

# Roth IRA Amendment

## Dear Roth IRA Owner:

The purpose of this Amendment is to incorporate changes in law and policy that affect your Roth IRA Agreement. This Amendment replaces the IRS Form 5305-RA Agreement and Disclosure Statement that you received at the time your Roth IRA was established or amended, whichever is later. Our relationship and your Roth IRA will be governed by this Amendment. Please read this Amendment carefully as you would any other legal document. This Amendment should be kept in a safe place along with your other Roth IRA records.

## SUMMARY OF CHANGES

The following Summary of IRA Changes is being provided to you, to show what Roth IRA rules have changed over the last 11 years (through 2021) applicable to this account with Cetera Investment Services (us) and its' agent Pershing, LLC. We have summarized changes to the Roth IRA Agreement (Form 5305-RA) and Disclosure Statement over this long time span knowing you may have established this Roth IRA more recently. If your Agreement was established with us since 2011 you can determine which changes have occurred since your Roth IRA was established by taking into account those rules specified by year, from the year when you established the Roth IRA with us. For example, if you established your Roth IRA with us in 2017, you should review changes listed as 2017 or more current, as those changes impact your Roth IRA and the Agreement with us.

### IRS Form 5305-RA, Roth Individual Retirement Custodial Account

**Article I.** 2017 (November): The cash contribution limits were updated.

**Article II.** 2017 (November): "who is single or treated as single" was added to the second sentence and "single" was removed from the same sentence. Annual contribution amounts were updated. Conversion Contribution language was removed and "These phase-out ranges are for 2017. For years after 2017, the phase-out ranges, except for the \$0 to \$10,000 range, will be increased to reflect a cost-of-living adjustment, if any." was added towards the end of the paragraph.

#### **Article IX.**

##### **9.01 Your Roth IRA Documents.**

2017 (November): "Articles I through VIII of the IRS 5305 agreement have been reviewed and approved by the IRS." was added after the first sentence.

##### **9.13 Spouse Beneficiary.**

2012 (November): Updated this section to include information regarding the default election for a spouse beneficiary.

##### **9.14 Cash or In-Kind Contributions.**

2011 (June): Retitled this heading from **Transfer and Rollover Contributions** to more accurately reflect the means by which assets can be moved into the Roth IRA.

### Roth IRA Disclosure Statement

#### **Roth IRA Restrictions and Approval.**

##### **Roth IRA Restrictions and Approval.**

##### **3. Beneficiary Designation.**

2014 (October): Added the following sentence: If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your Roth IRA assets will be paid to your estate.

##### **4. Cash Contributions.**

2020 (November): Removed "reconversions" from the list of in-kind contributions that may be accepted.

##### **9. Cash or In-Kind Rollovers.**

2011 (June): Retitled this heading from **Tax-Free Rollovers** to more accurately reflect the means by which assets can be rolled over to the Roth IRA.

##### **13. IRS Approval of Form.**

2017 (November): Sentences "Articles I through VIII of this IRS agreement have been reviewed and approved by the IRS" and "Article IX of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS" were added to this section, and the sentence "This IRS document has been approved by the IRS." was removed from this section.

##### **14. State Laws.**

2020 (November): Amended the list of state laws that may affect an IRA.

#### **Roth IRA Eligibility and Contributions.**

##### **1. Regular or Annual Roth IRA Contributions.**

2020 (November): Clarified that a direct tax refund contribution is subject to your annual contribution limits.

##### **2. Compensation for Eligibility.**

2018 (January): Removes reference to including taxable alimony, or separate maintenance payments, received under a divorce decree or other separate agreement, in compensation.

##### **3. Limitations on Contributions.**

2012 (November): Updated the chart to reflect the current years' limits.

2013 (November): Updated the chart to reflect the current years' limits.

2014 (October): Updated the chart to reflect the current years' limits.

2015 (November): Updated the chart to reflect the current years' limits.

2016 (November): Updated the chart to reflect the current years' limits.

2017 (November): Updated the chart to reflect the current years' limits.

2018 (November): Updated the chart to reflect the current years' limits.

**2019 (November):** Updated the chart to reflect the current years' limits.

**2020 (November):** Updated the chart to reflect the current years' limits.

**2021 (November):** Updated the chart to reflect the current years' limits.

**5./4. Catch-Up Contributions.**

**2011 (June):** Removed the paragraph discussing additional IRA contributions of up to \$3,000 per year for individuals participating in a 401(k) plan of a bankrupt employer since it is no longer applicable.

**6./5. Maximum Contribution Limits.**

**2011 (June):** Updated the chart to reflect the current years' limits.

**2012 (November):** Updated the chart to reflect the current years' limits.

**2013 (November):** Updated the chart to reflect the current years' limits.

**2014 (October):** Updated the chart to reflect the current years' limits.

**2015 (November):** Updated the chart to reflect the current years' limits.

**2016 (November):** Updated the chart to reflect the current years' limits.

**2017 (November):** Updated the chart to reflect current contribution tax years.

**2018 (November):** Updated the chart to reflect current contribution tax years and the adjustment to the regular contribution limit from \$5,500 to \$6,000.

**2019 (November):** Updated the chart to reflect current years' limits.

**2020 (November):** Updated the chart to reflect the current years' limits.

**2021 (November):** Updated the chart to reflect the current years' limits.

**6. Contribution Deadline.**

**2018 (January):** Added reference to service in a hazardous duty area as an example of when the contribution deadline may be extended.

**2020 (November):** Made minor text changes to reflect the concept of postponed contributions.

**Moving Assets To and From Roth IRAs.**

**2. Roth IRA-to-Roth IRA Rollovers.**

**2014 (October):** You are limited to one rollover for all of your IRAs per 1-year (12-month) period (that is, only one nontaxable IRA-to-IRA rollover per taxpayer in a year – not one rollover for each IRA per year).

**3. MyRA-to-Roth IRA Rollovers and Transfers.**

**2014 (October):** This section is new. Renumbered the following sections.

**2020 (November):** This subsection was removed.

**4./3 Waiver/Extension of the 60-Day Period.**

**2018 (November):** Added language explaining the self-certification procedure that may be used to claim eligibility for waiver of the 60-day rollover period.

**2020 (November):** Changed “waive” to “extend” and “waiver” to “extension” throughout the subsection, including in the subsection heading. Made minor text changes to reflect the concept of a late rollover. Renumbered the heading as **3**.

**5. Transfers Due to Divorce.**

**2020 (November):** Renumbered the heading as **4**.

**6. Qualified Reservist Contributions.**

**2020 (November):** Renumbered the heading as **5** and renamed the subsection to **Repayment of a Qualified Reservist Distribution**.

**6. Repayment of a Qualified Birth or Adoption Distribution.**

**2020 (November):** Added a new subsection **6** to address new rules and permit such a repayment.

**Movement of Assets Between Traditional and Roth IRAs.**

**1. Traditional IRA to Roth IRA Conversions.**

**2011 (June):** Removed the conversion eligibility requirements since they are no longer applicable after 12/31/2009.

**2. Traditional IRA and Roth IRA Recharacterizations.**

**2018 (January):** Removed reference to cancelling a conversion from a traditional IRA to a Roth IRA through recharacterization; removed the reference regarding rollovers and direct rollovers from eligible retirement plans to Roth IRAs, and recharacterization of the same; and removed the **Traditional IRA to Roth IRA Reconversions** subsection.

**Movement of Other Assets to Roth IRAs**

**2. Rollovers or Direct Rollovers from Eligible Retirement Plans.**

**b. Designated Roth Account.**

**2020 (November):** In the last sentence, changed the phrase “Roth contributions” to “Designated Roth contributions.”

**e. Indirect Rollover and Withholding.**

**2018 (January):** Added language to address the extended deadline to roll over certain plan loan offset amounts.

**2018 (November):** Added language noting that an exception to the 60-day rollover period also applies to the return of an improper tax levy. Also, broadened the existing exception language to accommodate the possibility that new similar exceptions could be added in the future by labelling the return of an improper tax levy and the rollover of certain plan loan offset amounts as examples.

**2020 (November):** Changed the phrase “certain plan loan offsets” to “qualified plan loan offsets.” Made minor text change to reflect the concept of a late rollover. Removed the last sentence related to waiver of the 60-day rollover period.

**f. Rollover or Direct Rollover Eligibility.**

**2011 (June):** Removed this section since the conversion eligibility requirements are no longer applicable after 12/31/2009.

**4. Rollovers Due to Airline Carrier Bankruptcy.**

**2018 (November):** Removed this subsection. The subsection related to the possibility of a qualified airline employee rolling over an airline payment amount as defined by law.

## 5. Qualified Settlement Income.

**2018 (November):** Removed this subsection. The subsection related to possibly rolling over certain qualified settlement income, for example, settlement income received in connection with the Exxon Valdez litigation.

## Roth IRA Distributions / Qualified Charitable Distributions

### 7. Tax-Free Distributions to Charities.

**2011 (June):** Removed information pertaining to the 12/31/2009 deadline.

**2016 (November):** Section has been retitled **Qualified Charitable Distributions**.

**2020 (November):** Added sentence related to tracking deductible contributions made after age 70½.

## RMDs / RMDs After Age 72

**2020 (November):** Renamed the section to **RMDs After Age 72**.

### 1. RMDs After Age 70½.

**2020 (November):** Changed age 70½ to age 72. Removed the heading and number.

### 2. Failure to Withdraw RMD.

**2020 (November):** This subsection was removed.

## RMDs For Your Beneficiaries.

### 6. 2009 RMDs Waived.

**2011 (June):** Removed this section since it is no longer applicable.

**2020 (November):** This entire section has been revised to address new rules for beneficiaries of a Roth IRA owner who dies in the year 2020 or later.

### 3. Eligible Designated Beneficiary.

#### b. Eligible Designated Beneficiary Who is Your Minor Child.

**2021 (November):** Revised subsection to address new IRA rule for eligible designated beneficiaries who are surviving minor children of the Roth IRA account owner, that they must remove all assets from the Roth IRA by the tenth anniversary of the date they attain the age of majority.

#### c. Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).

**2021 (November):** Added the requirement that qualifying trusts choosing the single life expectancy option must use the age of the oldest trust beneficiary when calculating the RMD.

## Federal Income Tax Status of Your Roth IRA.

### 3. Taxation of Distributions.

**2020 (November):** Added the word “generally” in the second to last sentence.

## Federal Tax Penalties and IRS Form 5329.

### 1. Early-Distribution Penalty Tax.

**2020 (November):** Added “qualified birth or adoption distributions” to the list of early distribution 10-percent penalty tax exceptions.

## Disaster Tax Relief / Disaster Tax Relief and Repayment of a Qualified Disaster Distribution

**2017 (November):** Updated the Disaster Tax Relief section to summarize the requirements of the Disaster Tax Relief and Airport and Airway Extension Act of 2017.

**2018 (November):** Removed reference to IRC Section 1400Q. Clarified that the IRS considers qualified disaster distribution amounts put back into a Roth IRA to be “repayments” and not “rollovers.” Added reference to IRS Publication 976, Disaster Relief.

**2020 (November):** Renamed section as **Disaster Tax Relief and Repayment of a Qualified Disaster Distribution**. Removed the sentence saying disaster distributions may be subject to a lifetime aggregate. Removed reference to IRS Publication 976. Updated the URL where disaster relief information can be found on the IRS website.

# ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

(Under Section 408A of the Internal Revenue Code)

Form **5305-RA** (Rev. April 2017) Department of the Treasury Internal Revenue Service  
The depositor and the custodian make the following agreement:

Do Not File with  
Internal Revenue Service

☒ Amendment

**Article I.** Except in the case of a qualified rollover contribution described in section 408A(e) or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$5,500 per year for 2013 through 2017. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 per year for 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

**Article II.** Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a depositor who is single or treated as single, the annual contribution is phased out between adjusted gross income (AGI) of \$118,000 and \$133,000; for a married depositor filing jointly, between AGI of \$186,000 and \$196,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. These phase-out ranges are for 2017. For years after 2017, the phase-out ranges, except for the \$0 to \$10,000 range, will be increased to reflect a cost-of-living adjustment, if any. Adjusted gross income is defined in section 408A(c)(3).

2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

**Article III.** The depositor's interest in the balance in the custodial account is nonforfeitable.

## Article IV.

1. No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

2. No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## Article V.

1. If the depositor dies before his or her entire interest is distributed to him or her and the depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below.

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the depositor.

(b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the depositor's death and subtracting 1 from the divisor for each subsequent year.

3. If the depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the depositor.

## Article VI.

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The custodian agrees to submit to the IRS and depositor the reports prescribed by the IRS.

**Article VII.** Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles inconsistent with section 408A, the related regulations, and other published guidance will be invalid.

**Article VIII.** This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Application that accompanies this agreement.

## Article IX.

**9.01 Your Roth IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for Roth IRAs, amendments, application, beneficiary designation, disclosure statement, and other documentation, if any, set forth the terms and conditions governing your Roth individual retirement account (IRA) and your or, after your

death, your beneficiary's relationship with us. Articles I through VIII of the IRS 5305 agreement have been reviewed and approved by the IRS. The disclosure statement sets forth various Roth IRA rules in simpler language. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**9.02 Definitions.** This agreement refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your Roth IRA, such third party will be your agent and will be considered "you" for purposes of this agreement. Additionally, references to "Roth IRA" will mean the custodial account.

**9.03 Additional Provisions.** Additional provisions may be attached to, and made a part of, this agreement by either party. The provisions must be in writing, agreed to by us, and in a format acceptable to us.

**9.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your Roth IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. We may deduct fees directly from your Roth IRA assets or bill you separately. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your Roth IRA assets to pay such fees and expenses. If you do not direct us on the liquidation we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.05 Amendments.** We may amend your Roth IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the Roth IRA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the Roth IRA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

**9.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

**9.07 Applicable Laws.** This agreement will be construed and interpreted in accordance with the laws of, and venue in, our state of domicile.

**9.08 Disqualifying Provisions.** Any provision of this agreement that would disqualify the Roth IRA will be disregarded to the extent necessary to maintain the account as a Roth IRA.

**9.09 Interpretation.** If any question arises as to the meaning of any provision of this agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.

**9.10 Representations and Indemnity.** You represent that any information you or your agents provide to us is accurate and complete, and that your actions comply with this agreement and applicable laws governing retirement plans. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your Roth IRA issues.



We are not responsible for determining whether your contributions or distributions comply with this agreement or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties, or expenses incurred in connection with your Roth IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

#### **9.11 Investment of Roth IRA Assets.**

This Roth IRA is being offered in conjunction with broker-dealers affiliated with us. The investment services and options are provided by those affiliated broker-dealers. Your investment account will be held by Pershing, LLC.

Your broker-dealer will provide you with information regarding the self-directed investment options available to you, including non-deposit investments such as annuities, mutual funds, stocks, bonds and government, municipal and U.S. Treasury securities. Deposit investments may also be available, including savings, share and/or money market accounts, and certificates of deposit. These investments are subject to investment risks, including possible loss of the principal amount invested.

Contributions will be invested by your broker-dealer in accordance with your instructions. If you fail to provide instructions, we will either return the contribution to your employer or hold all or part of it. We are not responsible for any losses you may incur by failing to provide appropriate investment directions to your broker-dealer. Your investments will generally be registered in our name or in Pershing or its nominee's name for the benefit of your Roth IRA.

Based on our policies and those of your broker-dealer, we may allow you to delegate investment responsibility to your agent. You are solely responsible for the actions of your agent, as neither we nor your broker-dealer will monitor your agent's actions. We are not responsible for the suitability of your investments.

Certain investment fees may be charged to your Roth IRA and cannot be paid by you. In those instances, we, your broker-dealer and/or Pershing may liquidate your investments to pay these fees and expenses, federal tax levies or other assessments on your Roth IRA. If you do not give us, your broker-dealer or Pershing direction regarding which investments to liquidate, the investments to liquidate will be chosen by us, your broker-dealer or Pershing.

#### **9.12 Distributions.** Withdrawal requests must be in a format acceptable to us, or on forms provided by us. We may require you, or your beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number, before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

Required minimum distributions for your beneficiaries will be based on Treasury Regulations 1.408A-6, 1.401(a)(9) and 1.408-8 in addition to our then current policies and procedures. The required minimum distribution regulations are described within the Disclosure Statement. In the event a beneficiary, after your death, fails to take a required minimum distribution we may do nothing, distribute the entire Roth IRA balance, or distribute the required minimum distribution based on our own calculation.

#### **9.13 Spouse Beneficiary.** Notwithstanding Article V, a spouse beneficiary shall be permitted all the beneficiary options allowed under law or applicable regulations. The default election for a spouse beneficiary is the life expectancy method. If your surviving spouse fails to take the required minimum distribution, he/she is deemed to have treated your Roth IRA as his/her own. If your surviving spouse is your sole beneficiary, your spouse may treat your Roth IRA as his/her own Roth IRA and would not be subject to the required minimum distribution rules.

#### **9.14 Cash or In-Kind Contributions.** We may accept transfers, rollovers, conversions, and other similar contributions in cash or in kind from other IRAs, eligible retirement plans, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In kind contributions will be valued according to our policies and procedures at the time of the contribution.

#### **9.15 Reports and Records.** We will maintain the records necessary for IRS reporting on this Roth IRA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete, you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

#### **9.16 Termination.** You may terminate this agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.

#### **9.17 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this agreement, we can terminate this agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your Roth IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining Roth IRA fees or expenses. At the time of resignation, we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

#### **9.18 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your Roth IRA.

#### **9.19 Arbitration Clause. THIS AGREEMENT CONTAINS A PREDISPUTE ARBITRATION CLAUSE. BY SIGNING AN ARBITRATION AGREEMENT THE PARTIES AGREE AS FOLLOWS:**

- (A) ALL PARTIES TO THIS AGREEMENT ARE GIVING UP THE RIGHT TO SUE EACH OTHER IN COURT, INCLUDING THE RIGHT TO A TRIAL BY JURY, EXCEPT AS PROVIDED BY THE RULES OF THE ARBITRATION FORUM IN WHICH A CLAIM IS FILED.
- (B) ARBITRATION AWARDS ARE GENERALLY FINAL AND BINDING; A PARTY'S ABILITY TO HAVE A COURT REVERSE OR MODIFY AN ARBITRATION AWARD IS VERY LIMITED.
- (C) THE ABILITY OF THE PARTIES TO OBTAIN DOCUMENTS, WITNESS STATEMENTS AND OTHER DISCOVERY IS GENERALLY MORE LIMITED IN ARBITRATION THAN IN COURT PROCEEDINGS.
- (D) THE ARBITRATORS DO NOT HAVE TO EXPLAIN THE REASON(S) FOR THEIR AWARD UNLESS, IN AN ELIGIBLE CASE, A JOINT REQUEST FOR AN EXPLAINED DECISION HAS BEEN SUBMITTED BY ALL PARTIES TO THE PANEL AT LEAST 20 DAYS PRIOR TO THE FIRST SCHEDULED HEARING DATE.
- (E) THE PANEL OF ARBITRATORS WILL TYPICALLY INCLUDE A MINORITY OF ARBITRATORS WHO WERE OR ARE AFFILIATED WITH THE SECURITIES INDUSTRY.
- (F) THE RULES OF SOME ARBITRATION FORUMS MAY IMPOSE TIME LIMITS FOR BRINGING A CLAIM IN ARBITRATION. IN SOME CASES, A CLAIM THAT IS INELIGIBLE FOR ARBITRATION MAY BE BROUGHT IN COURT.
- (G) THE RULES OF THE ARBITRATION FORUM IN WHICH THE CLAIM IS FILED, AND ANY AMENDMENTS THERETO, SHALL BE INCORPORATED INTO THIS AGREEMENT.

YOU AGREE THAT ANY DISPUTE BETWEEN YOU AND US ARISING OUT OF THIS AGREEMENT SHALL BE SUBMITTED TO ARBITRATION CONDUCTED UNDER THE THEN APPLICABLE PROVISIONS OF THE CODE OF ARBITRATION PROCEDURE OF FINRA. ARBITRATION MUST BE COMMENCED WITHIN THE APPLICABLE STATUTE OF LIMITATIONS. THE ARBITRATION AWARD SHALL BE FINAL AND JUDGMENT MAY BE ENTERED ON THE AWARD IN ANY COURT, STATE OR FEDERAL, HAVING JURISDICTION.

NO PERSON SHALL BRING A PUTATIVE OR CERTIFIED CLASS ACTION TO ARBITRATION, NOR SEEK TO ENFORCE ANY PRE-DISPUTE ARBITRATION AGREEMENT AGAINST ANY PERSON WHO HAS INITIATED IN COURT A PUTATIVE CLASS ACTION; OR WHO IS A MEMBER OF A PUTATIVE CLASS WHO HAS NOT OPTED OUT OF THE CLASS WITH RESPECT TO ANY CLAIMS ENCOMPASSED BY THE PUTATIVE CLASS ACTION UNTIL: (I) THE CLASS CERTIFICATION IS DENIED; OR (II) THE CLASS IS DECERTIFIED; OR (III) THE CUSTOMER IS EXCLUDED FROM THE CLASS BY THE COURT. SUCH FORBEARANCE TO ENFORCE AN AGREEMENT TO ARBITRATE SHALL NOT CONSTITUTE A WAIVER OF ANY RIGHTS UNDER THIS AGREEMENT EXCEPT TO THE EXTENT STATED HEREIN.

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

## Purpose of Form

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A. However, only Articles I through VIII have been reviewed by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

**Do not** file Form 5305-RA with the IRS. Instead, keep it with your records.

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after 5 years that are made when the depositor is 59½ years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not includible in gross

income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590-A**, Contributions to Individual Retirement Arrangements (IRAs), and **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs).

## Definitions

**Custodian.** The custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian.

**Depositor.** The depositor is the person who establishes the custodial account.

## Specific Instructions

**Article I.** The depositor may be subject to a 6% tax on excess contributions if (1) contributions to other individual retirement arrangements of the depositor have been made for the same tax year, (2) the depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or (3) the depositor's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year.

**Article V.** This article describes how distributions will be made from the Roth IRA after the depositor's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the depositor's intent. Under paragraph 3 of Article V, the depositor's spouse is treated as the owner of the Roth IRA upon the death of the depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

**Article IX.** Article IX and any that follow it may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the depositor, etc. Attach additional pages if necessary.

## ROTH IRA DISCLOSURE STATEMENT

**Right to Revoke Your Roth IRA.** With some exceptions, you have the right to revoke this Roth individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Roth IRA, we will return your entire Roth IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. Exceptions to your right of revocation include that you may not revoke a Roth IRA established with a recharacterized contribution, nor do you have the right to revoke upon amendment of this agreement.

You may revoke your Roth IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your Roth IRA, please call or write to us. Our telephone number, address, and a contact name to be used for communications can be found on the application that accompanies this Disclosure Statement and Internal Revenue Service (IRS) Forms 5305 series agreement.

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this Roth IRA.

**Definitions.** The IRS Forms 5305 series agreement for Roth IRAs contains a definitions section. The definitions found in such section apply to this agreement. The IRS refers to you as the depositor, and us as the custodian. References to "you," "your," and "Roth IRA owner" will mean the depositor, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your Roth IRA, such third party will be considered your agent and, therefore, "you" for purposes of this agreement. Additionally, references to "Roth IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any Roth IRA establishment documents. For more information, you can also refer to IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

## Roth IRA Restrictions and Approval.

- IRS Form 5305-R or 5305-RA Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, application, and additional provisions set forth the terms and conditions governing your Roth IRA. Such documents are the agreement.
- Individual/Beneficiary Benefit.** This Roth IRA must be for the exclusive benefit of you and, upon your death, your beneficiaries. The Roth IRA must

be established in your name and not in the name of your beneficiary, living trust, or another party or entity.

- Beneficiary Designation.** By completing the appropriate section on the corresponding Roth IRA application you may designate any person(s) as your beneficiary to receive your Roth IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your Roth IRA assets will be paid to your estate. We may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the Roth IRA assets under a subsequently filed designation or for any other reason.
- Cash Contributions.** Regular or annual Roth IRA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers, direct rollovers, transfers, conversions, or recharacterizations.
- Roth IRA Custodian.** A Roth IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as a Roth IRA custodian.
- Prohibition Against Life Insurance and Commingling.** None of your Roth IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- Nonforfeitable.** The assets in your Roth IRA are not forfeitable.
- Collectibles.** Generally, none of your Roth IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Roth IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such coins and bullion are held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- Cash or In-Kind Rollovers.** You may be eligible to make a rollover contribution of your Roth IRA distribution, in cash or in kind, to a Roth IRA. Rollovers to and from Roth IRAs are described in greater detail elsewhere in this Disclosure Statement.
- Required Minimum Distribution (RMD) Rules For Beneficiaries.** This Roth IRA is subject to the RMD rules summarized in this agreement.
- No Prohibited Transactions.** If your account stops being a Roth IRA because you or your beneficiary engaged in a prohibited transaction, the account is treated as distributing all its assets to you at their fair market values on the first day of the year. If the total of those values is more than



your basis in the Roth IRA, you will have a taxable gain that is includible in your income.

12. **No Pledging.** If you use a part of your Roth IRA as security for a loan, that part is treated as a distribution and is included in your gross income. You may have to pay the 10% additional tax on early distributions.
13. **IRS Approval of Form.** This agreement includes an IRS Forms 5305 series agreement. Articles I through VIII of this IRS agreement have been reviewed and approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Roth IRA. Article IX of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS.
14. **State Laws.** State laws may affect your Roth IRA in certain situations, including beneficiary designations, agency relationships, spousal consent, unclaimed property, taxes, and reporting.

#### Roth IRA Eligibility and Contributions.

1. **Regular or Annual Roth IRA Contribution.** An annual contribution, commonly referred to as a regular contribution, is your contribution for the tax year, and is based on your and your spouse's compensation if filing jointly. Your designation of the tax year for your contribution is irrevocable. You may direct all or a portion of any tax refund directly to an IRA, up to your annual contribution limit.

If you are married and file a joint federal income tax return, you or your spouse may make a contribution on your behalf for that tax year if you or your spouse have compensation. This contribution must be made into your Roth IRA, and it cannot exceed the contribution limits applicable to regular Roth IRA contributions.

2. **Compensation for Eligibility.** You are eligible to contribute to your Roth IRA if you have compensation (also referred to as earned income). The amount you may contribute may be limited based on your modified adjusted gross income (MAGI). The instructions to your federal income tax return will provide helpful information in determining your compensation and MAGI amounts.

Common examples of compensation include wages, salary, tips, bonuses, and other amounts received for providing personal services, and earned income from self-employment. Compensation does not include earnings and profits from property such as dividends, interest, or capital gains, or pension, annuity, or deferred compensation plan amounts.

3. **Limitations on Contributions.** The amount you can contribute depends on your MAGI for the tax year for which the contribution applies, your marital status, and your tax-filing status. The following chart shows how your MAGI and status affect your contribution limit. The greater your MAGI, the lesser the amount you may contribute.

2021 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$125,000	Full Contribution	Full Contribution	No Contribution
\$125,001 - \$139,999	Phaseout	Full Contribution	No Contribution
\$140,000 - \$198,000	No Contribution	Full Contribution	No Contribution
\$198,001 - \$207,999	No Contribution	Phaseout	No Contribution
\$208,000 or over	No Contribution	No Contribution	No Contribution

2022 MAGI LIMITS			
Modified AGI (MAGI)*	Single	Married, Filing Jointly	Married, Filing Separately**
Less than \$10,000	Full Contribution	Full Contribution	Phaseout
\$ 10,000 - \$129,000	Full Contribution	Full Contribution	No Contribution
\$129,001 - \$143,999	Phaseout	Full Contribution	No Contribution
\$144,000 - \$204,000	No Contribution	Full Contribution	No Contribution
\$204,001 - \$213,999	No Contribution	Phaseout	No Contribution
\$214,000 or over	No Contribution	No Contribution	No Contribution

\*Subject to annual cost-of-living adjustments, if any.

\*\*An individual who is married, filing separately, and who lived apart from his/her spouse the entire year, can use the MAGI limit for a single filer to determine his/her contribution limit.

IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and the instructions to your federal income tax return also contain helpful calculation information.

4. **Catch-Up Contributions.** Catch-up contributions are regular Roth IRA contributions made in addition to any other regular Roth IRA contributions. You are eligible to make catch-up contributions if you meet the eligibility

requirements for regular contributions and you attain age 50 by the end of the taxable year for which a catch-up contribution is being made.

5. **Maximum Contribution Limits.** Your regular (including catch-up) Roth IRA contributions are limited to the lesser of 100 percent of your and your spouse's compensation if filing jointly or the dollar amounts set forth on the following chart.

Contribution Tax Year	Regular Contribution Limit	Catch-Up Contribution Limit	Total Contribution Limit
2021	\$6,000	\$1,000	\$7,000
2022	\$6,000	\$1,000	\$7,000
2023 and later years	\$6,000*	\$1,000	\$7,000*

\*The regular IRA contribution limits are subject to annual cost-of-living adjustments, if any.

6. **Contribution Deadline.** You may make regular (including catch-up) Roth IRA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15. The deadline may be extended or postponed in some situations. Examples of postponed contributions include a federally declared disaster, a terroristic or military action, or service in a hazardous duty area or combat zone.
7. **Roth IRA and Traditional IRA Contribution Limit.** Your combined regular (including catch-up) traditional IRA and Roth IRA contributions may not exceed the maximum contribution limit set forth in the previous chart.
8. **SEP and SIMPLE IRA Contributions.** Your employer may not make simplified employee pension (SEP) plan or Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan contributions to this Roth IRA.

**Nonrefundable Tax Credit.** You may be eligible to take a tax credit for your regular Roth IRA contributions. The credit is equal to a percentage of your qualified contributions up to \$2,000. The credit cannot exceed \$1,000 for any tax year. To be eligible for the tax credit, you must be age 18 or older by the end of the applicable tax year, not a dependent of another taxpayer, not a full-time student, and satisfy certain restrictions on distributions.

**Moving Assets To and From Roth IRAs.** There are a variety of transactions that allow you to move your retirement assets to and from your Roth IRAs in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from Roth IRAs. We or any other financial organizations involved in the transaction may require documentation for such activities.

1. **Roth IRA-to-Roth IRA Transfers.** You may transfer all or a portion of your Roth IRA assets from one Roth IRA to another Roth IRA. A Roth IRA transfer means that the Roth IRA assets move from one Roth IRA to another Roth IRA in a manner that prevents you from cashing or liquidating the Roth IRA assets, or even depositing the assets anywhere except in the receiving Roth IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on transfers. You may be required to complete a transfer authorization form prior to transferring your Roth IRA assets.
2. **Roth IRA-to-Roth IRA Rollovers.** A Roth IRA rollover is another way to move assets tax-free between Roth IRAs. You may roll over all or a portion of your Roth IRA assets by taking a distribution from a Roth IRA and recontributing part or all of it as a rollover contribution into the same or another Roth IRA. A rollover contribution is irrevocable. You must report your Roth IRA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the Roth IRA distribution is deposited within 60 calendar days following the date you receive the distributed assets. Any portion not rolled over will be subject to the Roth IRA ordering rules to determine income taxes and penalty taxes. The 60-day period may be extended to 120 days for a first-time homebuyer distribution where there is a delay or cancellation in the purchase or construction of the home. You are limited to one rollover per 1-year (12-month) period. You may only roll over one IRA distribution per 1-year period aggregated between all of your IRAs. For this purpose IRA includes rollovers among traditional (including SEP), SIMPLE, and Roth IRAs. For example, if you have IRA 1, IRA 2, and IRA 3, and take a distribution from IRA 1 and roll it over into a new IRA 4, you will have to wait 1 year from the date of that distribution to take another distribution from any of your IRAs and subsequently roll it over into an IRA. The 1-year limitation does not apply to rollovers related to first-time homebuyer distributions, distributions converted to a Roth IRA, and rollovers from an employer-sponsored eligible retirement plan.

3. **Extension of the 60-Day Period.** The Secretary of the Treasury may extend the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period. The IRS also provides for a self-certification procedure for making a late rollover (subject to verification by the IRS) that you may use to claim eligibility for an extension with respect to a rollover into an IRA. It provides that we may rely on the certification provided by you in accepting and reporting receipt of a rollover contribution after the 60-day period (i.e., a late rollover) if we don't have actual knowledge that is contrary to the self-certification.
4. **Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your Roth IRA to his/her Roth IRA.
5. **Repayment of a Qualified Reservist Distribution.** If you are a qualified reservist ordered or called to active duty after September 11, 2001 for more than 179 days (or for an indefinite period), and take an IRA distribution or take certain elective deferrals from an eligible retirement plan after September 11, 2001, and before the end of your active duty, you may make one or more contributions of these assets to your Roth IRA within two years of the end of your active duty.
6. **Repayment of a Qualified Birth or Adoption Distribution.** You may take a distribution of up to \$5,000 for a qualified birth or adoption within one year of the birth or from when the adoption is finalized. Such a distribution may be repaid to the IRA.

#### **Movement of Assets Between Traditional and Roth IRAs.**

1. **Traditional IRA to Roth IRA Conversions.** You may convert all or a portion of your traditional IRA assets to a Roth IRA. Your conversion assets (excluding prorated nondeductible contributions) are subject to federal income tax. Your conversion must be reported to the IRS. The 10 percent early-distribution penalty tax does not apply to conversions. If you elect to convert your assets using a rollover transaction, the 60-day rule applies. The one per 1-year limitation does not apply to conversions.
2. **Traditional IRA and Roth IRA Recharacterizations.** You may recharacterize, or choose to treat all or a portion of your regular (including catch-up) traditional IRA contribution as a regular Roth IRA contribution. Similarly, you may recharacterize all or a portion of your regular (including catch-up) Roth IRA contribution as a regular traditional IRA contribution. A recharacterization election is irrevocable. You must complete a recharacterization no later than your federal income tax-filing due date, including extensions, for the year you make the initial contribution. If you timely file your federal income tax return, you may still recharacterize as late as October 15 for calendar year filers. Recharacterizations must occur by transfer, which means that the assets, adjusted for gains and losses on the recharacterized amount, must be transferred into another IRA. The recharacterized contribution is treated as though you deposited it into the second IRA on the same day you actually deposited it in the first IRA. Recharacterization transactions are reported to the IRS. The election to recharacterize may be completed on your behalf after your death. A written notice of recharacterization is required for recharacterization transactions.

#### **Movement of Other Assets to Roth IRAs.**

1. **Conversions from SIMPLE IRAs.** You may not convert assets from a SIMPLE IRA to a Roth IRA until two years have passed since the date on which you first participated in an employer's SIMPLE IRA plan, which is the initial contribution date. If you participated in SIMPLE IRA plans of different employers, the initial contribution date and two-year period are determined separately for SIMPLE IRA assets from each employer.
2. **Rollovers or Direct Rollovers from Eligible Retirement Plans.** You may directly or indirectly roll over assets from an eligible retirement plan sponsored by your employer into your Roth IRA (also referred to as qualified rollovers). You are responsible for the consequences of rolling over assets, including designated Roth account assets, to a Roth IRA. Your plan administrator or employer is responsible for determining the amount of your assets in its eligible retirement plan that is eligible for rollover to a Roth IRA. Assets in a Roth IRA are not eligible to be rolled over to an eligible retirement plan.
  - a. **Eligible Retirement Plan (ERP).** Eligible retirement plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.

- b. **Designated Roth Account.** This is an account within an ERP under either IRC Sections 401(a), 403(b), or 457(b) that holds Roth contributions, in-plan Roth rollovers, and earnings. Designated Roth contributions are made by elective deferral with after-tax dollars.
- c. **Eligible Distributions.** Not all distributions from an ERP are eligible for rollover to a Roth IRA. The most common amounts which are not eligible for rollover include RMDs, defaulted loans, substantially equal periodic payments defined in IRC Section 402(c)(4)(A), and hardship distributions. Your employer determines which assets may not be rolled over and must provide you with an IRC Section 402(f) notice of taxation which explains the tax issues and rollover eligibility concerning the distribution.
- d. **Direct Rollover.** A direct rollover moves eligible distribution assets from your eligible retirement plan to your Roth IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving Roth IRA. A direct rollover is reported to the IRS. There are no IRS limitations, such as the 60-day period or one per 1-year limitation, on direct rollovers.
- e. **Indirect Rollover and Withholding.** An indirect rollover begins with a plan distribution made payable to you. In general, your employer is required to withhold 20 percent on the taxable portion of your eligible distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the time you deposit the distribution into a Roth IRA. If you are younger than age 59½, you are subject to a 10 percent early-distribution penalty tax on the taxable amount of the distribution that is not rolled over, unless a penalty tax exception applies. Your eligible distribution may be contributed to a Roth IRA during the 60 days following your receipt of a plan distribution. There may be exceptions to completing the rollover within 60 days. For example, exceptions for making a late rollover are available for rolling over the return of an improper tax levy as well as for rolling over qualified plan loan offset amounts. Generally, these exceptions permit amounts to be rolled over until the tax-filing due date of the year in which such amounts are, for example, returned or treated as distributed. Your decision to contribute the assets to a Roth IRA as a rollover contribution is irrevocable. The one per 1-year limitation does not apply to rollovers from eligible retirement plans. State withholding may apply to eligible distributions.
- f. **Taxes and Treatment of Qualified Rollover Contributions.** The rollover and direct rollover contribution amounts from an eligible retirement plan are referred to as "qualified rollover contributions." The taxable portion that is rolled or directly rolled over to a Roth IRA is subject to federal income tax. The 10 percent early-distribution penalty tax does not apply to these taxable amounts. However, if the taxable portion of the qualified rollover contribution is distributed from the Roth IRA within five years and an exception does not apply, the 10 percent penalty tax would apply in this later year. With respect to subsequent distributions from this Roth IRA that are nonqualified distributions, the qualified rollover contribution amount is considered as part of the nontaxable conversion category for purposes of the ordering rules.
- g. **Rollover or Direct Rollover of Designated Roth Account Assets.** Rollovers of designated Roth account assets to a Roth IRA are not taxable. The plan administrator will inform you if the distribution amount from the designated Roth account is qualified or nonqualified. Qualified distributions rolled over from designated Roth accounts are considered regular contributions for the Roth IRA "nonqualified distribution" ordering rules. The earnings portion of nonqualified distributions rolled over from designated Roth accounts is considered earnings for the Roth IRA ordering rules while the remainder is considered a regular contribution.
3. **Rollover of Military Death Gratuity.** If a person serving in the military dies from injuries received in such service and you are the beneficiary of either a military death gratuity or an amount under a Servicemembers Group Life Insurance (SGLI) program for such person, you may roll over part or all of these amounts to a Roth IRA. If the death occurred on or after June 17, 2008, the rollover contribution must be completed within one year of when each amount was received. These contributions are qualified rollover contributions.

**Roth IRA Distributions.** You, or after your death your beneficiary, may take a Roth IRA distribution at any time. Income and penalty taxes may be avoided by taking qualified distributions.

1. **Five-Year Holding Period.** The five-year holding period begins with the earlier of the first year for which you made any regular Roth IRA



contribution, the first year in which you made a conversion from a traditional IRA to any Roth IRA, the first year of a rollover or direct rollover of designated Roth account assets to any Roth IRA, the first year of a rollover or direct rollover of ERP assets to any Roth IRA, the first year of a qualified distribution repayment to any Roth IRA, or the first year of any other contribution treated as a qualified rollover contribution.

2. **Qualified Distributions.** A qualified distribution is a distribution which is made after the expiration of the five-year holding period and as the result of certain events. The events, which will create a qualified distribution after the expiration of the five-year holding period are as follows:
  - a. Distributions made on or after the date on which you attain age 59½;
  - b. Distributions made to your beneficiary after your death;
  - c. Distributions attributable to you being disabled; and
  - d. Qualified first-time homebuyer distributions.
3. **Nonqualified Distributions and the Ordering Rules.** If your distribution is not a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income for federal income tax purposes. Additionally, for each conversion or qualified rollover completed while you are younger than age 59½, a separate five-year holding period will be applied solely for determining if you owe a 10 percent early-distribution penalty. The ordering rules for Roth IRAs determine what portion of your distribution will be subject to income and penalty taxes. The ordering rules, which take into account all of your Roth IRAs, state that you are deemed to take your Roth IRA asset types in the following order: (1) all regular or annual contributions and amounts treated as such, (2) conversion and qualified rollover contributions and amounts treated as such on a first in first out basis, and (3) your earnings. All of your assets within a certain type must be removed before you may move on to the next asset type. For each conversion or qualified rollover contribution removed, the originally taxable portion is removed first and the nontaxable portion is removed last.
4. **Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings by your federal income tax return due date, including extensions, for the taxable year for which you made the contribution. The excess contribution amount distributed will not be taxable but the attributable earnings on the contribution will be taxable in the year in which you made the contribution and may be subject to the 10 percent early-distribution penalty tax. In certain situations, you may treat your excess as a regular (including catch-up) contribution for the next year. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
5. **Distributions of Unwanted Roth IRA Contributions by Tax-Filing Date.** You may withdraw all or a portion of your regular (including catch-up) Roth IRA contribution and attributable earnings in the same manner as an excess contribution. However, you cannot apply your unwanted contribution as a regular Roth IRA contribution for a future year. The unwanted contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which you made the contribution, and may be subject to the 10 percent early-distribution penalty tax. If you timely file your federal income tax return, you may still remove your unwanted contribution, plus attributable earnings, as late as October 15 for calendar year filers.
6. **Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your Roth IRA to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision may be includable in gross income for the tax year of the month you are not an eligible individual, may be subject to a 10 percent penalty tax.
7. **Qualified Charitable Distributions (QCD).** If you have attained age 70½, you may be able to make tax-free distributions directly from your Roth IRA to a qualified charitable organization. However, you must track the amount of all deductible contributions made for tax years while age 70½ or older and then reduce the QCD claimed by those prior deductible contributions.

Tax-free distributions are limited to \$100,000. Consult with your tax or legal professional regarding tax-free charitable distributions.

**RMDs After Age 72.** You are not required to take RMDs from your Roth IRA when you reach age 72. Furthermore, you cannot satisfy any RMDs for your traditional IRAs or SIMPLE IRAs by taking a distribution from any of your Roth IRAs.

**RMDs For Your Beneficiaries.** You can designate specific individuals or other entities—including, but not limited to, an estate, a trust, or a charitable organization—as your Roth IRA death beneficiaries. The named beneficiaries that survive inherit any assets remaining in the Roth IRA after your death. Different types of beneficiaries may have different options available.

1. **Types of Beneficiaries.** The different types of beneficiaries are designated beneficiaries, eligible designated beneficiaries and those that are not designated beneficiaries. Different types of beneficiaries will have different rules—and in some cases options or elections—and distribution periods available.
2. **Designated Beneficiary.** A designated beneficiary is any individual you name as a beneficiary who has an interest in your Roth IRA on the determination date, which is September 30 of the year following the year of your death. Certain qualifying trusts can also be a designated beneficiary. For a qualifying trust to be a designated beneficiary, the qualifying trust beneficiaries must be designated beneficiaries.

If your beneficiary is a designated beneficiary who is not an eligible designated beneficiary, such beneficiary will have to follow the ten-year rule and is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.
3. **Eligible Designated Beneficiary.** An eligible designated beneficiary is a designated beneficiary who is: 1) the Roth IRA owner's surviving spouse; 2) a Roth IRA owner's minor child (through the age of majority); 3) disabled (as defined by law); 4) a chronically ill individual (as defined by law); or 5) an individual who is not more than 10 years younger than the Roth IRA owner. Certain qualifying trusts can also be an eligible designated beneficiary. For a qualifying trust to be an eligible designated beneficiary, the qualifying trust beneficiaries must be eligible designated beneficiaries.

a. **Spouse Beneficiary.** Your spouse beneficiary may have the option of distributing the Roth IRA assets over a single life expectancy period or within ten years (the ten-year rule). Your spouse beneficiary may alternatively choose to treat the entire interest (all of the account) of the Roth IRA as his/her own Roth IRA.

Under the single life expectancy, if your spouse is your only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, he/she will use his/her age each year to determine the life expectancy divisor for calculating that year's RMD. If your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, your surviving spouse can postpone commencement of his/her RMDs until the end of the year in which you would have attained age 72.

If your spouse beneficiary chooses the ten-year rule, he/she is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.

Your spouse beneficiary can treat your Roth IRA as his/her own Roth IRA if your spouse is the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies. He/she has this option even if he/she had chosen one of the other options above.

Your spouse beneficiary can take a distribution of part or all of his/her share of your Roth IRA and roll it over to a Roth IRA of his/her own, less his/her RMD for that year.

- b. **Eligible Designated Beneficiary Who is Your Minor Child.** If your beneficiary is an eligible designated beneficiary who is your minor child, he/she must remove all assets from the Roth IRA by the tenth anniversary of the date the minor attains the age of majority, even if such minor child initially chose to receive life expectancy payments. The age of majority is determined by state law.
- c. **Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).** If your beneficiary is an eligible designated beneficiary who is someone other than your surviving spouse or your minor child, such beneficiary has the option of taking distribution of the Roth IRA assets over a single life expectancy period or within ten years.

If such a beneficiary chooses the single life expectancy option, the beneficiary uses his/her age at the end of the year following the year of death to determine the initial single life expectancy divisor and reduces

this number by one for each following year's RMD calculation. For a qualifying trust, use the age of the oldest trust beneficiary.

If such a beneficiary chooses the ten-year rule, he/she is required to remove all assets from the Roth IRA by December 31 of the tenth year following the year of your death.

4. **Not a Designated Beneficiary.** A beneficiary that is not a designated beneficiary includes a nonindividual that is an estate, charitable organization, or nonqualified trust. If your beneficiary is not a designated beneficiary, such a beneficiary is required to remove all assets from the Roth IRA by December 31 of the fifth year following the year of your death (the five-year rule).
5. **Beneficiary Determination.** Named beneficiaries who completely distribute their interests in your Roth IRA, or completely disclaim their interests in your Roth IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after your death but before the determination date (September 30 of the year following the year of your death) will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in your Roth IRA on the determination date, and separate accounting does not apply, your Roth IRA will be treated as having no designated beneficiary (i.e., not a designated beneficiary).
6. **Qualifying Trusts.** If you name a qualifying trust, which is defined in Treasury Regulation 1.401(a)(9)-4, Q&A 5, as your Roth IRA beneficiary, the beneficiaries of the qualifying trust are treated as the beneficiaries of your Roth IRA for purposes of determining the appropriate distribution period. A qualifying trust provides documentation of its beneficiaries to the trustee.
7. **Successor Beneficiaries.** Our policy may allow your beneficiaries to name their own successor beneficiaries to your Roth IRA. A successor beneficiary would receive any of your Roth IRA assets that remain after your death and the subsequent death of your beneficiaries. Generally, the beneficiary will have to distribute all the remaining Roth IRA assets within a ten-year period.
8. **Separate Accounting (Multiple Beneficiaries).** Our policies may permit separate accounting to be applied to your Roth IRA for the benefit of your beneficiaries. If permitted, separate accounting must be applied in accordance with Treasury Regulation 1.401(a)(9)-8, Q&A 2 and 3. If there are multiple beneficiaries, a beneficiary is considered the only beneficiary of their share of the Roth IRA assets if separate accounting applies. If separate accounting applies, the rules above apply based on the type of beneficiary (i.e., designated beneficiary, eligible designated beneficiary, not a designated beneficiary).

#### **Federal Income Tax Status of Your Roth IRA.**

1. **No Deduction for Contributions.** Roth IRA contributions are not deductible on your federal income tax return at any time.
2. **Tax-free Earnings.** The earnings, including gains and losses, on your Roth IRA contributions accumulate tax-deferred. At the time of your distribution, the earnings will be free from federal income tax if your distribution is a qualified distribution.
3. **Taxation of Distributions.** The taxation of your Roth IRA distribution, which is not rolled over, is dependent upon whether your distribution is a qualified distribution or nonqualified distribution and is subject to the ordering rules. Roth IRA distributions are generally not subject to federal income tax withholding. You may be subject to state or local taxes on your Roth IRA distributions.
4. **No Special Tax Treatment.** Roth IRA distributions are not eligible for special tax treatments, such as ten year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a beneficiary to receive Roth IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Roth IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There

is no specific estate tax exclusion for assets held within a Roth IRA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your Roth IRA under IRC Section 2518.

**Annual Statements.** Each year we will furnish you and the IRS with statements reflecting the activity in your Roth IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates the fair market value of the account, including Roth IRA contributions, for the year. IRS Form 1099-R reflects your Roth IRA distributions for the year.

**Federal Tax Penalties and IRS Form 5329.** Several tax penalties may apply to your various Roth IRA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return. The penalties may include any of the following taxes:

1. **Early-Distribution Penalty Tax.** If you take a distribution from your Roth IRA before reaching age 59½, you are subject to a 10 percent early-distribution penalty tax on the taxable portion of the distribution and certain converted or qualified rollover contribution assets distributed during the five-year holding period. However, certain exceptions apply. Exceptions to the 10 percent penalty tax include: the qualified distributions reasons previously listed, distributions due to eligible higher education expenses, medical expenses exceeding a certain percentage of adjusted gross income, health insurance premiums due to your extended unemployment, a series of substantially equal periodic payments, IRS levy, traditional IRA conversions, qualified reservist distributions, qualified birth or adoption distributions, and qualified HSA funding distributions. Additional exceptions include distributions taken during the five year holding period as a result of your attaining age 59½, death, disability, or a first-time home purchase. Properly completed rollovers, transfers, and recharacterizations are not subject to the 10 percent penalty tax.
2. **Excess Contribution Penalty Tax.** If you contribute more to your Roth IRA than you are eligible to contribute, you have created an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your Roth IRA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
3. **Excess Accumulation Penalty Tax.** Any portion of an RMD that is not distributed to your beneficiary by its deadline is subject to a 50 percent excess accumulation penalty tax. The IRS may waive this penalty upon proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. A beneficiary should review IRS Form 5329 instructions when requesting a waiver.

#### **Disaster Tax Relief and Repayment of a Qualified Disaster Distribution.**

Subject to applicable law, individuals in certain federally declared disaster areas may be given the opportunity to take qualified disaster distributions without an early distribution penalty (e.g., for a qualified hurricane distribution). When these qualified disaster distributions are allowed, they are subject to any time periods as defined by law and, if multiple distributions are made for the same event, are aggregated with distributions from other IRAs and eligible retirement plans up to prescribed limits (e.g., \$100,000). Typically, the qualified disaster distributions are included in gross income over a three tax year period or all in the year of distribution. In addition, an individual may be allowed three years after the date of receipt to repay all or part of the qualified disaster distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. Certain first-time homebuyer or hardship distributions may be eligible for repayment within a prescribed time period. For additional disaster area information and IRS guidance on associated tax relief, refer to IRS forms, notices and publications, or visit the IRS's web site at [www.irs.gov/DisasterRelief](http://www.irs.gov/DisasterRelief).

## **IMPORTANT DISCLOSURES**

1. I acknowledge receipt of a fee schedule applicable to the maintenance of this account.
2. I acknowledge receipt of the IRA Disclosure Statement included in this packet which explains that certain charges and penalties may apply to my IRA, including penalties for certain withdrawals before age 59½.
3. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions, including broker-dealers, to obtain, verify and

- record information that identifies each person who opens an account. When I open an account, I understand that you will ask for my name, address, date of birth and other information that will allow you to identify me. You may also ask to see my drivers license or other identifying documents.
4. Cetera Investment Services may retain agents to perform services related to this agreement, including tax reporting services.