions. A penalty will not be imposed if the taxpayer can show reasonable cause for failure to report the required information or for overstating nondeductible contributions.

### 4(h) Corrective Withdrawals.

You may make a tax-free withdrawal of any contribution you make to your Traditional IRA for a year if you withdraw the contribution, together with any earnings on it, by the due date (including extensions) for filing your income tax return.

The withdrawal amount cannot be deducted on your tax return or reported as a non-deductible contribution. The contribution you withdraw is not included in your income as an IRA distribution, but you must include any earnings on the contribution as ordinary income for the year you made the contribution. The earnings also are subject to a 10% penalty tax on premature distribution if you are under age 59½ (certain exceptions apply).

### 4(i) Tax Credit for Making IRA Contributions.

You may qualify for a new nonrefundable tax credit for contributing to your IRA. Generally, the credit for a tax year will be equal to your "applicable percentage" times the amount of "qualified retirement savings contributions" as reduced by certain distributions received from retirement plans. The credit is in addition to any deduction from gross income that is otherwise allowed for the contribution.

**Applicable Percentage.** Your applicable percentage is determined by your filing status and your federal adjusted gross income. The maximum credit rate is 50% and is subject to a phase-out as detailed below. The phase-outs for 2020 are listed in the following chart. The adjusted gross income phase-outs may change in subsequent years due to inflationary adjustments.

| Joint Return | | Head of Household | | All other Cases | | Applicable Percentage |
|---|---|---|---|---|---|---|
| Over | Not Over | Over | Not Over | Over | Not Over | |
| $ 0 | $39,000 | $ 0 | $29,250 | $ 0 | $19,500 | 50% |
| 39,001 | 42,500 | 29,251 | 31,875 | 19,501 | 21,250 | 20% |
| 42,501 | 65,000 | 31,876 | 48,750 | 21,251 | 32,500 | 10% |
| 65,001 | — | 48,751 | — | 32,501 | — | 0% |

For example, if you and your spouse file a joint return with a federal adjusted gross income of $44,500 for 2020, your applicable percentage is 10%.

**Qualified Retirement Savings Contributions.** Qualified retirement savings contributions include IRA contributions as well as contributions to certain other plans. The total contribution amount is reduced by any distributions to you from either:

**(1)** A qualified retirement plan or eligible deferred compensation plan (which is includible in your gross income during the "testing period" which includes the current tax year, the two preceding tax years, as well as the period after such tax year and before the due date for filing the tax return)

**(2)** A Roth IRA within the testing period that are not qualified rollover contributions to a Roth IRA

Note: A distribution received by your spouse is considered your distribution if you filed a joint tax return for the year of the distribution.

The total contribution amount taken into consideration for the tax credit is capped at $2,000.

**Eligible Individuals.** In addition to qualifying under the income phase-out to be eligible for the credit, you must be at least 18 years old, must not be claimed as a dependent on someone else's tax return, and must not be a student (as defined in Sec. 151(c)(4) of the Internal Revenue Code).

**Effect on Your Tax Liability.** The credit may be used against both regular and alternate minimum tax liability. The credit is applied after you apply any credit for child and dependent care and the child tax credit. In addition, the credit is nonrefundable and cannot reduce your total tax liability below zero.

**Professional Advice.** The requirements for this tax credit are very complex. We encourage you to consult with an accountant, lawyer, or other qualified tax advisor about your situation.

### 4(j) Benefits Before Age 59½.

**Request for Payment.** Upon written request, you may receive payment of any or all of your Traditional IRA at any time before age 59½. Payment may be requested for any reason; however, you must include a statement of the reason with the request.

**10% Penalty Tax.** In addition to regular income tax, you are subject to a penalty tax equal to 10% of the amount of taxable benefits paid before you reach age 59½ unless an exception applies.

**Exceptions.** The penalty tax does not apply to benefits paid from a Traditional IRA:

- After age 59½.
- After your death.
- After your disability (as defined below).
- In substantially equal periodic payments for your lifetime or the lifetimes of you and your beneficiary.
- For first-time home buyer expenses (up to $10,000) for you, your spouse, or any child, grandchild, parent, grandparent, or other ancestor of you or your spouse.
- For higher education expenses for you, your spouse, your children and grandchildren, and your spouse's children and grandchildren.
- For unreimbursed medical expenses exceeding 7.5% of adjusted gross income for 2020 (currently scheduled to be10% for 2021 and later years) for the medical care of yourself, your spouse, and your dependents.
- For medical insurance premiums for you, your spouse, and your dependents if all four of the following conditions apply:

  **(1)** You lost your job.

  **(2)** You received unemployment compensation paid under any federal or state law for 12 consecutive weeks.

  **(3)** The distributions are made during either the year you received the unemployment compensation or the following year.

  **(4)** The distributions are made no later than 60 days after you have been reemployed.

(Note: This includes a self-employed individual who would have received such unemployment compensation but for the fact he or she was self-employed.)

- That qualify as a "qualified birth or adoption distribution," as defined in Sec. 72(t)(2) of the Internal Revenue Code (up to $5,000).
- To satisfy a tax levy on your IRA.
- That qualify for special disaster relief (such as "coronavirus-related distributions," "qualified hurricane distributions" or "qualified 2016 or 2017 disaster distributions").
- That qualify as a "qualified reservist distribution," as defined in Sec. 72(t)(2) of the Internal Revenue Code.

**Disability.** You are considered disabled for purposes of the exception if you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that the condition is expected to be of long-continued and indefinite duration or to lead to death.

**First-Time Home Buyer Expenses.** The exception applies if you use the IRA distribution within 120 days after receipt to pay the costs of acquiring, constructing, or reconstructing a principal residence for a "first-time home buyer." Such costs include any usual or reasonable settlement, financing, or other closing costs. However, there is a lifetime limit of $10,000 on the aggregate distributions from all your IRAs for first-time home buyer expenses.

A person who has not owned a principal residence for two years is considered a "first-time home buyer." For a married couple, both spouses must satisfy this requirement. The 2-year measuring period ends on the date that a binding purchase contract is entered into for the principal residence or the construction or reconstruction of the principal residence begins.

If there is a delay or cancellation of the purchase or construction, the distribution may be rolled back into an IRA tax-free within 120 days of receipt.

**Higher Education Expenses.** The exception applies to the extent that your IRA distributions during the year do not exceed the qualified higher education expenses for academic periods in that year. Such expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution on a full-time, half-time, or less than half-time basis. They also include room and board if the student is enrolled at least half-time (generally, the greater of the actual amount charged if the student resides in housing owned or operated by the school or the room and board allowance, as determined by the school, that was included in the cost of attendance for federal financial aid purposes for a particular academic period and living arrangement of the student).

The qualified expenses must be reduced by the amount of any Pell Grant or other tax-free scholarship, tax-free distributions from Coverdell Education Savings Accounts (formerly Education IRAs), and tax-free employer-provided educational assistance. However, they are not reduced for the individual's earnings, education loans, gifts, inheritances, personal savings, or savings from a qualified state tuition program.

An eligible educational institution is any college, university, vocational school, or other post-secondary educational institution eligible to participate in federal student aid programs. This includes virtually all accredited public, nonprofit, and proprietary post-secondary institutions.

**Birth or Adoption Expenses.** The exception applies to amounts distributed, up to a total of $5,000, from an IRA and/or an eligible retirement plan (such as a 401(k) plan) during the one-year period beginning on the date that your child is born or the date on which your legal adoption of the eligible child is finalized. For this purpose, an "eligible child" means any individual, other than the child of your spouse, who has not reached age 18 (or who is physically or mentally incapable of self-support).

If you receive a qualified birth or adoption distribution, you may repay some or all of the amount distributed to your IRA. (See item 3(a).)

**Rollover or Transfer.** There is no penalty tax on the payment if it is used to make a rollover contribution. (See item 9.) Also, there is no penalty tax if a direct transfer between custodians or trustees is made. (See item 10.)

**4(k) Benefits Between Ages 59½ and Your RMD Age.**
**Request for Payments.** Upon request, you may receive payment of any or all of your Traditional IRA at any time between ages 59½ and your required minimum distribution age (your RMD Age). Payment may be requested for any reason and you do not need to mention the reason with the request.

Your RMD Age is age 70½ if you were born before July 1, 1949, and age 72 if you were born after June 30, 1949

**4(l) Benefits After Your RMD Age.**
**Deadline.** Federal tax rules require that benefit payments from your Traditional IRAs begin no later than the April 1 following the calendar year in which you reach your RMD Age — your required beginning date.

Special Rule for 2020. You are not required under Federal law to take a minimum distribution for 2020, due to relief enacted by congress in 2020 under the CARES Act.

**Request for Payment.** You must select in writing one or a combination of the following forms of payment for your Traditional IRA:

- A single payment
- Periodic payments
- The purchase and distribution of an immediate annuity contract, if permitted and feasible under this IRA as determined by the Custodian in its sole discretion

If you elect periodic payments, you may request additional payments at any time.

**Required Minimum Distributions/Periodic Payments.** If you do not receive the entire balance of your Traditional IRA by the April 1 date, you must have started receiving payments each year that satisfy the federal required minimum distribution rules by that date. It is your responsibility to ensure that you satisfy these required minimum distribution rules.

**Penalties for Failure to Take Minimum Distributions.** After you reach your RMD Age, you are subject to a penalty tax if the part of your Traditional IRA actually paid to you in a year is less than the minimum payment required by law. The penalty is 50% 11of the difference between the minimum required payment and the actual payment. If you have a pattern of failing to receive the required minimum distribution, the IRA could lose its tax-exempt status.

**Payments During Owner's Lifetime.** You have until April 1 of the year following the year you reach your RMD Age (your initial required minimum distribution year) to receive your distribution for your initial required minimum distribution year. The required minimum distribution for any year after your initial required minimum distribution year must be made by December 31 of that later year.

**Examples.** You were born on March 5, 1948. You reached 70½ on September 5, 2018. For 2018 (your initial required minimum distribution year), you must receive the required minimum distribution from your Traditional IRA no later than April 1, 2019. You must receive the required minimum distribution for 2019 by December 31, 2019.

You were born on July 12, 1949. You reach age 72 on July 12, 2021. For 2021 (your initial required minimum distribution year), you must receive the required minimum distribution from your Traditional IRA no later than April 1, 2022. You must receive the required minimum distribution for 2022 by December 31, 2022.

**Figuring Your Required Minimum Distribution.** Your required minimum distribution for each year is calculated by dividing the Traditional IRA account balance as of the close of business on December 31 of the preceding year by the life expectancy table from the IRS regulations. (See the Note below).

The distribution period is based on your age and is not affected by your beneficiary's age unless your sole beneficiary is your spouse who is more than 10 years younger than you as discussed below.

To figure the required minimum distribution for 2021, divide your account balance at the end of 2020 by the distribution period from the table for your age as of your birthday in 2021

Note: The table, found in IRS Publication 590-B (titled "Distributions from Individual Retirement Arrangements (IRAs)"), is Table III (Uniform Lifetime). The correct distribution period is the "applicable divisor" listed next to your age as of the last day of the year for which you are calculating the required distribution.

**Example.** Joe, born October 1, 1949, reached age 72 in 2021. He must receive his 2021 required minimum payment by April 1, 2022. Joe's Traditional IRA account balance is $24,000 as of December 31, 2020 — the last day of the year preceding the year for which payment is required, here 2021. Joe's beneficiary does not qualify for the special treatment for younger spouses.

Joe's distribution period for 2021 is 25.6, as Joe turns 72 in 2021. The required minimum distribution for 2021, Joe's first distribution year, is $937.50 ($24,000 divided by 25.6). This amount is distributed to Joe by April 1, 2022.

Joe's Traditional IRA account balance as of December 31, 2021, is $26,400.

Joe's distribution period for 2022 is 24.7. The required minimum distribution for 2022, his second distribution year, is $1,068.82 ($26,400 divided by 24.7). This amount is distributed to Joe by December 31, 2022.

**Required Minimum Distribution When a Spouse Is the Sole Beneficiary.** If your spouse is more than 10 years younger than you, you may figure the required minimum distribution based on your joint life expectancy. To qualify, your spouse must be the sole beneficiary of your IRA account at all times during the year for which the distributions are being made. (If your spouse was your sole beneficiary in a year until the time you are divorced or widowed, you may still determine your required minimum distribution for that year using your joint life expectancy. Consult your accountant, lawyer or other qualified tax advisor for additional information.)

If you qualify, your required minimum distribution for each year is calculated in the same manner as above except that the distribution period is based on your joint life expectancy. The distribution period is the number at the intersection of the ages of you and your spouse (as of your birthdays in the year at issue) in Table II (Joint Life and Last Survivor Expectancy) (For Use by Owners whose Spouses are More Than 10 Years Younger and Are the Sole Beneficiaries of their IRA) in IRS Publication 590-B.

**Payments After Owner's Death.** Required minimum distributions following your death are discussed in item 17(d) and (e) below

**General Rules.** If you have more than one Traditional IRA, you must determine the required minimum distribution separately for each Traditional IRA. However, you can add these minimum amounts together and take the total required minimum distribution from any one or more of the Traditional IRAs.

If you receive more in any year than the required minimum distribution for that year, you will not receive credit for the additional distribution when determining the required minimum distributions for future years. However, any amount distributed in your initial required minimum distribution year will be credited toward the amount that must be distributed to you by April 1 of the following year.

See your accountant, lawyer, or other qualified tax advisor with any questions you may have about these new required minimum distribution rules.

**Default Procedures.** If you do not commence distributions by your required beginning date, we will assume you are taking your required minimum distribution from another Traditional IRA and will make no payment from this IRA until you make a proper payment request.

However, we (in our sole discretion) may change our default procedures for this IRA and may follow any other course of action permitted under the Custodial Agreement and applicable law that has been disclosed to you in a written notice provided at least 30 days prior to the applicable required distribution date. For example, after appropriate written notice, we could:

- Pay your entire IRA to you in a single payment
- Determine your required minimum distribution for each year based on your applicable distribution period and pay those distributions to you until you direct otherwise in writing

Even though we may make a distribution under our selected default distribution methodology, it is your responsibility to ensure that you satisfy these required minimum distribution rules. We have no liability in this regard.

**4(m) Taxation of Benefits.**
**Tax-Deductible Contributions Only.** If the entire balance of all of your Traditional IRAs consists of tax-deductible contributions, rollovers of pre-tax contributions made to a retirement plan, and account earnings, then all benefits paid from your Traditional IRA are taxable as ordinary income when received.

**Both Tax-Deductible and Non-Deductible Contributions.** If you made any non-deductible contributions to your Traditional IRAs, or you rolled over to your Traditional IRA non-deductible (after-tax) contributions that you made to a retirement plan, then each distribution from your IRA will consist of a nontaxable portion (the return of non-deductible contributions) and a taxable portion (the return of any deductible contributions, pre-tax rollover contributions and account earnings). Thus, you may not take a distribution which is entirely tax-free. (This rule does not apply to IRA distributions that are rolled over to an eligible retirement plan. See item 9.)

The following formula is used to determine the non-taxable portion of your Traditional IRA distributions for a taxable year:

$$\frac{\text{Remaining non-deductible contributions}}{\text{Year-end total Traditional IRA account balance}} \times \text{Total distributions for the year} = \text{Non-taxable distributions for the year}$$

To figure the year-end total Traditional IRA account balance, treat all of your Traditional IRAs as a single IRA. This includes all Traditional IRAs, SEP-IRAs, SIMPLE IRAs, and rollover IRAs (other than Roth IRAs). You also add back the Traditional IRA distributions taken during the year.

- **Example:** An individual makes the following contributions to his/her Traditional IRAs:

| Year | Tax-deductible | Non-deductible |
|---|---|---|
| 2016 | $5,000 | |
| 2017 | $5,000 | |
| 2018 | $2,000 | $3,000 |
| 2019 | $2,600 | $2,900 |
| | $14,600 | $5,900 |

| | |
|---|---|
| Tax-deductible Contributions: | $14,600 |
| Non-deductible Contributions: | $ 5,900 |
| Earnings on Traditional IRAs: | $ 4,440 |

Total Account Balance of Traditional IRAs as of 12/31/2019: $24,940 (including distributions in 2019)

In 2019, the individual took a distribution of $3,000. The total account balance in the IRAs on 12/31/2019 plus calendar year 2019 distributions is $24,940. The non-taxable portion of the distributions for 2019 is figured as follows:

$$\frac{\text{\$5,900 (remaining non-deductible contributions)}}{\text{\$24,940 (Traditional year-end balance, current year's distributions)}} \times \text{\$3,000 (current year's distributions)} = \text{\$709 (non-portion of current distributions)}$$

Thus, $709 of the $3,000 distributions in 2019 will not be included in the individual's taxable income. The remaining $2,291 will be taxable income for 2019. In figuring the non-taxable portion of distributions in the future, the $709 will be subtracted from the amount of non-deductible contributions as it no longer remains in the Traditional IRA.

**No Exceptions for Lump-sum Distributions.** The above rules apply to all types of distributions including lump-sum distributions. IRA distributions do not qualify for the special income tax rules (10-year averaging or long-term capital gain treatment) that apply to certain lump-sum distributions from qualified retirement plans.

**Annuity Contract.** You are not taxed at the time you purchase an annuity contract with your IRA account balance. You are only taxed on the payments you receive from that annuity contract.

**Rollover or Transfer.** You may be eligible to defer the taxation of your IRA benefits by making a tax-free rollover to another Traditional IRA, a retirement plan, or tax-sheltered annuity. (See item 9.) Also, you may be eligible to have us make a tax-free direct transfer to the custodian or trustee of another Traditional IRA or a retirement plan or to the issuer of a tax-sheltered annuity. (See item 10.)

**Transfer to a Health Savings Account.** If you are eligible to make health savings account (HSA) contributions, you may be qualified to make a tax-free transfer from your Traditional IRA to your HSA, called a "qualified HSA funding distribution." Qualified HSA funding distributions cannot be made from non-deductible IRA contributions, SEP-IRAs, or SIMPLE IRAs. The maximum qualified HSA funding distribution that you may make is your annual HSA contribution limit, based on your coverage level (self-only or family) at the time of the transfer. If you cease to be an "eligible individual" under the HSA rules within the 12-month period following your qualified HSA funding distribution, the amount transferred to the HSA will be subject to income tax and a 10% penalty tax (unless you cease to be an eligible individual due to your death or because you became disabled as defined by Sec. 72(m)(7) of the Internal Revenue Code). Generally, you may only make one qualified HSA funding distribution in your lifetime. The qualified HSA funding distribution must be made in a trustee-to-trustee transfer from your Traditional IRA to the HSA (the amounts cannot be paid to you). Additional rules apply. You should consult with an accountant, lawyer, or other qualified tax advisor about your situation.

**Transfer upon Divorce.** If an account is transferred from one spouse to the other by a divorce decree (or written document related to divorce), the transfer is not a distribution and is tax-free. Starting from the date of transfer, the account is treated as the IRA of the receiving spouse. Any future distributions to the receiving spouse will be subject to the taxation rules above.

**Withdrawal of Certain Contributions.** You may be eligible to make a tax-free withdrawal of the current year's contribution. (See item 4(h)).

**Qualified Charitable Distributions.** You may qualify to make a tax-free distribution of up to $100,000 from your Traditional IRA to a qualifying charity. The distribution must be paid to the qualifying charity directly by the IRA custodian, and can count towards any required minimum distribution you may need to receive for the year. Additional rules apply.

The requirements for qualified charitable distributions are very complex, as are the potential effects of such a distribution on your current income tax and future financial situation. You should consult with an accountant, lawyer, or other qualified tax advisor about your situation.

**ABO-IRAs.** If the Traditional IRA you inherit holds non-deductible contributions, you must determine the taxable portion of distributions from your ABO-IRA separately from your own Traditional IRAs.

**Disaster Relief.** Certain individuals who either received a coronavirus-related distribution in 2020 or who were impacted by qualified 2016 or 2017 disasters may qualify to spread the income tax on an IRA distribution out over a three-year period. A number of special rules apply. See IRS Publication 976 (titled "Disaster Relief") for more information.

## 5. ROTH IRA

### 5(a) Eligibility.

**General Rules.** You may contribute to your Roth IRA for any year that you (or your spouse) have compensation if you meet the income restrictions below. You may contribute a Roth IRA even if you are a participant in another retirement plan. Also, there is no age limit — you may make contributions to your Roth IRA at any age.

You may also establish a Roth IRA to hold a rollover of designated Roth contributions made to an eligible retirement plan or a conversion of other amounts held in an eligible retirement plan, even if your income prohibits you from making Roth IRA contributions for the year. Certain other special contributions are allowed to a Roth IRA. (See item 3(a)).

### 5(b) Amount.

**Maximum Contribution.** Subject to the income limitations and phase-out rules below, you may contribute up to the applicable maximum contribution limit that applies to you in the given tax year. (See item 3.)

### 5(c) Phase-out of Maximum Contribution.

The maximum contribution amount for Roth IRAs in 2020 is phased out if your modified AGI for the year is between:

- Single Return/Head of Household: $124,000 and $139,000
- Joint Return: (Qualifying Window(er)): $196,000 and $206,000
- Married Filing Separate Return: $0 and $10,000

Note: These phase-out ranges different in prior years and may change in subsequent years due to inflationary adjustments.

**Maximum Contribution Below Range.** If your modified AGI for a year is below the phase-out range for your tax filing status, you (or your spouse) may make the maximum contribution to your Roth IRA for the year.

**No Contribution Above Range.** If your modified AGI for a year is above the range for your tax filing status, you (or your spouse) may not make any Roth IRA contributions for the year, except as described in item 3(a).

**Modified AGI Defined.** "Modified AGI" for the purpose of a Roth IRA contribution means your AGI for the year (as defined in item 4(c)) minus any income from converting Traditional, SEP or SIMPLE IRAs into Roth IRAs or a direct plan to Roth IRA conversion (as described in item 9(c)).

### 5(d) Figuring Your Maximum Contribution if Your Modified AGI Is Within Phase-Out Range.

If your modified AGI is within the phase-out range, you must determine your maximum Roth IRA contribution for the year. The first step is to calculate your "excess modified AGI" for the year. For 2020 it is the amount by which your modified AGI exceeds:

- Single Return/Head of Household: $124,000
- Joint Return/Qualifying Widow(er): $196,000
- Married Filing Separate Return: $0

As the phase-out ranges in item 5(d) increase in future years, $124,000 and $196,000 will be replaced by the applicable new phase-out limit.

The second step is to apply the following formula appropriate for your filing status:

Single Return:

$$\$6{,}000 - \frac{\text{Excess Modified AGI}}{\$15{,}000} \times \$6{,}000 = \text{Maximum Roth IRA Contribution}$$

Married Filing Joint or Separate Return:

$$\$6{,}000 \quad \frac{\text{Excess Modified AGI}}{\$10{,}000} \times \$6{,}000 = \text{Maximum Roth IRA Contribution}$$

If you are age 50 or over, $7,000 replaces $6,000 in the formulas above.

The third step is to adjust your result by rounding the result up to the next $10 level (the next higher number which ends in zero). For example, if the result is $1,525, you must round it up to $1,530. If the final result is between $0 and $200, the maximum Roth IRA contribution is $200.

### 5(e) Corrective Withdrawals.

You may make a tax-free withdrawal of any excess contribution you made to your Roth IRA for a year if you withdraw the contribution together with any earnings on it by the due date (including extensions) for filing your income tax return. You must include the earnings on the contribution in your taxable income as ordinary income for the year of the contribution. The earnings also are subject to a 10% penalty tax on premature distribution if you are under age 59½ (certain exceptions apply).

**5(f) Benefits Before Age 59½.**

**Request for Payment.** Upon written request you may receive payment of any or all of your Roth IRA at any time before age 59½. Payment may be requested for any reason; however, you must include a statement of the reason with the request.

**10% Penalty Tax on Earnings.** In addition to any regular income tax due (see part (h) below), you are also subject to a penalty tax equal to 10% of the amount of taxable earnings paid before you reach age 59½ unless an exception applies.

**Special Rule for Conversion Contributions.** If you withdraw amounts that you converted from a Traditional IRA to a Roth IRA during the five-year period beginning on the first day of the taxable year in which the conversion was made, the withdrawal will be subject to the 10% early withdrawal penalty. However, the penalty will not be assessed if an exception applies. (See item 9(b).)

**Exceptions.** The 10% penalty tax does not apply to benefits paid from a Roth IRA:

- After age 59½.
- After your death.
- After your disability (as described below).
- In substantially equal periodic payments for your lifetime or the lifetimes of you and your beneficiary.
- For first-time home buyer expenses (up to $10,000) for you, your spouse, or any child, grandchild, parent, grandparent, or other ancestor of you or your spouse.
- For higher education expenses for you, your spouse, your children and grandchildren, and your spouse's children and grandchildren.
- For unreimbursed medical expenses exceeding 7.5% of adjusted gross income for 2020 (currently scheduled to be 10% for 2021 and later years) for the medical care of yourself, your spouse, and your dependents.
- For medical insurance premiums for yourself, your spouse, and your dependents if all four of the following conditions apply:

  (1) You lost your job.

  (2) You received unemployment compensation paid under any federal or state law for 12 consecutive weeks.

  (3) The distributions are made during either the year you received the unemployment compensation or the following year.

  (4) The distributions are made no later than 60 days after you have been reemployed.

  (Note: This includes a self-employed individual who would have received such unemployment compensation but for the fact he or she was self-employed.)

- That qualify as a "qualified birth or adoption distribution," as defined in Sec. 72(t)(2) of the Internal Revenue Code.
- To satisfy a tax levy on your IRA.
- That qualify for special disaster relief (such as "coronavirus-related distributions," "qualified hurricane distributions" or "qualified 2016 or 2017 disaster distributions").
- That qualify as a "qualified reservist distribution," as defined in Sec. 72(t)(2) of the Internal Revenue Code.

**Disability.** You are considered disabled for purposes of the exception if you cannot do any substantial gainful activity because of your physical or mental condition. A physician must determine that the condition is expected to be of long-continued and indefinite duration or to lead to death.

**First-Time Home Buyer Expenses.** The exception applies if you use the IRA distribution within 120 days after receipt to pay the costs of acquiring, constructing, or reconstructing a principal residence for a "first-time home buyer." Such costs include any usual or reasonable settlement, financing, or other closing costs. However, there is a lifetime limit of $10,000 on the aggregate distributions from all your IRAs for first-time home buyers expenses.

A person who has not owned a principal residence for two years is considered a "first-time home buyer." For a married couple, both spouses must satisfy this requirement. The 2-year measuring period ends on the date that a binding purchase contract is entered into for the principal residence or the construction or reconstruction of the principal residence begins.

If there is a delay or cancellation of the purchase or construction, the distribution may be rolled back into an IRA tax-free within 120 days of receipt.

**Higher Education Expenses.** This exception applies to the extent that the IRA distributions during a year do not exceed the qualified higher education expenses for academic periods in that year. Such expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible educational institution on a full-time, half-time, or less than half-time basis. They also include room and board if the student is enrolled at least half-time (generally, the greater of the actual amount charged if the student resides in housing owned or operated by the school or the room and board allowance, as determined by the school, that was included in the cost of attendance for federal financial aid purposes for a particular academic period and living arrangement of the student).

The qualified expenses must be reduced by the amount of any Pell Grant or other tax-free scholarship, tax-free distributions from Coverdell Education Savings Accounts (formerly Education IRAs), and tax-free employer-provided educational assistance. However, they are not reduced for the individual's earnings, education loans, gifts, inheritances, personal savings, or savings from a qualified state tuition program.

An eligible educational institution is any college, university, vocational school, or other post-secondary educational institution eligible to participate in federal student aid programs. This includes virtually all accredited public, nonprofit, and proprietary post-secondary institutions.

**Birth or Adoption Expenses.** The exception applies to amounts distributed, up to a total of $5,000, from an IRA and/or an eligible retirement plan (such as a 401(k) plan) during the one-year period beginning on the date that your child is born or the date on which your legal adoption of the eligible child is finalized. For this purpose, an "eligible child" means any individual, other than the child of your spouse, who has not reached age 18 (or who is physically or mentally incapable of self-support).

If you receive a qualified birth or adoption distribution, you may repay some or all of the amount distributed to your IRA. (See item 3(a).)

**Rollover or Transfer.** There is no penalty tax on the payment if it is used to make a rollover contribution to another Roth IRA. (See item 9.) Also, there is no penalty tax if a direct transfer between custodians or trustees is made. (See item 10.)

### 5(g) Benefits After Age 59½.

**Request for Payment.** Upon request, you may receive payment of any part or all of your Roth IRA at any time after age 59½. Payment may be requested for any reason.

In addition, the lifetime required minimum distribution rules that apply to Traditional IRA accounts after age 70½ (or after age 72, if born after June 30, 1949) do not apply to Roth IRAs (but required minimum distribution rules do apply to beneficiaries of your Roth IRA). You may leave your benefits in your Roth IRA indefinitely.

Caution: For tax-free distribution of Roth IRA investment earnings, the distribution must be qualified. (See part (h) below.)

### 5(h) Taxation of Benefits.

**Tax-Free Withdrawal of Contributions.** Because you already have paid taxes on the amounts contributed to your Roth IRAs, you will not be taxed again when you withdraw those contributions.

**Tax-Free Withdrawal of Earnings.** The investment earnings on your contributions also are not taxed when you withdraw them if paid out in qualified distributions.

**Qualified Distributions.** Investment earnings are not taxed when withdrawn from a Roth IRA if (i) a 5-year holding period is satisfied, and (ii) the distribution is made:

- After age 59½.
- After your death.
- After your disability (as described above).
- For first-time home buyer expenses up to $10,000 for you, your spouse, or any child, grandchild, parent, grandparent, or other ancestor of you or your spouse. (See part (f) above.)

The 5-year holding period begins on the first day of the first tax year for which you (or your spouse) make a contribution to any Roth IRA maintained for your benefit including the first tax year in which a conversion contribution is made. If the contribution for a year is made by the due date for filing your tax return (without extensions), the first year of the holding period is the tax year to which the contribution relates, not the year in which it is actually made. (If you make the conversion by rollover, the holding period begins with the year the rollover distribution occurs.)

The 5-year holding period is not recalculated at your death, but continues through the period that the Roth IRA is held by a beneficiary. The holding period for an inherited Roth IRA is determined separately from the holding period for the beneficiary's other Roth IRAs. However, if a surviving spouse beneficiary treats a Roth IRA as his/her own, the spouse's five-year holding period is the earlier of the expiration of the holding period on the inherited Roth IRA or the expiration of the holding period on the spouse's own Roth IRAs.

**Non-Qualified Distributions.** If your withdrawal of Roth IRA investment earnings is not a qualified distribution, then those earnings are taxable as ordinary income in the year received. They are also subject to the 10% penalty tax on early distributions, if applicable. (See item 5(f).)

However, federal tax rules establish an order of priority for amounts withdrawn. Withdrawals from Roth IRAs are treated as coming from regular contributions first. Next, they are treated as coming from conversion contributions on a first-in-first-out basis. Only after the total amount withdrawn exceeds the amount of contributions to all of your Roth IRAs will the withdrawal be attributed to investment earnings subject to ordinary income tax (as a non-qualified distribution).

**Annuity Contract.** You are not taxed at the time you purchase an annuity contract with your Roth IRA account balance. You are only taxed on the payments you receive from that annuity contract.

**Rollover or Transfer.** You may be eligible to defer the taxation of a non-qualified distribution by completing a tax-free rollover to another Roth IRA. (See item 9.) Also, you may be eligible to have us make a tax-free direct transfer to the custodian or trustee of another Roth IRA. (See item 10.)

**Transfer upon Divorce.** If an account is transferred from one spouse to the other by a divorce decree (or written document related to divorce), the transfer is not a distribution and is tax-free. Starting from the date of transfer, the account is treated as the Roth IRA of the spouse who receives it. Any future distributions to the receiving spouse will be subject to the taxation rules above.

## 6. ABO-IRA

If you are the designated beneficiary of any portion of an IRA and that IRA owner dies, a separate account will be established to reflect the portion of the IRA that you become entitled to. This separate account is called an ABO-IRA which stands for "As Beneficiary Of" IRA. However, if you are both the surviving spouse and the sole beneficiary of the IRA owner, you may elect to treat the account as your own. In that case, an ABO-IRA will not be established. (See item 17(b).)

The establishment of a separate ABO-IRA is not a distribution to you and has no immediate tax consequences for you. However, it is necessary to establish a separate account to properly calculate required distributions (see items 17(d) and (e)) and for tax reporting purposes.

An ABO-IRA also may include an IRA established by a non-spouse beneficiary to receive funds inherited under an eligible retirement plan. The ABO-IRA must be established by a direct trustee-to-trustee transfer of the funds—the funds cannot be distributed to the non-spouse beneficiary. This type of ABO-IRA is subject to special required minimum distribution rules, which vary depending on identity of the beneficiary and date of the IRA owner's death. (See item 17(d) and (e).)

An ABO-IRA may not receive any contributions after it is established, including rollover contributions. However, an ABO-IRA may be transferred to another ABO-IRA in a trustee-to-trustee transfer. An ABO-IRA may be a Traditional (including SEP), Roth, or SIMPLE IRA, depending on the type of account the descendent had.

## 7. SEP-IRA

### 7(a) General Rules.

A Simplified Employee Pension (SEP) is a retirement plan that permits your employer (or you, if self-employed) to contribute to your Traditional IRA. (SEP contributions cannot be made to any Roth IRAs or SIMPLE IRAs.) Like other Traditional IRA contributions, SEP contributions and any earnings are excluded from your taxable income until you withdraw them from the IRA.

**Limits on Employer Contribution.** For tax years beginning in 2020, your employer may contribute up to $57,000, or if less, 25% of your compensation (up to a compensation cap of $285,000). The $57,000 and $285,000 figures will be adjusted for inflation in the future.

### 7(b) Salary Reduction Feature.

If your employer's SEP included a salary reduction feature before January 1, 1997, and the SEP satisfies the requirements below, your employer may allow you to elect to reduce your current compensation and have the amount of the reduction contributed to your Traditional IRA.

**SEP Requirements for Salary Reduction Feature.** The tax rules do not allow salary reduction contributions if:

(1) Your employer had more than 25 eligible employees during the preceding year, or

(2) Less than 50% of the employees elect to use the salary reduction arrangement, or

(3) Your employer is a governmental agency or tax-exempt entity, or

(4) Your employer's SEP did not include a salary reduction feature before January 1, 1997.

**Tax Treatment.** Any salary reduction amounts would not be included in your income for tax purposes until you receive a distribution from your IRA. The amount you may contribute each year depends on the statutory maximum for that tax year and your age at the end of the calendar year in question. For the limit in effect for any given year, refer to the chart below.

**Limit for Taxpayers Age 50 or Over.** Your employer may allow employees age 50 and over by the end of the applicable calendar year to make additional "catch-up" contributions to their SEP. If your employer allows these extra contributions and you are at least 50, you may make this additional contribution regardless of your past contribution history.

**Contribution Limits.**

| For tax years beginning in | Contribution limit for taxpayers under age 50 | Contribution limit for taxpayers age 50 or over* |
|---|---|---|
| 2020 | $19,500 | $25,500 |

* This limit only applies if your employer allows "catch-up" contributions.

The contribution limits apply to the total amount of salary reduction contributions you make for the year to a SEP, a 401(k) plan, a 403(b) plan, or a SIMPLE IRA. Contribution limits will be adjusted for inflation for years after 2020.

In addition, the federal tax rules also place limits on the total amount certain highly compensated individuals may contribute to their SEP. If these rules apply to you, your employer will notify you and a portion of your contributions will be refunded to you.

The total amount of your salary reduction contribution and your employer's contribution cannot exceed the applicable limit for the tax year as listed in 7(a).

**Employer Automatic Enrollment Tax Credit.** Certain employers with a SEP salary reduction feature may be eligible to take advantage of a tax credit for providing an eligible automatic contribution arrangement. The credit is a maximum of $500 per year for the first three years that the SEP salary reduction feature contains the eligible automatic contribution arrangement, starting with taxable years beginning after December 31, 2019. The SEP plan would need to be amended to allow for this feature. Other restrictions apply. An employer should consult with an accountant, lawyer, or other qualified tax advisor to see if the employer qualifies for this credit.

**7(c) Other IRA Contributions.**
Even if your employer contributes to your Traditional IRA through a SEP plan (including your contributions through salary reduction), you will still be able to contribute to Traditional and/or Roth IRAs for yourself and your spouse, subject to the limitation discussed above. (See item 4Traditional IRA and item 5 Roth IRA). The deductibility of your Traditional IRA contributions, however, may be limited. (See item 4 Traditional IRA.) (Roth IRA contributions are always non-deductible.) The employer's SEP contributions and your Traditional IRA contributions may be combined in the same account.

Note: If your employer simply makes a contribution to an IRA for you that is not part of a SEP or SIMPLE plan, then the regular $6,000 per year limit (or $7,000 for those age 50 or over) for 2020 applies to the total contributions made by you and your employer.

**7(d) Withdrawals.**
Withdrawals from a SEP-IRA are subject to the same rules as Traditional IRAs.

**7(e) SEP Plan Document.**
An employer or self-employed individual may set up a SEP plan by using IRS Form 5305-SEP ("Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement") or by using the pre-approved SEP plan document provided by a financial institution. (U.S. Bancorp Investments does not sponsor a pre-approved SEP plan, but instead uses the IRS Form 5305-SEP.) An accountant, lawyer, or other qualified tax advisor should be consulted to make sure the plan you select fits your specific situation and is implemented properly.

Note: U.S. Bancorp Investments will accept salary reduction contributions to your SEP-IRA to the extent your employer's SEP plan document so provides and the tax rules are satisfied. (See item 7(b).)

**7(f) Employer Tax Credit for Plan Start-Up Costs.**
Small employers that establish new retirement plans including SEPs may be eligible to take advantage of a tax credit for some of the costs of establishing the new plan. The credit equals 50% of the start-up or maintenance costs in the first three years of plan operation with a maximum yearly credit of the greater of (i) $500 or (ii) $250 per employee eligible for the plan who is not a highly compensated employee (under Sec. 414(q) of the Internal Revenue Code), to a maximum of $5,000. To be eligible, the employer must not have employed more than 100 employees who received at least $5,000 in compensation from the employer in the preceding year. In addition, the employer must not have established or maintained another qualified plan during the prior three years. Other restrictions apply. An employer should consult with an accountant, lawyer, or other qualified tax advisor to see if the employer qualifies for this credit

## 8. CONTRIBUTIONS

**8(a) Form.**
Your annual contributions to an IRA must be in the form of a check or cash debit from a linked bank account or from another U.S. Bancorp Investments brokerage account. You cannot contribute other assets such as stocks or bonds.

**8(b) Timing.**
You may contribute to a Traditional (including SEP) and/or Roth IRA for a given year at any time from the first day of the year until the due date for filing your tax return or that year, usually April 15 of the following year. (Note: A tax return extension does not extend the deadline for IRA contributions.) When you make your contribution, you should indicate which year it is for. If you do not indicate the contribution year, we will assume that it is for the year in which we receive it.

Individuals serving in the U.S. military or in support of the U.S. military in designated combat zones have additional time to make IRA contributions. For more information and special rules, see IRS Publication 3 (titled "Armed Forces' Tax Guide"). You should consult with an accountant, lawyer, or other qualified tax advisor to determine whether you are eligible and to discuss the requirements and limitations that apply.

## 9. ROLLOVERS

**9(a) General Rules.**
**Types of Rollovers.** You may be eligible to defer taxes on a distribution from a retirement program by making a "rollover" to an IRA. A rollover is a tax-free movement of cash or other assets from one retirement program to another. There are two kinds of rollovers. In one, you receive a distribution from an IRA and then contribute it to another IRA or eligible retirement plan. (See part 9(b) below.) In the other, you either receive a distribution from an eligible retirement plan and then contribute it to an IRA or arrange to have the distribution transferred directly from the eligible retirement plan to an IRA. (See part 9(c) below.) You generally may use more than one IRA to receive the rollover contribution (but some employers may limit direct rollovers to one IRA).

**Professional Advice.** Rollovers have important tax consequences and the rules are complex and subject to change. We encourage you to consult with an accountant, lawyer, or other qualified tax advisor about your situation. You are responsible for determining whether or not a rollover is proper under the tax laws.

**60-Day Limit.** You must complete a rollover by the 60th day after the day you receive the distribution from the IRA or eligible retirement plan. (There is a special exception to this rule for amounts that become frozen deposits in a bankrupt or insolvent financial institution.) If you do not complete the rollover within this 60-day period, the distribution will be subject to income tax in accordance to the IRA taxation rules described in this document or if retirement plan assets, as described in the plan documents you receive.

Congress has authorized the IRS to create a hardship exception to the 60-day rule. The IRS issued Revenue Procedure 2003-16 which provides for both an automatic exception in certain limited situations (where the amounts were not deposited within the 60 days due to an error by the financial provider) and a process to seek IRS approval in other situations. Consult your accountant, lawyer or other qualified tax advisor if you are unable to complete a rollover in the 60-day period to see if you qualify for the automatic exception or your situation may qualify with IRS approval.

Exception to the 60-day limit: If, after December 31, 2017, you receive a distribution from an eligible retirement plan that was reduced, or offset, to repay an outstanding loan to that plan, you have until the due date for your tax return (including extensions) for the tax year in which the offset occurs to roll over the “qualified plan loan offset amount.” A qualified plan loan offset amount is the amount the eligible retirement plan account balance is reduced, or offset, to repay the outstanding plan loan. The offset must be because the plan terminated or you severed your employment with the employer.

**No Tax Deduction.** Generally, you do not include the amount rolled over in your income and you cannot take a tax deduction for the year the rollover was completed. However, a conversion from a SEP or Traditional IRA to a Roth IRA is subject to tax. (See part 9(b) below.) The amount rolled into a Traditional IRA, to the extent it contains tax-deductible contributions and all earnings, is subject to tax later when you withdraw that amount from the IRA. (See item 4(m).) The earnings on amounts rolled into or converted to a Roth IRA are not taxed when you withdraw them if paid out in qualified distributions. (See item 5(h).)

**Designated Roth Contributions.** Qualified employer plans and tax-sheltered annuities may allow participants to designate certain deferrals as “designated Roth contributions.” Designated Roth contributions are similar to Roth IRA contributions, but some different rules apply. Distributions of designated Roth contributions may be rolled over to a Roth IRA (or employer plan that accepts such rollovers), subject to certain limits. (See part (c) below.) However, if you roll designated Roth contributions into a Roth IRA, the amounts become subject to the Roth IRA rules including the Roth IRA 5-year holding period requirement even if you had previously satisfied the 5-year holding period under the eligible retirement plan. For example, you establish your first Roth IRA to hold a qualified distribution of designated Roth contributions from your employer’s retirement plan. Even though you had previously satisfied the 5-year holding period under your employer’s retirement plan, you must now satisfy the Roth IRA 5-year holding period before you may receive a qualified distribution from your Roth IRA. (See item 5(h).) Designated Roth IRA contributions cannot be rolled over into a Traditional IRA.

**Eligible Retirement Plan.** An eligible retirement plan is a qualified employer plan, a tax-sheltered annuity, or certain governmental Code section 457 plans.

**9(b) Rollover from an IRA.**

**General Rules.** Subject to the waiting period rules discussed below, you may withdraw any or all of the assets from an IRA and reinvest them tax-free within 60 days in another IRA of the same type. This includes rollovers between Traditional IRAs (which may combine tax-deductible and non-deductible contributions) or rollovers between Roth IRAs and rollovers between SIMPLE IRAs. However, a conversion from a Traditional IRA, SEP-IRA, or SIMPLE IRA to a Roth IRA is subject to tax. In addition, to the extent the withdrawal is an eligible rollover distribution, you may also withdraw assets from an IRA and reinvest them tax-free into an eligible retirement plan that accepts such rollovers.

Note: Distributions that are rolled over to an eligible retirement plan will become subject to that plan’s rules including the rules on investment and withdrawals.

**Eligible Rollover Distribution.** An eligible rollover distribution from an IRA to an eligible retirement plan is subject to the following rules:

(1) A distribution will not qualify for rollover if it is one in a series of substantially equal annual or more frequent distributions made over your life or life expectancy over the joint life or life expectancy of you and your beneficiary or over a period of 10 years or more.

(2) A distribution will not qualify for rollover to an eligible retirement plan to the extent that:

- It is not taxable to you (e.g., it reflects a return of your after-tax contributions to a retirement plan or your non-deductible contributions to an IRA or it is from a Roth IRA).
- It is a required minimum distribution made after you have reached your RMD age.
- It is a corrective distribution of excess contributions.
- It is otherwise prohibited from rollover under the rules prescribed by the IRS.

Note: Your IRA balance attributable to after-tax, Roth or designated Roth contributions to either an eligible retirement plan or an IRA may not be rolled over to an eligible retirement plan. Such amounts may be rolled over to another IRA of the same type.

To determine the amount that may be rolled over to an eligible retirement plan, first add up the balances of all of your IRA accounts other than Roth IRAs. Then subtract the amount attributable to after-tax contributions either to a plan or an IRA. The remaining amount may be rolled over to an eligible retirement plan.

For individuals who reached age 50 by January 1, 1986, 10-year averaging or long-term capital gain treatment (under pre-1987 tax rules) is available for lump-sum distributions from qualified employer plans or government plans. However, these special rules are not available for any distribution from a qualified plan that has accepted an eligible rollover distribution from an IRA.

**Partial Rollover.** If you prefer, you may roll over part of the Traditional IRA withdrawal to an eligible retirement plan tax-free and keep the rest of it. The amount you keep is generally taxable as ordinary income in the year you receive it, except to the extent it is a return of non-deductible contributions. The taxable amount also is subject to a 10% penalty tax if you are under age 59½ unless an exception applies.

**Rollover of Securities.** For rollovers between IRAs, you must roll over to the new IRA the same securities or other property you received from your old IRA. For example, if you received stock from your old IRA, you must use the same stock for the contribution to your new IRA. The IRA Custodian may, in its sole discretion, refuse to accept particular securities or property if sound administration or custody of the investment is not feasible, the investment presents burdensome valuation problems or is otherwise prohibited by law.

For rollovers from an IRA to an eligible retirement plan, the plan's rules govern what will be accepted as a rollover—cash or property. Consult the plan trustee or custodian for more information.

**Waiting Period Between Rollovers.** Rollovers from IRAs are subject to a one-year waiting period. Generally, a rollover distribution from an IRA may be made to you only once in a 12-month period. The one-year period begins on the date you receive the IRA distribution, not on the date you reinvest it in another IRA or plan. This limit applies by aggregating all of your IRAs together (including Traditional, SEP, SIMPLE and Roth IRAs).

Example: You have three Traditional IRAs, IRA-1, IRA-2 and IRA-3. You do not take any distributions from your IRAs in 2019. On January 1, 2020, you take a distribution from IRA-1 and roll it over into IRA-2 on the same day. For 2020, you cannot roll over any other 2020 IRA distribution, including a rollover distribution involving IRA-3.

We encourage you to consult with an accountant, lawyer or other qualified tax advisor about your situation prior to taking a rollover distribution.

However, this rule does not apply to conversions to a Roth IRA or a recharacterization (See item 11).

**Roth IRA Conversions.** Any or all of a Traditional, SEP or SIMPLE IRA may be converted to a Roth IRA. (The prior income-based conversion eligibility rules ceased to apply in 2010.)

Caution: Your SIMPLE IRA cannot be converted to a Roth IRA until you have two years of participation in your employer's SIMPLE plan.

You may make the conversion by instructing the custodian or trustee to change the designation of your Traditional, SEP, or SIMPLE IRA to a Roth IRA if the Roth IRA is offered by the same custodian or trustee. Otherwise, you may convert by making a rollover or transfer from a Traditional, SEP, or SIMPLE IRA to a Roth IRA. The amount of the conversion, minus any return of your tax basis, is taxable as ordinary income in the year the conversion occurs. (If you make the conversion by rollover, the tax is imposed for the year the rollover distribution occurs.) The 10% penalty tax on early withdrawals does not apply to such conversions.

Caution: Any withdrawal of conversion amounts from your Roth IRA within the 5-year period beginning on the first day of the taxable year in which the contribution is made would be subject to the 10% penalty tax on early distributions for the entire amount of the conversion and earnings attributable to the withdrawal if no exception applies.

Caution: Effective January 1, 2018, once you complete a conversion to a Roth IRA, you may not recharacterize the amount as a Traditional IRA.

**ABO-IRA.** If you establish an ABO-IRA to hold amounts you inherited as a non-spouse beneficiary under certain eligible retirement plans or if you inherit an IRA from anyone other than your spouse, that ABO-IRA may not be rolled over to another IRA or qualified retirement plan or tax-sheltered annuity. Also, that ABO-IRA may not receive any contributions including a rollover. However, in certain situations you may transfer an ABO-IRA to an ABO-IRA established with a different IRA custodian or trustee. (See item 10(a).)

**SIMPLE IRA Limitation.** After two years of participation in your employer's SIMPLE IRA, you may roll over your SIMPLE IRA to a Traditional or Roth IRA, a qualified employer plan, tax-sheltered annuity, or governmental Code section 457 plan that accepts such rollovers. The rollover would be tax-free if made to a Traditional IRA or plan. However, if it is made to a Roth IRA, the rollover would be a taxable conversion subject to tax as described above.

**9(c) Rollover from a Plan.**

**General Rules.** If you receive an eligible rollover distribution (other than from a designated Roth contribution account) from a qualified employer plan, qualified government plan, or tax-sheltered annuity, you may reinvest it tax-free in a Traditional IRA by having the distribution transferred directly to the IRA in a "direct rollover" or by receiving the distribution and contributing it to the IRA within 60 days. If you receive an eligible rollover distribution from a designated Roth contribution account in a qualified employer plan, qualified government plan or tax-sheltered annuity, you may reinvest it tax-free in a Roth IRA by having the distribution transferred directly to the IRA in a "direct rollover" or by receiving the distribution and contributing it to the Roth IRA within 60 days. You may also make a conversion of amounts other than designated Roth contributions directly from an eligible retirement plan to a Roth IRA. Such a conversion is subject to tax.

Note: A direct rollover or transfer from a qualified employer plan, qualified government plan or tax-sheltered annuity cannot be made to a SIMPLE IRA.

**Eligible Rollover Distributions.** An eligible rollover distribution from a plan to a Traditional or Roth IRA is subject to following rules:

(1) A distribution will not qualify for rollover if it is one in a series of substantially equal annual or more frequent distributions made over your life or life expectancy, over the joint life or life expectancy of you and your beneficiary, or over a period of 10 years or more.

(2) A distribution will not qualify for rollover to the extent that:

- It is a required minimum distribution made after you have reached your RMD Age.
- It is a corrective distribution of excess elective deferrals, excess after-tax contributions, or excess matching contributions.
- It is otherwise prohibited from rollover under the rules prescribed by the IRS.

(3) Any portion of a distribution treated by the employer plan as a hardship distribution or due to unforeseeable emergency will not qualify for rollover.

Note: After-tax or designated Roth contributions may not be rolled over from an IRA to a plan. Thus, once you roll over after-tax or designated Roth contributions from a plan to an IRA, you may not roll the funds again from the IRA to another plan. A rollover of after-tax or designated Roth contributions from one qualified plan to another can only be done through a direct trustee-to-trustee transfer and not by the use of an IRA.

If you choose to receive any taxable amount from a plan that is eligible for direct rollover to a Traditional IRA, the amount you elect to receive will be subject to 20% mandatory federal income tax withholding.

For individuals who reached age 50 by January 1, 1986, 10-year averaging or long-term capital gain treatment (under pre-1987 tax rules) is available for lump-sum distributions from qualified employer plans or government plans. Lump-sum distributions from IRAs are not eligible for these special rules.

Note: If you roll over a distribution, you will not be eligible for special averaging or long-term capital gain treatment on any distribution you later receive from that same plan (or from any other plan of the same kind maintained by the same employer).

**Partial Rollover.** If you prefer, you may roll over part of the distribution tax-free and keep the rest of it. The amount you keep is generally subject to the normal taxation rules for such payment (as described in the plan documents you receive) in the year it is paid to you. It does not qualify for special averaging or long-term capital gain treatment. Any taxable amount you keep may be subject to an additional 10% penalty tax if you receive it before age 59½ (certain exceptions apply). Also, 20% of any taxable amount not transferred in a direct rollover will be withheld and applied against your taxes.

**Separate IRA Option.** If the original source of the rollover was a distribution of amounts other than designated Roth contributions from a qualified employer plan, qualified government plan, or tax-sheltered annuity, you may want to roll the funds into the plan of a new employer in the future. Prior to 2002, if you mixed plan distributions with other IRA contributions, you would lose the right to roll them into a new employer's plan. This rule does not apply to distributions made after December 31, 2001. However, federal law gives each plan the right to establish its own rollover rules which may be more limited than the full flexibility permitted by federal law. For example, the plan may not accept rollovers of IRA contributions, but will accept rollovers of amounts attributable to 401(k) contributions. Thus, a separate IRA may still be advisable for such distributions.

**Rollover of Securities.** As permitted by the Custodian, if the distribution includes securities or other property, you may roll them over into the IRA. If you prefer, you may sell part or all of those assets and roll over the amount you receive into the IRA. If you sell the assets and roll over the entire amount into the IRA, the sale has no tax effect (no gain or loss is recognized). If you sell assets and do not roll over the entire amount from the sale, the part you do not roll over is generally subject to the normal taxation rules for such payment (as described in the plan documents you receive). The Custodian may in its sole discretion, refuse to accept particular securities or property if sound administration or custody of the investment is not permitted or feasible, the investment presents burdensome valuation problems, or is otherwise prohibited by law.

**Tax-Deductible Employee Contributions.** If you receive a distribution of any part of the balance of your deductible voluntary contributions and earnings on them, you may roll it over into a Traditional IRA. (You may also qualify to make a taxable conversion of these amounts to a Roth IRA, as described below.) If you prefer, you may roll over part of the distribution tax-free and keep the rest of it. The amount you keep is taxable as ordinary income in the year it is paid to you. This amount may also be subject to a 10% penalty tax if you receive it before age 59½ (certain exceptions apply).

**Non-Deductible Employee Contributions.** If you made non-deductible (after-tax) contributions to the qualified retirement plan, a distribution of the non-deductible contributions and the earnings on those contributions may be rolled over to a Traditional IRA. The non-deductible contributions you keep are not subject to tax, but any earnings you keep are taxable as ordinary income in the year they are paid to you. The earnings you keep may also be subject to a 10% penalty tax if you receive them before age 59½ (certain exceptions apply). (Beginning in 2008, you may also qualify to make a conversion of these after-tax contributions to a Roth IRA, as described below.) It is your responsibility to maintain records relating to the amount of non-deductible (after-tax) contributions you roll over to a Traditional IRA.

Note: After-tax contributions to an employer plan are not the same as designated Roth contributions.

**Death Benefits-Surviving Spouse.** If a surviving spouse receives a distribution from a qualified employer plan, qualified government plan, or tax-sheltered annuity, the surviving spouse may roll it over into a Traditional or Roth IRA, as applicable, under the rules described above. Surviving spouses may also roll over such death benefits into another qualified employer plan, qualified governmental plan, or tax-sheltered annuity that accepts such rollovers.

**Death Benefits–Non-Spouse Beneficiary.** A non-spouse beneficiary may establish an ABO-IRA to receive a trustee-to-trustee transfer from the qualified employer plan. However, non-spouse beneficiaries are not able to roll over death benefits into another employer plan.

Note: If you inherit amounts in a qualified employer plan as a non-spouse beneficiary that you wish to have transferred to an ABO-IRA, we encourage you to consult with an accountant, lawyer, or other qualified tax advisor due to the special required minimum distribution rules that apply.

**Divorced Individuals.** If you receive a distribution from a qualified employer plan, qualified government plan, or tax-sheltered annuity which is made to you under a qualified domestic relations order, as the spouse or former spouse of a participant in the plan or annuity, you may roll it over into a Traditional or Roth IRA, as applicable, under the rules described above.

If you prefer, you may roll over part of the distribution tax-free and keep the rest of it. The amount you keep is generally subject to the normal taxation rules for such payment (as described in the plan document you receive) in the year it is paid to you. The Custodian may, at its sole discretion, refuse to accept particular securities or property if sound administration or custody of the investment is not permitted or feasible, the investment presents burdensome valuation problems, or is otherwise prohibited by law.

**Direct Plan to Roth IRA Conversions.** Any or all of an eligible rollover distribution (other than from a designated Roth contribution account) from an eligible retirement plan may be converted directly to a Roth IRA.

The amount of the conversion, minus any return of your tax basis, is taxable as ordinary income in the year the conversion occurs. (If you make the conversion by rollover, the tax is imposed for the year the rollover distribution occurs.) The 10% penalty tax on early withdrawals does not apply to such conversions.

Caution: Any withdrawal of conversion amounts from your Roth IRA within the 5-year period beginning on the first day of the taxable year in which the contribution is made would be subject to the 10% penalty tax on early distributions for the entire amount of the conversion and earnings attributable to the withdrawal, if no exception applies.

## 10. TRANSFERS

### 10(a) Transfer Between IRAs.

You may authorize one IRA custodian or trustee to transfer part or all of your IRA directly to the custodian or trustee of another IRA so that you do not receive the distribution. Such direct transfer between IRAs of the same type is not a rollover. As such, the transfer is tax-free and there is no limit on their frequency. This includes transfers between your Traditional IRAs (which may combine deductible and non-deductible contributions) or transfers between your Roth IRAs and transfers between your SIMPLE IRAs. However, the direct transfer of a Traditional, SEP, or SIMPLE IRA to a Roth IRA is a conversion subject to tax. (See item 9(b).)

You may also complete a transfer of an ABO-IRA provided that each ABO-IRA you inherit or establish with respect to a given decedent remains separate from your other IRAs, including any other ABO-IRA you may have.

### 10(b) Securities.

The Custodian may, in its sole discretion, refuse to accept particular securities or property if the sound administration or custody of that investment is not permitted or feasible, the investment presents burdensome valuation problems, or is otherwise prohibited by law.

### 10(c) SIMPLE IRA Limitation.

For the first two years that you participate in your employer's SIMPLE plan, you may only transfer your SIMPLE IRA to another SIMPLE IRA. After you have completed two years of participation, you may transfer your SIMPLE IRA to a Traditional IRA tax-free. At that time, you may also transfer the SIMPLE IRA to a Roth IRA; however, this transfer to a Roth IRA is a conversion subject to tax. (See item 9(b).)

## 11. RECHARACTERIZATION

**11(a) General Rule.**
You may change a contribution from a Traditional IRA contribution to a Roth IRA contribution or the reverse. This change is called recharacterization. Recharacterizing a contribution will impact the taxation of the contribution and the taxation of any withdrawals taken after the recharacterization. Any such recharacterized contributions are treated as if contributed to the new IRA (and not to the original IRA).

You recharacterize a contribution by directing that the contribution you made to an IRA for a year (and earnings thereon) be transferred from that IRA directly to the custodian or trustee of another type of IRA. This must be done by the due date (including extensions) for filing your income tax return for that year. (For calendar-year taxpayers, this extended due date is October 15.) If you have already filed your income tax return for the year, you must file an amended tax return for the year of the contribution by the filing deadline for amended returns.

An election to recharacterize a contribution may be made on behalf of a deceased IRA owner by his/her executor, administrator, or other person responsible for filing the IRA owner's final federal income tax return.

**11(b) Limits on Recharacterization.**
**No Recharacterization of Roth IRA Conversions.** Effective for Roth IRA conversions made in 2018 or later, you may not recharacterize the converted amounts. Similarly, you cannot recharacterize amounts rolled over to a Roth IRA from an employer plan in 2018 or later.

**SEP-IRAs and SIMPLE IRAs.** Employer contributions to a SEP-IRA or a SIMPLE IRA may not be recharacterized as Roth IRA contributions. However, such contributions could be converted to a Roth IRA. (See item 9(b).)

**Tax-Free Rollovers and Transfers.** Tax-free rollovers and transfers between IRAs are disregarded in making a recharacterization. Thus, if a contribution to an IRA for a year is followed by one or more tax-free rollovers and transfers between IRAs prior to recharacterization, the contribution is treated as if it remained in the original IRA for purposes of recharacterization.

**Reconversions.** In general, an amount converted from a Traditional IRA to a Roth IRA (under item 9(b)) and then recharacterized as a Traditional IRA contribution (to the extent allowed) may not be reconverted to a Roth IRA contribution until the later of:

- the first day of the taxable year after the taxable year in which the amount was originally converted, or
- the end of a 30-day period following the recharacterization of the contribution as a Traditional IRA contribution.

## 12. THE 6% PENALTY TAX ON EXCESS CONTRIBUTIONS

**12(a) General Rule.**
An excess contribution is any portion of a contribution that is greater than the amount that can properly be contributed or rolled over. (See preceding items 4-9.) For each year an excess contribution remains in your IRA, you must pay a 6% penalty tax on that excess. In other words, the excess is taxed for the year of the excess contribution and each year after that until you correct it. The tax cannot be more than 6% of the value of your IRA at the end of your tax year.

**12(b) Attributing Excess Contributions.**
If the contributions to all of your Traditional and Roth IRAs exceed the aggregate yearly limit ($6,000 in 2020, or $7,000 if age 50 or over for 2020), your contributions will first be applied to your Traditional IRAs. Once the limit on Traditional IRA contributions is reached, the remainder will be deemed an excess contribution to your Roth IRAs.

**Timely Correction.** You will not have to pay the 6% penalty tax if you withdraw the excess contribution, together with any earnings, by the due date (including extensions) for filing your income tax return. (See items 9 and 16.)

**12(c) Late Correction.**
**Annual Penalty.** If you fail to meet the timely correction deadline, you must pay a penalty tax of 6% of the excess contribution for the year of the contribution. You will also have to pay the 6% penalty tax for each later year if an excess is still in the IRA at the end of that year. The excess may be eliminated by either: (i) making reduced contributions in future years or (ii) withdrawing the excess contribution from the IRA.

**Contribution Adjustment.** You may eliminate the excess in later years by contributing less than the maximum allowable contribution for any year after the excess contribution. The excess amount is treated as a contribution in the later year for purposes of determining the tax-deductible and non-deductible contributions for that year.

Note: (i) You cannot reduce an excess by applying it against an earlier year in which you contributed less than the maximum amount.

(ii) A special rule applies if you incorrectly deducted part of the excess contribution in a previous year and the statute of limitations to assess a tax deficiency for that year has expired. Any of the excess contribution that you deducted in that previous year cannot be deducted in the year in which you correct the excess payment by contributing less than the allowable amount.

(iii) Any portion of the excess contribution which is designated as a non-deductible contribution must be reported to the IRS.

**Withdrawal of Excess.** You may eliminate the excess in later years by withdrawing the excess contribution from your IRA. It is not necessary to withdraw the earnings on the excess contribution. The tax consequences of late withdrawal depend on the amount of your excess contribution and your tax deduction as follows:

**(1)** If the total contributions for the year to your IRA (other than rollovers) are $6,000 (or the applicable contribution limit for the year) or less and there are no employer contributions for the year, you may withdraw any excess contribution after the due date (including extensions) for filing your tax return and not include the amount withdrawn in your gross income. This applies only to the part of the excess for which the Internal Revenue Service did not allow a deduction or that was not deducted on your tax return for the year contributed.

**(2)** If you deducted all or part of an excess contribution in a year for which the total contributions were $6,000 (or the applicable contribution limit for the year) or less and for which there were no employer contributions, you may still be able to withdraw the excess from your IRA and not include it in your gross income. To receive the withdrawal tax-free, you must file an amended income tax return for the year of the initial excess contribution in which you do not deduct any part of the excess payment. Generally, you may file an amended return within 3 years after the date you filed your return or 2 years from the time the tax was paid, whichever is later.

**(3)** If the contributions to your IRA for any year are more than $6,000 (or the applicable contribution limit for the year), any excess contribution you withdraw must be included in your gross income even if you did not originally deduct it. The amount you withdraw in this case is also subject to a 10% penalty tax on premature distributions if you are under age 591/2 (certain exceptions apply). (See items 4 and 5.)

**Excess from Rollover.** If the excess in your IRA is the result of an attempted rollover and the excess occurred because the retirement plan provided you with incorrect information regarding your rollover amounts, you may withdraw the excess amount. The dollar limit mentioned above is increased by the amount of the excess that is due to the incorrect information. You may have to amend your income tax return for the year in which the excess contribution occurred. Any excess withdrawn as a result of incorrect rollover information should not be included in your gross income for the year of the withdrawal.

## 13. CUSTODIAL ACCOUNT

### 13(a) Safety.

The assets of your IRA will be held by us in a custodial account governed by the custodial agreement we provide for you. Your account is always 100% vested and non-forfeitable. The assets of your account will not be commingled with other property except in a common trust fund or common investment fund. Separate custodial accounts must be maintained for Traditional IRA contributions, Roth IRA contributions and for SIMPLE IRA contributions.

### 13(b) Tax Exemption.

Your IRA custodial account is generally exempt from tax. This means that your account is not taxed on its investment earnings (income and capital gains) as they occur. Your account is subject to tax, however, on "unrelated business income" from certain investment (including certain limited partnerships). Also, the account loses its tax-exempt status if you engage in a "prohibited transaction." (See item 15.)

### 13(c) Value.

On any date, the value of your account is the fair market value of the investments and cash or cash equivalent investments held in it on that date, adjusted for applicable fees and expenses. (See item 18.) The investments you select will determine the value of your account. We do not guarantee the value of your account or project future growth.

## 14. INVESTMENTS

### 14(a) Choice.

You may choose between the following types of investment management for your account:

**Self-Directed Investments.** You will have full investment control and complete responsibility for your account. Each spouse separately controls his/her own account even if the other spouse made contributions to it. If you prefer not to manage your account, you may authorize another individual to give investment directions to us. We have no discretion, power or authority regarding the investment, reinvestment or disposition of the account and shall not be liable for investment performance of account assets.

**Investment Advisory Agreement.** We will provide such investment related services as stated in the applicable investment advisory agreement entered into between you and us. We will have such discretion, power or authority (if any) regarding the investment, reinvestment or disposition of the account as provided in such investment advisory agreement and our duties and liabilities are limited accordingly. To the extent a third party receives discretionary authority over your account under the terms of an investment advisory agreement, we may rely on the directions we receive from the third party in proper form.

You select the type of investment management you want on the application form and, if applicable, by completing any required additional investment advisory agreements. You may change your selection at any time by providing us with written notice in a form acceptable to us.

The investment management selection in place at the time of your death will continue until such time as changed by the beneficiary(ies).

### 14(b) Self-Directed Investments

If you choose self-directed investments for your account, we will buy or sell investments for your account only as you specifically direct. You are able to change your investments at any time. Your investment directions must be given in a form acceptable to us.

**Selection.** You may select from a wide variety of investments we offer. To the extent permitted by the Custodian, such investments may include, for example, stocks, bonds, U.S. Government and agency issues, mutual funds, savings accounts, and certificates of deposit. Also, if permitted and feasible as determined by the Custodian in its sole discretion, you may purchase securities that are not publicly traded (with certain restrictions), write covered call options, and buy covered put options. It is our policy not to allow our IRAs to invest in any limited partnership, physical real estate or contracts for deed.

**Limitation.** Federal tax rules prohibit the purchase of life insurance contracts and collectibles (such as precious metals, gems, stamps, antiques, rugs, coins, and works of art). There are limited exceptions for investments by IRAs in (i) gold, silver and platinum coins issued by the United States, (ii) coins issued under state laws, and (iii) gold, silver, platinum, or palladium bullion satisfying the quality standards for delivery under regulated futures contracts. But, U.S. Bancorp Investments does not permit such investments for our IRAs at the present time.

**Investments Other Than Savings and Time Deposits.** You may direct the investment of the funds in your IRA into any investment instrument available under this IRA. Neither the Custodian nor the Broker-Dealer, as applicable, will exercise any investment discretion regarding your IRA as it is solely your responsibility. No projection of the growth in value of your IRA can reasonably be made or guaranteed. The value of your IRA and the growth in value of the IRA is dependent solely on the performance of the investments chosen by you.

The prospectus or investment contract that describes the terms of your selected investment will describe the fees that apply to that investment. The method for computing and allocating annual earnings, interest, and dividends on your investment will also vary with the nature of the investment you have chosen. You will need to refer to the investment's prospectus or investment contract to determine the method of allocating earnings.

In addition, there are certain additional fees that may apply to the investments that you may select for your IRA. These fees and charges may include transaction fees, sales commissions, investment management fees, distribution fees, setup fees, annual maintenance fees, termination fees, etc. You have been informed of the Broker-Dealer fees in effect at the time that you established your IRA. These fees will apply to transactions you direct in your account through the Broker-Dealer. These fees are subject to change at any time.

**Reports.** You will receive prompt confirmation of all transactions in the account. Also, you will receive regular account statements which are sent monthly if there is activity in the account or quarterly if there is not.

### 14(c) Investment Risk.

**INVESTMENT PRODUCTS, INCLUDING SHARES OF MUTUAL FUNDS SUCH AS THE FIRST AMERICAN FUNDS, ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK, INCLUDING U.S. BANK NATIONAL ASSOCIATION AND/ OR ANY OF ITS AFFILIATES, NOR ARE THEY INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), THE FEDERAL RESERVE BOARD, OR ANY OTHER AGENCY. AN INVESTMENT IN SUCH PRODUCTS INVOLVES INVESTMENT RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL.**

### 14(d) Affiliates.

As permitted by the Custodian, each person who directs the Custodian under this custodial agreement shall be authorized and hereby retains the right to direct the Custodian to (i) retain the services of any registered broker-dealer organization that is currently or hereafter becomes affiliated with U.S. Bancorp, and any future successors in interest thereto (collectively, including U.S. Bancorp and its other affiliates, for the purposes of this section referred to as the "affiliated entities"), to provide services to assist in or facilitate the purchase or sale of investment securities in the Account, (ii) acquire as assets of the Account shares of mutual funds to which affiliated entities provide, for a fee, services in any capacity and (iii) acquire for the Account any other services or products of any kind or nature from affiliated entities. The Custodian may be so directed to retain one or more of the affiliated entities regardless of whether the same or similar services or products are available from other institutions. Pursuant to such directions, the Account may directly or indirectly (through mutual funds fees and charges, for example) pay management fees, transaction fees, and other commissions to the affiliated entities for the services or products provided to the Account or such mutual funds at such affiliated entities' standard or published rates without offset (unless required by law) from any fees charged by the Custodian for its services as Custodian. The Custodian may also be so directed to deal directly with the affiliated entities regardless of the capacity in which it is then acting to purchase, sell, exchange, or transfer assets of the Account even though the affiliated entities are receiving compensation or otherwise profiting from such transaction or are acting as a principal in such transaction. Included specifically, but not by way of limitation, among the transactions authorized by this provision are transactions in which any of the affiliated entities is serving as an underwriter or member of an underwriting syndicate for a security being purchased or is purchasing or selling a security for its own account.

### 14(e) FDIC.

As permitted by the Custodian, retirement bank deposits of U.S. Bank National Association (i.e., savings certificates and money market retirement savings accounts) are FDIC insured separately from non-retirement deposits, up to the legal limits. Stocks, bonds, and other investment products offered through this IRA are not FDIC insured, are not deposits of, obligations of, or guaranteed by U.S. Bank National Association affiliate banks or other affiliates. These other investment products involve investment risks, including possible loss of the principal invested. It is not contemplated that FDIC insured investments will be offered under this IRA.

## 15. PROHIBITED TRANSACTIONS

### 15(a) Transactions with Account.

Direct or indirect transactions between yourself (or your beneficiary(ies) and your family members) and your IRA account are prohibited. Some examples of prohibited transactions are borrowing money from the account, selling assets to the account, or buying assets from the account. If a prohibited transaction occurs at any time during the year, the account loses its tax-exempt status and an amount equal to the fair market value of the account on the first day of the year is treated as a distribution to you. You must report this deemed distribution amount (other than non-deductible contributions) as ordinary income for the year the transaction occurs. The taxable portion of the deemed distribution also is subject to the additional 10% penalty tax if you are under age 59½ (certain exceptions apply).

### 15(b) Pledging Account as Security.

You may not pledge or use any part of your IRA account as security for a loan. If you do, the portion of your account that you have pledged is treated as a distribution to you.

That deemed distribution (other than non-deductible contributions) must be reported as ordinary income for the year it was pledged. The taxable portion of the deemed distribution is also subject to an additional 10% penalty tax if you are under age 59½, (certain exceptions apply).

## 16. GENERAL BENEFIT RULES

**Payment.** You may have any or all of your IRA account paid to you at any time. You control whether payments are made in cash or by distributing the account assets in kind, if permitted and feasible as determined by the Custodian in its sole discretion.

Note: (i) Payments before age 59½ are subject to a 10% penalty tax (certain exceptions apply). (See items 4(j) and 5(f).)

(ii) Payments will be subject to the applicable income tax treatment. (See items 4-9.)

(iii) Payments from Traditional (including SEP) IRAs are required after you reach your RMD Age. (See item 4(l).) This payment requirement does not apply to Roth IRAs.

**Tax Withholding.** Income tax is withheld from the taxable portion of any payment you receive unless you choose not to have tax withheld.

## 17. DEATH BENEFITS

### 17(a) Beneficiary.

If you die, your IRA account will be paid to your beneficiary(ies). You may choose one or more beneficiaries on the application form. If you fail to choose any beneficiary(ies) or if your choice is not effective for any reason, your account will be paid to your surviving spouse or, if none, your estate. It is recommended that you keep your beneficiary choice up-to-date. Contact your U.S. Bancorp Investments financial professional to assist you with changing beneficiaries if needed. A change of beneficiary will not be effective unless received by us during your lifetime.

Note: If you designate a beneficiary by relationship only (not by name), the designation is effective only as to the person(s) standing in such relationship at the time of your death. Also, if you designate your spouse as beneficiary (by name and/or relationship), your divorce or other legal termination of the marriage will automatically revoke your designation. You may designate your former spouse as beneficiary by submitting a change of beneficiary after your divorce is final.

### 17(b) Administration.

**General Rule.** Your beneficiary(ies) assumes investment control over the account after your death and chooses the form of benefit payment. If more than one beneficiary is entitled to benefits, separate accounts will be established so that each beneficiary may control his/her own investments and may choose his/her own form of payment. (Note: Under federal tax rules, a beneficiary other than a surviving spouse may not contribute to or roll over the account. However, a beneficiary may make a direct trustee-to-trustee transfer of an ABO-IRA.)

**Investment While Beneficiary Is Being Determined.** If a beneficiary(ies) is designated by relationship only, or if there is a dispute regarding the proper beneficiary(ies), at the time of your death we may require legal confirmation of beneficiaries and may hold all account investments on the date of your death until such legal confirmation is provided and/or we may liquidate the assets of the account and invest them in the money market fund until such legal confirmation is provided.

**Minor or Disabled Beneficiary.** If a beneficiary is a minor or otherwise legally disabled at the time of your death, we may hold all account investments on the date of your death and/or we may liquidate the assets of the account and invest them in the money market fund until a representative is appointed to act on behalf of the beneficiary.

**Election by Spouse.** If your sole beneficiary is your surviving spouse, he/she may elect to treat the account as his/her own IRA after your death, provided he/she has unlimited rights to withdraw amounts from the IRA. (If a trust is named as beneficiary of the IRA, this requirement is not met even if the spouse is the sole beneficiary of the trust.) A spouse will be treated as having made this election if he/she makes contributions to the inherited IRA or does not take required distributions from it as beneficiary.

Note: If you are subject to the minimum distribution rules at the time of your death, the required minimum distribution for the year of your death must be made (if not made prior to your death), regardless of your spouse's election. The payment will be determined with the assumption that you lived for the entire year.

A spouse who elects to treat the IRA as his/her own will have the same rights that you had under our program. He/she will be able to make additional contributions (if otherwise eligible to do so) and will be subject to the general benefit rules instead of the special rules for beneficiaries described below. Also, he/she may use the five-year holding period for his/her own Roth IRAs as the holding period for the inherited IRA.

### 17(c) Payment.

Upon written request, a beneficiary may have any or all of his/her IRA account paid at any time. Payments may be made in cash or by distributing the account assets in kind if permitted and feasible as determined by the Custodian in its sole discretion.

Payments may be made in a single lump sum, in periodic payments, or through the purchase of an immediate annuity contract (to the extent permitted and feasible, as determined by the Custodian in its sole discretion). However, payments to your beneficiary or ABO-IRA holder must comply with the minimum distribution rules applicable to the account, based on the identification of the beneficiary, the date of the IRA owner's death, and certain other factors, as described below. It is your beneficiary's responsibility to ensure that the beneficiary satisfies the applicable required minimum distribution rules. The required minimum distribution rules changed, effective January 1, 2020. We recommend that you consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

**Designated Beneficiary Defined.** For purposes of the minimum distribution requirements, your "designated beneficiary" is determined based on the beneficiaries designated as of the September 30 of the year following the year of your death. Consequently, any person who was your beneficiary as of the date of your death, but is not a beneficiary as of the September 30 of the year following the year of your death (for example, because the person disclaims entitlement to the benefit in favor of another beneficiary or because the person receives the entire benefit to which the person is entitled before that date), is not taken into account in determining the distribution period for required minimum distributions to designated beneficiaries after your death.

**Eligible Designated Beneficiary Defined.** For purposes of the minimum distribution requirements, as amended by the SECURE Act, an "eligible designated beneficiary" means a designated beneficiary who qualifies as one of the following:

- The surviving spouse of the IRA owner
- A child of the IRA owner who has not reached the age of majority (but only until such child reaches the age of majority). Age of majority will likely be determined based on the applicable state law, although additional special rules may apply.
- Disabled (a person is considered disabled if the person cannot do any substantial gainful activity because of the person's physical or mental condition; a physician must determine that the condition is expected to be of long-continued and indefinite duration or to lead to death).
- A chronically ill individual (within the meaning of Sec. 7702B(c)(2) of the Internal Revenue Code, provided that there is a timely certification that the period of inability with respect to the individual is an indefinite one which is reasonably expected to be lengthy in nature).
- An individual who is not more than 10 years younger than the IRA owner.

Consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

Special Rule for 2020. Your beneficiary is not required under Federal law to take a minimum distribution for 2020, due to relief enacted by congress in 2020 under the CARES Act.

**17(d) IRA Owner Died Prior to January 1, 2020.**

**Payments from an IRA (Other Than a Roth IRA) If the IRA Owner Died On or After the IRA Owner's Required Beginning Date.** If the IRA owner's death occurred prior to January 1, 2020, but on or after the IRA owner's required beginning date (generally April 1 of the year following the year IRA owner reach age 70½), the beneficiary(ies) of the IRA (other than a Roth IRA) must receive payment for each year following the year of the IRA owner's death.

The following rules also apply to an ABO-IRA established by a non-spouse beneficiary with inherited funds transferred from an eligible retirement plan when the plan participant died prior to January 1, 2020, but after his/her required beginning date under the retirement plan. In that case, references below to "IRA Owner" refer to the employer-sponsored retirement plan participant and to "beneficiary" refer to the individual who inherited the funds and made the transfer to the ABO-IRA.

The yearly required minimum distribution for each designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the beneficiary's identity.

If the IRA owner's surviving spouse is the sole designated beneficiary of the IRA, the distribution period is the life expectancy listed in "Table I (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made. Table I can be located in IRS Publication 590-B.

If the designated beneficiary is an individual other than the IRA owner's spouse, the distribution period for the year following the year of IRA owner's death is the life expectancy listed in "Table I (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year.

However, if the IRA owner's remaining life expectancy for a given year is greater than the life expectancy of the IRA owner's designated beneficiary for that year (as calculated above), the required minimum payment to the beneficiary is determined by using the IRA owner's remaining life expectancy. The IRA owner's remaining life expectancy is calculated by using the IRA owner's age as of the IRA owner's birthday in the year of his/her death and referring to "Table I (Single Life Expectancy)". This amount is reduced by one for each subsequent year.

If the IRA owner's beneficiary is not an individual (for example, if the beneficiary is an estate or a charity) or if the IRA owner has no designated beneficiary (as defined above), required minimum payments are determined using the IRA owner's life expectancy as described above.

Special rule following the death of the designated beneficiary. The SECURE Act revised the distribution rules that apply following the death of the designated beneficiary on or after January 1, 2020. In this case, the remaining balance of the IRA must be paid, in full, to the designated beneficiary's beneficiary by December 31 of the year which contains the tenth anniversary of the designated beneficiary's death. Annual payments are not required during this 10-year period. At the time of printing, it is unclear how this rule will apply in certain situations (including whether it will also apply to designated beneficiaries who died prior to January 1, 2020). Consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

**Payments From Roth IRAs or From Other IRAs If The IRA Owner Died Before The IRA Owner's Required Beginning Date.** For Roth IRAs or for other IRAs (except as provided below) if the IRA owner's death occurred prior to January 1, 2020 and before the IRA owner's required beginning date, the IRA owner's beneficiary must direct that payment of his/her benefits be made or started no later than December 31 of the year following the year of the IRA owner's death with annual distributions of at least the required minimum distribution described below (the "life expectancy rule"). If, however, there is no designated beneficiary or the IRA owner's designated beneficiary is not an individual, benefit payments must be made by December 31 of the year which contains the fifth anniversary of the IRA owner's death (the "5-year rule").

Special rules apply if the IRA owner's surviving spouse is the sole designated beneficiary. In this case, the IRA owner's surviving spouse may wait until December 31 of the year the IRA owner would have reached age his or her RMD Age, to start receiving Traditional, SEP, or SIMPLE IRA payments. If the IRA owner's surviving spouse is the sole beneficiary and dies after the IRA owner but before his or her payments are required to begin, subsequent payments to the surviving spouse's beneficiaries will be made as if the surviving spouse had been you.

Under the life expectancy rule, the yearly required minimum distribution for each designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the beneficiary's identity.

If the IRA owner's surviving spouse is the sole designated beneficiary of the IRA, the distribution period is the life expectancy listed in "Table I (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made.

If the designated beneficiary is an individual other than the IRA owner's spouse, the distribution period for the year following the year of the IRA owner's death is the life expectancy listed in "Table I (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year.

Special Rules for ABO-IRAs Established by a Non-Spouse Beneficiary with Inherited Funds Transferred from an Eligible Retirement Plan. The yearly required minimum distribution from this type of ABO-IRA depends on the eligible retirement plan's rules for determining required minimum distributions and in some cases, when the non-spouse beneficiary made the direct rollover to the ABO-IRA.

If the eligible retirement plan uses the life expectancy rule to determine required minimum distributions for beneficiaries, then the yearly required minimum distribution for the non-spouse beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period is the beneficiary's life expectancy listed in "Table 1 (Single Life Expectancy)" for the beneficiary's birthday in the calendar year immediately following the calendar year of death of the plan participant, reduced by 1 for each subsequent year.

If the eligible retirement plan uses the 5-year rule to determine required minimum distributions for beneficiaries, then if the non-spouse beneficiary made the rollover to the ABO-IRA before the end of the calendar year immediately following the calendar year in which the death of the plan participant occurred, the beneficiary can elect to have required minimum distributions from the ABO-IRA determined under the life expectancy rule or the 5-year rule. However, if the non-spouse beneficiary made the rollover to the ABO-IRA in the second through fourth calendar years following the calendar year in which the death of the plan participant occurred, the beneficiary must use the 5-year rule under the ABO-IRA.

Special rule following the death of the designated beneficiary for accounts subject to the life expectancy rule. The SECURE Act revised the distribution rules that apply following the death of the designated beneficiary on or after January 1, 2020. In this case, the remaining balance of an IRA must be paid, in full, to the designated beneficiary's beneficiary by December 31 of the year which contains the tenth anniversary of the designated beneficiary's death. Annual payments are not required during this 10-year period. At the time of printing, it is unclear how this rule will apply in certain situations (including whether it will also apply to designated beneficiaries who died prior to January 1, 2020). Consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

**17(e) IRA Owner Died On or After January 1, 2020.**

**Payments from an IRA (Other Than a Roth IRA) If You Die On or After Your Required Beginning Date.** If your death occurs on or after January 1, 2020, and after your required beginning date (generally April 1 of the year following the year you reach age 72, or age 70½ if you were born before July 1, 1949), the payment rules that apply depend on the identity of the beneficiary.

The following rules also apply to an ABO-IRA established by a non-spouse beneficiary with inherited funds transferred from an eligible retirement plan when the plan participant died prior to January 1, 2020, but after his/her required beginning date under the retirement plan. In that case, references below to "IRA Owner" refer to the employer-sponsored retirement plan participant and to "beneficiary" refer to the individual who inherited the funds and made the transfer to the ABO-IRA.

For Eligible Designated Beneficiaries. If your designated beneficiary qualifies as an eligible designated beneficiary, then your eligible designated beneficiary will generally qualify to extend payments out over the applicable life expectancy, receiving at least the required minimum distribution amount each year. The yearly required minimum distribution for each eligible designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the eligible designated beneficiary's identity.

If the IRA owner's surviving spouse is the sole designated beneficiary of the IRA, the distribution period is the life expectancy listed in "Table I (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made. Table I can be located in IRS Publication 590-B.

If the eligible designated beneficiary is an individual other than the IRA owner's spouse, the distribution period for the year following the year of IRA owner's death is the life expectancy listed in "Table I (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year until the eligible designated beneficiary's death (or for your minor child, when the child reaches the age of majority).

However, if the IRA owner's remaining life expectancy for a given year is greater than the life expectancy of the IRA owner's eligible designated beneficiary for that year (as calculated above), the required minimum payment to the beneficiary is determined by using the IRA owner's remaining life expectancy. The IRA owner's remaining life expectancy is calculated by using the IRA owner's age as of the IRA owner's birthday in the year of his/her death and referring to "Table I (Single Life Expectancy)". This amount is reduced by one for each subsequent year until the eligible designated beneficiary's death.

Death of Eligible Designated Beneficiary Or Upon Your Child Reaching the Age of Majority.  The SECURE Act revised the distribution rules that apply following the death of the eligible designated beneficiary on or after January 1, 2020. In this case, the remaining balance of the IRA must be paid, in full, to the designated beneficiary's beneficiary by December 31 of the year which contains the tenth anniversary of the designated beneficiary's death, and annual payments are no longer requirement. At the time of printing, it is unclear how this rule will apply in certain situations.  Consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

If the Beneficiary is Not An Eligible Designated Beneficiary. If your beneficiary does not qualify as an eligible designated beneficiary, then annual required payments are not required. Instead, the IRA account must be paid, in full, to the beneficiary by December 31 of the year which contains the tenth anniversary of your death.

However, if your beneficiary is not an individual (for example, if the beneficiary is an estate or a charity) or if you have no designated beneficiary (as defined above), required minimum payments are determined using the IRA owner's life expectancy as described above.

**Payments From Roth IRAs or From Other IRAs If You Die Before Your Required Beginning Date.** For Roth IRAs or for other IRAs if you die on or after January 1, 2020 and before your required beginning date, the payment rules that apply depend on the identity of the beneficiary.

For Eligible Designated Beneficiaries.  If your designated beneficiary qualifies as an eligible designated beneficiary, then your eligible designated beneficiary must direct that payment of his/her benefits be made or started no later than December 31 of the year following the year of your death with annual distributions of at least the required minimum distribution described below (the "life expectancy rule").

Special rules apply if your surviving spouse is the sole designated beneficiary. In this case, your surviving spouse may wait until December 31 of the year you would have reached age 72 (or age 70½ if born before July 1, 1949), to start receiving Traditional, SEP, or SIMPLE IRA payments.

Under the life expectancy rule, the yearly required minimum distribution for each eligible designated beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period depends on the eligible designated beneficiary's identity.

If the IRA owner's surviving spouse is the sole designated beneficiary of the IRA, the distribution period is the life expectancy listed in "Table I (Single Life Expectancy)" for the spouse's age as of the spouse's birthday in the year for which the distribution is being made.

If the designated beneficiary is an individual other than the IRA owner's spouse, the distribution period for the year following the year of the IRA owner's death is the life expectancy listed in "Table I (Single Life Expectancy)" for the beneficiary's age as of his or her birthday in that year, reduced by one for each subsequent year until the eligible designated beneficiary's death (or for your minor child, when the child reaches the age of majority).

Death of Eligible Designated Beneficiary or Upon Your Child Reaching the Age of Majority.  The SECURE Act revised the distribution rules that apply following the death of the eligible designated beneficiary on or after January 1, 2020. In this case, the remaining balance of the IRA must be paid, in full, to the designated beneficiary's beneficiary by December 31 of the year which contains the tenth anniversary of the designated beneficiary's death, and annual payments are no longer requirement. At the time of printing, it is unclear how this rule will apply in certain situations.  Consult your accountant, lawyer, or other qualified tax advisor with any questions you may have about the required minimum distribution rules.

If the Beneficiary is Not An Eligible Designated Beneficiary. If your beneficiary does not qualify as an eligible designated beneficiary, then annual required payments are not required. Instead, the IRA account must be paid, in full, to the beneficiary by December 31 of the year which contains the tenth anniversary of your death.

However, if your beneficiary is not an individual (for example, if the beneficiary is an estate or charity) or if you have no designated beneficiary (as defined above), benefit payments must be made by December 31 of the year which contains the fifth anniversary of the IRA owner's death (the "5-year rule").

Special Rules for ABO-IRAs Established by a Non-Spouse Beneficiary with Inherited Funds Transferred from an Eligible Retirement Plan. The yearly required minimum distribution from this type of ABO-IRA depends on the eligible retirement plan's rules for determining required minimum distributions and in some cases, when the non-spouse beneficiary made the direct rollover to the ABO-IRA.

If the eligible retirement plan uses the life expectancy rule to determine required minimum distributions for beneficiaries, then the yearly required minimum distribution for the non-spouse beneficiary is calculated by dividing the IRA account balance as of the close of business on December 31 of the previous year by the applicable distribution period. The applicable distribution period is the beneficiary's life expectancy listed in "Table 1 (Single Life Expectancy)" for the beneficiary's birthday in the calendar year immediately following the calendar year of death of the plan participant, reduced by 1 for each subsequent year until the death of the beneficiary.

If the eligible retirement plan uses the 5-year rule (or 10-year rule) to determine required minimum distributions for beneficiaries, then if the non-spouse beneficiary made the rollover to the ABO-IRA before the end of the calendar year immediately following the calendar year in which the death of the plan participant occurred, the beneficiary can elect to have required minimum distributions from the ABO-IRA determined under the life expectancy rule or the 5- or 10-year rule. However, if the non-spouse beneficiary made the rollover to the ABO-IRA in the second through fourth calendar years following the calendar year in which the death of the plan participant occurred, the beneficiary must use the 5-year (or 10-year) rule under the ABO-IRA.

**17(f) Income Taxation.**
Your beneficiary(ies) may be taxed on the benefit payments they receive from their account. The income tax treatment of an inherited IRA depends on the nature of the account (for example, Traditional or Roth IRA) and the contributions (for example, tax-deductible or non-deductible). (See items 4-7.)

**17(g) Estate Taxation.**
Your IRA is fully includible in your gross estate and is subject to the federal estate tax to the same extent as any other asset in your estate. However, generally there is no estate tax on transfers of assets to a surviving spouse at death.

Under current law for a death in 2020, there is no estate tax on transfers to any person if your total estate and prior taxable gifts do not exceed $11,580,000. The amount will be adjusted for inflation for years after 2020 and through 2025. In 2026, the limit is scheduled to revert to the 2017 amount ($5,490,000).

You should consult with your accountant, lawyer, or other qualified tax advisor for additional information regarding your estate.

**17(h) Gift Taxation.**
The distribution to a beneficiary(ies) of your IRA account upon your death is not a gift subject to federal gift tax.

## 18. FEES AND EXPENSES

**18(a) Administrative and Other Fees.**
We may charge annual service fees or other administrative fees (for example, a transfer, rollover or termination fee) in connection with preparing reports, keeping records, or the maintenance of your IRA in accordance with our fee schedule in effect from time to time and subject to change at any time. These fees will be paid from your account unless we, in our sole discretion, agree to accept payment directly from you. We may liquidate any investments in your account for the purposes of making such payments. If your account is not sufficient to satisfy the amounts due or the investments are not sufficiently liquid, we, in our sole discretion, may charge you for the unpaid amounts.

Any other reasonable expenses including administrative expenses, legal fees, the cost of fiduciary insurance, or other matters incurred by us at your request or necessitated by your actions (or incurred by us in the administration of this IRA), that are over and above the services set forth in the fee schedule will be paid from your account unless we, in our sole discretion, agree to accept payment directly from you. We may liquidate any investments in your account for the purpose of making such payments. If you have elected to self-direct investments (other than, as applicable, savings and time deposits), there may be additional fees charged by us as well as normal fees charged by the Broker-Dealer for such investments. Such additional fees and charges are set forth in U.S. Bancorp Investments' current schedule of fees, and you acknowledge receipt of a copy of such schedule and acknowledge that such fees are subject to change at any time.

If it is necessary to liquidate or partially liquidate an investment in order to pay the required fees, we may choose, in our sole discretion, which investment(s) to liquidate and we will have no liability to you or any beneficiary for such selection and liquidation. In order to understand what other fees apply to particular investments selected by you, you must contact the Broker-Dealer.

You have been informed of the current fees applicable to your IRA in effect at the time that you established your IRA. These fees and charges are subject to change at any time.

**18(b) Early Withdrawal and Other Penalties.**
We are not responsible for any penalties imposed for premature withdrawal or redemption of any investment, such as time deposit certificates or back-end load mutual funds or for any tax or other penalty resulting from any contribution, investment, withdrawal, or other distribution (including a required minimum distribution) selected by you or required under the terms of the Custodial Agreement.

## 19. OTHER IMPORTANT INFORMATION

**19(a) IRS Approval.**
**Account Documents.** On March 26, 2014, we received an Internal Revenue Service opinion letter regarding the form of our prototype custodial account for Traditional IRAs and Roth IRAs. Internal Revenue Service approval is a determination only as to form and does not represent a determination on the merits of investment in this IRA.

As we make amendments to the Traditional/Roth IRA Custodial Agreement from time to time, we in our sole discretion may submit the amendments to the IRS for approval as to form.

**Account Administration.** The IRA Custodian must be a bank or another financial organization that has been authorized by the IRS to act as custodian of IRAs. This authorization is based on a determination that the organization will administer the accounts in accordance with the requirements of the Internal Revenue Code.

**19(b) Future Amendments.**
We may make any amendments to the Traditional/Roth IRA Custodial Agreement we deem advisable including (but not limited to) changes that are required to keep your IRA in compliance with applicable laws. You will be notified of any such amendment.

**19(c) Income Tax Returns.**
Ordinarily, you will not need to file any special forms with the IRS for your IRA. However, you must file Form 8606 (titled "Nondeductible IRA") for a year if you:

- Made a non-deductible contribution to your Traditional IRA
- Received a distribution from a Traditional IRA that holds non-deductible contributions and did not rollover the distribution tax-free
- Converted part or all of a Traditional IRA (including SEP-IRAs and SIMPLE IRAs) to a Roth IRA, or
- Received a distribution from a Roth IRA.

Also, if there has been an excess contribution (see preceding item 12), a premature distribution (see preceding item 16), or an excess accumulation (see preceding item 4(l)), you must file Form 5329 (titled "Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts") to report it.

If you must file a form, you should attach it to your regular Form 1040 or file the form separately if you are not required to file a federal income tax return for the year.

**19(d) Further Information.**
Any IRS district office will provide further information about IRAs, including a copy of IRS Publication 590-A (titled "Contributions to Individual Retirement Arrangements (IRAs)"), IRS Publication 590-B (titled "Distributions from Individual Retirement Arrangements (IRAs)"), IRS Publication 575 (titled "Pension and Annuity Income"), and IRS Publication 939 (titled "General Rule for Pensions and Annuities"). You also may call 800-TAX-FORM (800-829-3676).

**19(e) State Laws.**
Some states and localities may have tax laws that are different from the federal laws for IRAs. Those laws are not covered in this disclosure statement.

**19(f) Legal Incapacity.**
If you (or your beneficiary(ies), upon your death) are a minor or otherwise legally disabled, then we may require that any and all rights that you (or your beneficiary(ies)) could otherwise exercise under the terms of the custodial agreement or at law be exercised on your behalf (or on your beneficiary's(ies') behalf) by your representative (or that of your beneficiary(ies)) and may rely on the authority and direction of such representative for all actions taken with respect to the account.

**19(g) Written Notices.**
**Notices to You.** Notices to you (or your beneficiary(ies)), may be provided by us by mail or by electronic means. If any such notice is provided by mail, it will be deemed to have been given when sent by mail to your (or your beneficiary's(ies') most recent address in our records. If any such notice is provided by electronic means, it will be deemed to have been given when transmitted to your (or your beneficiary's(ies') most recent e-mail or other electronic address in our records. You acknowledge that any notices provided electronically to you (or your beneficiary(ies)) will be deemed to have been provided in writing for purposes of this IRA and applicable federal and state laws.

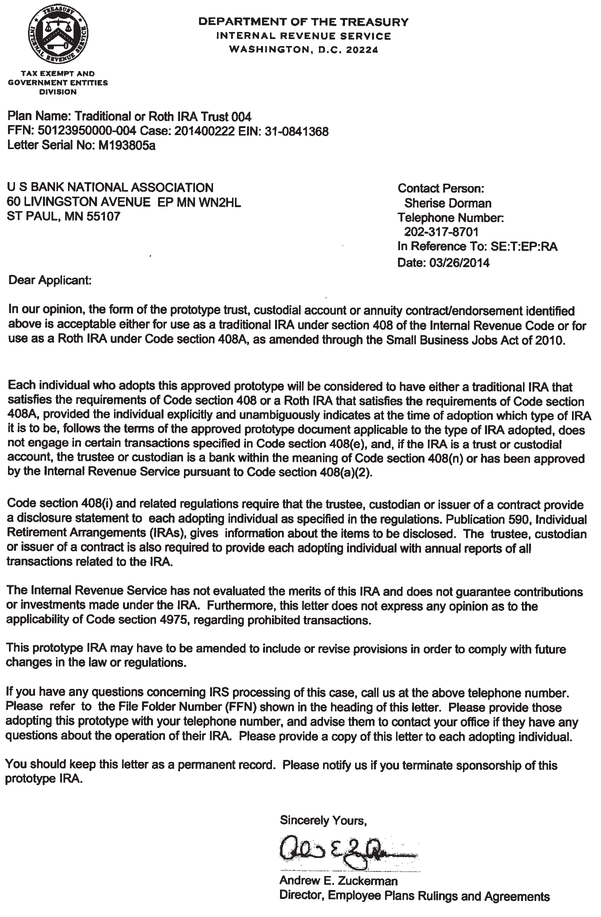
**Notices to Us.** Notices to us may be provided by you (or your beneficiary(ies)), by mail or by such electronic means as we may authorize from time to time by written notice to you (or your beneficiary(ies)). If any such notice is provided by mail, it will be deemed to have been given when received by us at our principal office or at such other address as we may provide to you (or your beneficiary(ies)) from time to time. If any such notice is provided by electronic means, it will be deemed to have been given when received by us in accordance with our procedures for such notices. We acknowledge that any notices provided electronically to us in accordance with our procedures will be deemed to have been provided in writing for purposes of this IRA and applicable federal and state law.

**19(h) Legal and Tax Advice.**
You are responsible for determining the legal and tax implications of: (1) the type of IRA you have selected, (2) your eligibility for the IRA, (3) the amount of contributions made to the IRA, (4) the deductibility of contributions to the IRA, (5) withdrawals from the IRA and related taxation, and (6) any conversion or recharacterization of IRA assets. We have not provided and are prohibited from providing you with legal or tax advice. You are encouraged to consult with an accountant, lawyer, or other qualified tax advisor about how the rules apply to your own situation.

**19(i) Definition of Spouse.**
For all purposes under this Disclosure Statement, the term "spouse" means the person to whom you are legally married, as determined under federal tax law. This may include opposite or same-sex spouses, but does not include those in domestic partnerships or civil unions that are not recognized as married for federal tax purposes. You are encouraged to consult with an accountant, lawyer or other qualified tax advisor about how the rules apply to your situation.

Below is the IRS opinion letter dated March 26, 2014 for our Traditional & Roth IRA Custodial Agreement. You may order a hard copy of the letter by calling 800.888.4700 or view it on our client website by following these steps:

1. Log in to **usbank.com**. If you have not used U.S. Bank Online Banking, click on "Enroll Now" to begin the simple enrollment process.
2. Click on your brokerage account.
3. From the Summary page, click on the "Traditional & Roth IRA IRS Opinion Letter" link under Useful Links on the right side of the page. If you do not see Useful Links, go to Tools > Preferences > Summary and Watchlist to enable this item.



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Plan Name: Traditional or Roth IRA Trust 004
FFN: 50123950000-004 Case: 201400222 EIN: 31-0841368
Letter Serial No: M193805a

U S BANK NATIONAL ASSOCIATION
60 LIVINGSTON AVENUE EP MN WN2HL
ST PAUL, MN 55107

Contact Person:
Sherise Dorman
Telephone Number:
202-317-8701
In Reference To: SE:T:EP:RA
Date: 03/26/2014

Dear Applicant:

In our opinion, the form of the prototype trust, custodial account or annuity contract/endorsement identified above is acceptable either for use as a traditional IRA under section 408 of the Internal Revenue Code or for use as a Roth IRA under Code section 408A, as amended through the Small Business Jobs Act of 2010.

Each individual who adopts this approved prototype will be considered to have either a traditional IRA that satisfies the requirements of Code section 408 or a Roth IRA that satisfies the requirements of Code section 408A, provided the individual explicitly and unambiguously indicates at the time of adoption which type of IRA it is to be, follows the terms of the approved prototype document applicable to the type of IRA adopted, does not engage in certain transactions specified in Code section 408(e), and, if the IRA is a trust or custodial account, the trustee or custodian is a bank within the meaning of Code section 408(n) or has been approved by the Internal Revenue Service pursuant to Code section 408(a)(2).

Code section 408(i) and related regulations require that the trustee, custodian or issuer of a contract provide a disclosure statement to each adopting individual as specified in the regulations. Publication 590, Individual Retirement Arrangements (IRAs), gives information about the items to be disclosed. The trustee, custodian or issuer of a contract is also required to provide each adopting individual with annual reports of all transactions related to the IRA.

The Internal Revenue Service has not evaluated the merits of this IRA and does not guarantee contributions or investments made under the IRA. Furthermore, this letter does not express any opinion as to the applicability of Code section 4975, regarding prohibited transactions.

This prototype IRA may have to be amended to include or revise provisions in order to comply with future changes in the law or regulations.

If you have any questions concerning IRS processing of this case, call us at the above telephone number. Please refer to the File Folder Number (FFN) shown in the heading of this letter. Please provide those adopting this prototype with your telephone number, and advise them to contact your office if they have any questions about the operation of their IRA. Please provide a copy of this letter to each adopting individual.

You should keep this letter as a permanent record. Please notify us if you terminate sponsorship of this prototype IRA.

Sincerely Yours,

Andrew E. Zuckerman
Director, Employee Plans Rulings and Agreements

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