



Disclosure Statement: Combined Rules for Traditional IRAs and Roth IRAs

This Disclosure Statement summarizes the requirements generally applicable to Traditional Individual Retirement Accounts (Traditional IRAs) and Roth Individual Retirement Accounts (Roth IRA). The rules under which the Traditional IRA and Roth IRA are governed are specified by law and are covered in the applicable IRA Custodial Account Agreement. When the rules for a Traditional IRA and a Roth IRA are the same, this Disclosure Statement will refer to both types of accounts collectively as an "IRA." This Disclosure Statement is only a summary of the rules.

SECTION 1 – REVOCATION

You have the right to revoke this individual retirement account (IRA) at any time within seven (7) days of executing the IRA Application. Upon revocation, you are entitled to a return of the entire amount you originally contributed to the IRA without any deduction for sales commissions, administrative expenses, other fees or fluctuations in market value. Note that you may not revoke a Roth IRA established with a recharacterized contribution, and you do not have a right to revoke upon amendment of this agreement.

To revoke the IRA, you must personally deliver or mail a written notice of revocation to us, postmarked within seven (7) days of executing the IRA Application. Mail the notice by first class mail to:

Pacific Premier Trust
Processing Center
P.O. Box 981012
Boston, MA 02298

Mailed notice will be deemed given on the date that it is postmarked, if it is properly addressed and deposited either in the United States mail, first class postage prepaid or with an IRS approved overnight service.

If you have any questions or concerns regarding the revocation of your IRA, please call or write to us. Our telephone number, address, and 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.

SECTION 2 – STATUTORY REQUIREMENTS

- 2.1 Definition of Individual Retirement Account.** An IRA is a trust or custodial account for the benefit of an individual (or his or her beneficiaries) that meets certain requirements regarding the amount and form of contributions, the Trustee or Custodian, prohibited investments, nonforfeitable and required distributions.
- 2.2 Statutory Requirements.** An IRA must satisfy certain requirements of the Internal Revenue Code. The IRA Custodial Account Agreement incorporates those requirements. In brief, the Internal Revenue Code requires that the IRA be governed by a written instrument. The Custodian, except in the case of a rollover contribution, will accept only cash contributions. With certain limited exceptions, only a bank or trust company may act as Custodian/Trustee of the IRA. Your contributions may not be invested in life insurance contracts or collectibles (within the meaning of Internal Revenue Code § 408(m)) and may not be commingled with other property. Your interest in the IRA must be nonforfeitable at all times.
- 2.3 No Borrowing on Account.** You may not borrow any portion of your IRA. If you do, the IRA will lose its tax-exempt status and you must include the entire IRA balance in your gross income for the taxable year in which the borrowing occurs.
- 2.4 No Pledging.** If you pledge any portion of your IRA as security or collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

SECTION 3 – ELIGIBILITY AND ANNUAL CONTRIBUTIONS

- 3.1 Eligibility.** In order to make a contribution to an IRA for a year, you must receive compensation (or earned income) for that year. Common examples of compensation (earned income) 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.
- (a) **Traditional IRAs.** Effective as of January 1, 2020 (and for later years), an individual may make a contribution to a Traditional IRA at any age, if otherwise eligible. The requirement that an individual be younger than age 70½ by the end of the year in which the contribution is made has been removed.
- (b) **Roth IRAs.** An individual can make a contribution to a Roth IRA at any age, if otherwise eligible. A Roth IRA is not permitted to accept contributions intended for Traditional IRAs, or Coverdell Education Savings Accounts.

NON-DEPOSIT INVESTMENT PRODUCTS ARE NOT INSURED BY THE FDIC; ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, OR GUARANTEED BY, THE BANK OR ANY OF ITS DIVISIONS; AND ARE SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

3.2 General Contribution Limits. The IRS limits the amount of contributions that you may make annually to all of your IRAs (both Traditional and Roth IRAs combined). If you turn age 50 before the end of the year, you may make additional catch-up contributions for that year. If your compensation for a year is less than the prescribed maximum contribution amount, your contribution for that year will be limited to the total amount of your compensation for that year. You may contribute less than the maximum annual contribution.

The annual contribution limits are shown in the chart below:

Traditional and Roth IRA (combined) Annual Contribution Limits

	Maximum Standard Annual Contribution*	Catch-Up Contributions (Age 50 and Older)	Total for an Individual (Age 50 and Older)
2023	\$6,500	\$1,000	\$7,500
2024	\$7,000	\$1,000	\$8,000

*Adjusted for cost-of-living adjustments in \$500 increments

The applicable contribution limit is the total that can be contributed among all your Traditional IRAs and Roth IRAs. If regular contributions are made to both Traditional IRAs and Roth IRAs for a taxable year, the maximum regular contribution that can be made to your Roth IRAs for that taxable year is reduced by the regular contributions made to the Traditional IRAs for the same taxable year.

A rollover or conversion contribution to the Traditional IRA and Roth IRA does not apply toward the applicable regular annual contribution limit.

In the case of a married couple filing a joint return, up to \$7,000 may be contributed to each spouse’s IRA. The \$7,000 contribution limit may be adjusted for cost-of-living. A separate IRA must be established for each spouse and neither IRA may receive more than the applicable regular annual contribution limit.

3.3 Traditional IRA – General Deduction Limitations. A contribution to a Traditional IRA may or may not be fully deductible for Federal Income Tax purposes, depending on whether you (and in some cases, your spouse) are an “active participant” in an employer-sponsored retirement plan.

- (a) **Active Participant.** You (or your spouse) will be an active participant for a year if you are considered to be covered by a retirement plan. You are covered by a retirement plan for a year if your employer or union has a retirement plan under which money is added to your account or you have the right to earn retirement credits. Your (or your spouse’s) Form W-2 should indicate whether you or your spouse is an active participant in an employer-sponsored retirement plan for a year. If you have questions about your status as an active participant, you should contact your employer’s human resources department.
- (b) **Modified Adjusted Gross Income (Modified AGI).** If you (or your spouse) is an active participant for a year, the deductibility of your contribution to your Traditional IRA (or your spouse’s Traditional IRA) may be reduced or eliminated, depending on your tax-filing status and the amount of your modified adjusted gross income (Modified AGI) for the tax year for which the contribution applies. Your tax return will show how to calculate Modified AGI for this purpose. For more information on Modified AGI, see the instructions to your Federal Income Tax return, or IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).
- (c) **Not an Active Participant.** If neither you nor your spouse is considered an active participant in an employer-sponsored retirement plan for a taxable year, your entire allowable contribution for the year will be deductible, regardless of your income or tax-filing status.
- (d) **You are an Active Participant.** If you are an active participant, or if you are married, if both you and your spouse are active participants, the amount of contributions that you may deduct will depend on your Modified AGI and your tax-filing status.

The following chart shows how your active participant status, tax-filing status, and Modified AGI affect your deduction.

Effect of Modified AGI on Traditional IRA Deduction

Tax Filing Status	Modified AGI in 2023	Modified AGI in 2024	Effect on Deduction
Single or Head of Household	\$73,000 or less	\$77,000 or less	Full Deduction
	More than \$73,000 but less than \$83,000	More than \$77,000 but less than \$87,000	Partial Deduction
	\$83,000 or more	\$87,000 or more	No Deduction
Married Filing Jointly or Qualifying Widower	\$116,000 or less	\$123,000 or less	Full Deduction
	More than \$116,000 but less than \$136,000	More than \$123,000 but less than \$143,000	Partial Deduction
	\$136,000 or more	\$143,000 or more	No Deduction
Married, Filing Separately	Less than \$10,000	Less than \$10,000	Partial Deduction
	\$10,000 or more	\$10,000 or more	No Deduction

- (e) **If Your Spouse is an Active Participant but You are Not.** If you are not an active participant but your spouse is an active participant, your Traditional IRA deduction may be reduced or eliminated depending on your Modified AGI. The following chart shows how your Modified AGI affects your deduction regarding your Traditional IRA if your spouse is an active participant.

Effect of Modified AGI on Traditional IRA Deduction if Spouse is an Active Participant

Tax Filing Status	Modified AGI in 2023	Modified AGI in 2024	Effect on Tax Deduction
Married Filing Jointly	\$218,000 or less	\$230,000 or less	Full Deduction
	More than \$218,000 but less than \$228,000	More than \$230,000 but less than \$240,000	Partial Deduction
	\$228,000 or more	\$240,000 or more	No Deduction
Married, Filing Separately	Less than \$10,000	Less than \$10,000	Partial Deduction
	\$10,000 or more	\$10,000 or more	No Deduction

(f) **Simplified Employee Pension (SEP) Contributions.** A traditional IRA may be established as part of a Simplified Employee Pension Plan (SEP) arrangement (referred to as a SEP IRA) that allows your employer to make contributions to the employer’s own SEP IRA and those of the employer’s employees. The SEP rules permit an employer to contribute up to 25% of your compensation (which is generally limited to \$345,000 for 2024) or \$69,000 for 2024, whichever is less, to your traditional or Roth IRA, even if you are age 73 or older. For tax years after 2022, the maximum SEP IRA contribution may be adjusted for inflation. If your employer has adopted a SEP arrangement, your employer will give you further information about this kind of employer plan. **NOTE:** While the SECURE 2.0 Act of 2022 generally permits Roth contributions to SEPs and SIMPLE IRAs effective January 1, 2023, Pacific Premier Trust is not currently accepting Roth contributions to SEP and SIMPLE IRAs custodied by Pacific Premier Trust.

(g) Employers of nontrade domestic employees (e.g., nannies) may establish and contribute to a SEP IRA for such employees.

Also, you can make regular IRA contributions to your SEP IRA, up to the maximum annual limit (for 2024, \$7,000 or, if age 50 or over, \$8,000). However, the amount of this contribution that can be deducted on your tax return may be reduced or eliminated due to your participation in the SEP plan.

3.4 Roth IRA Contribution Limits. Contributions to a Roth IRA are not deductible for Federal Income Tax purposes. However, contributions and earnings that accumulate in the Roth IRA Account are tax-free when distributed if they are paid out as part of a qualified distribution. (See Section 5.2.)

You may make contributions to a Roth IRA even if you (or your spouse) are an active participant in a retirement plan. Your eligibility to make contributions to a Roth IRA depends on your Modified Adjusted Gross Income and your tax-filing status.

(a) **Modified Adjusted Gross Income & Phase-Out Levels.** IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) gives instructions for calculating modified adjusted gross income (“Roth Modified AGI”) for purposes of the phase-out rules described below. Roth Modified AGI does not include any income from conversions from Traditional IRAs to Roth IRAs or income received as a result of a rollover to a Roth IRA from a Traditional IRA or qualified retirement plan. Eligibility to contribute to a Roth IRA is phased out above certain Roth Modified AGI limits. The following chart shows how your Roth Modified AGI affects your eligibility to make Roth IRA contributions.

Tax Filing Status	Modified AGI in 2023	Modified AGI in 2024	Eligibility to make Roth IRA Contributions
Single or Head of Household	\$138,000 or less	\$146,000 or less	Maximum Contribution
	More than \$138,000 but less than \$153,000	More than \$146,000 but less than \$161,000	Partial Contribution
	\$153,000 or more	\$161,000 or more	No Contribution
Married Filing Jointly or Qualifying Widower	\$218,000 or less	\$230,000 or less	Maximum Contribution
	More than \$218,000 but less than \$228,000	More than \$230,000 but less than \$240,000	Partial Contribution
	\$228,000 or more	\$240,000 or more	No Contribution
Married, Filing Separately	Less than \$10,000	Less than \$10,000	Partial Contribution
	\$10,000 or more	\$10,000 or more	No Contribution

To determine your allowable contribution to a Roth IRA when your Roth Modified AGI falls within a phase out range, see your tax or legal professional for assistance. IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs) and the instructions to your Federal Income Tax return also contain helpful calculation information.

3.5 Time of Contribution/Establishment of an IRA. In order to make a regular contribution to an IRA for a particular taxable year, you must send your contribution in cash to the Custodian postmarked no later than your tax return due date (without extensions) for that year (usually April 15). You may establish a new IRA for a particular taxable year by signing an IRA Application and returning it to the Custodian, so that it is received on or before your tax return due date for that taxable year (without extensions).

3.6 Contributions of Qualified Reservist Distributions. If you were a member of a reserve component and you were ordered or called to active duty after September 11, 2001, you may be able to contribute (repay) to an IRA amounts equal to any qualified reservist distributions you received. You can make these repayment contributions even if they would cause your total contributions to the IRA to be more than the general limit on

contributions. To be eligible to make these repayment contributions, you must have received a qualified reservist distribution from an IRA or from a Section 401(k) or 403(b) plan or a similar arrangement. Your qualified reservist repayments can't be more than your qualified reservist distributions. You cannot make these repayment contributions later than the date that is two years after your active duty period ends and you cannot deduct qualified reservist repayments. See Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs) for more information on qualified reservist distributions.

SECTION 4 – ROLLOVER CONTRIBUTIONS, INCLUDING CONVERSIONS

4.1 Eligible Participant. You are eligible to establish a rollover IRA with the Custodian if the contribution you wish to make satisfies the definition of a Qualifying Rollover Contribution (See Section 4.3).

Unlike the rules relating to regular contributions to Traditional IRAs and Roth IRAs, you may establish a rollover IRA even if you do not have any compensation or earned income other than the funds with which you wish to establish the rollover IRA or if the amount of your Modified AGI exceeds the thresholds described above.

Qualifying Rollover Contributions may consist of cash and/or property including, in the case of a qualified retirement plan, the proceeds from the sale of property received.

4.2 No Contribution Limitation. There is no dollar limit on the amount of Qualifying Rollover Contributions you may make to an IRA.

4.3 Qualifying Rollover Contribution. You may rollover all or a portion of a distribution from an IRA or an "eligible employer plan" to another IRA or "eligible employer plan". An eligible employer plan generally is a pension, profit sharing, 401(k), money purchase pension, employee stock ownership, a 403(b) tax-sheltered annuity plan, a 457(b) eligible governmental plan and a 403(a) annuity plan. A rollover contribution can be made to an IRA if the contribution meets the definition of a qualifying rollover contribution.

All qualifying rollover contributions must meet the requirements of Internal Revenue Code § 408(d)(3). A rollover contribution of property (other than cash) to an IRA from another IRA must be the same property received in the distribution. You must make the rollover contribution of the property and/or cash within 60 days of receipt of the property and/or cash from the distributing IRA or employer plan. The IRS may, but it is not required to, waive this 60-day requirement in very limited situations, such as where a casualty or disaster prevented you from making the contribution within the 60-day period.

- **Traditional IRA to Traditional IRA or Roth IRA to Roth IRA.** You may roll over a distribution from a Traditional IRA or Roth IRA to another IRA of the same type. The distributed amount must be deposited to the IRA within 60 days following the date you receive the distributed assets (unless a waiver is allowed). A rollover from one Roth IRA to another Roth IRA does not alter the 5-year period used to determine qualified distributions. (See Section 5.2.)
- **12-Month IRA Rollover Rule.** You may make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. This limit will be calculated by aggregating all the IRAs owned by you (including SEP and SIMPLE IRAs as well as Traditional IRAs and Roth IRAs), effectively treating them as one IRA for purposes of this rule.
 - Trustee-to-trustee transfers between IRAs are not subject to this rule and you can make an unlimited number of trustee-to-trustee transfers.
 - Rollovers from Traditional IRAs to Roth IRAs ("conversions") also are excluded.

Generally, you should use trustee-to-trustee transfers to move funds between IRAs to preserve your ability to do a rollover when absolutely necessary.

- **Traditional IRA to Roth IRA.** A decision to move (or "convert") some or all of the property and/or cash from a Traditional IRA to a Roth IRA is called a conversion. (See Section 4.4 below for the rules for conversions.)
- **Rollovers from Employer-Sponsored Retirement Plans to Traditional IRA.** You may directly or indirectly roll over assets from an eligible retirement plan (other than from a designated Roth account) to a Traditional IRA. Not all distributions from an employer-sponsored eligible retirement plan are eligible for rollover to a Traditional IRA. The most common distributions that are not eligible for rollover include RMDs, defaulted loans, substantially equal periodic payments, distributions to non-spouse beneficiaries and hardship distributions.

The rollover may be accomplished through a "direct rollover" or an "indirect roll over". A direct rollover moves eligible retirement plan assets from your employer-sponsored eligible retirement plan directly to your Traditional IRA in a manner that prevents you from cashing out the plan assets, or even depositing the assets anywhere except in the receiving Traditional IRA. In an indirect rollover, the plan distribution is made payable to you and then you contribute the amount of the distribution to your Traditional IRA within 60 days.

- **Separate or Conduit IRA.** In certain cases, it may be to your benefit to make the rollover contribution to a separate or conduit IRA. Conduit IRAs can provide individuals with a means of tracking IRA assets from different sources, which may be subject to certain restrictions or favorable tax treatment.
- **Traditional IRAs to Employer-Sponsored Eligible Retirement Plans.** You may directly or indirectly roll over a taxable distribution from your IRA to an employer-sponsored eligible retirement plan which accepts roll over contributions. Nontaxable or nondeductible IRA assets may not be rolled over into employer-sponsored eligible retirement plans. You can generally roll over to employer-sponsored retirement plans only the aggregate taxable balance in all of your Traditional IRAs. The one per 1-year limit does not apply to rollovers to Employer-Sponsored Eligible Retirement Plans.

- **Roth Account in Employer-Sponsored Eligible Retirement Plan to Roth IRA.** You may roll over all or a part of an eligible rollover distribution from a designated Roth account in an eligible employer plan to a Roth IRA. If you roll over amounts from a designated Roth account in an eligible employer plan to a Roth IRA, you are responsible for keeping track of the basis in the Roth account and determining whether the five-year requirement for taking a qualified distribution has been satisfied. (See Section 5.2.) Amounts rolled over to a Roth IRA may not be rolled back into the eligible employer plan.
- **Transfers Due to Divorce.** Your former spouse, pursuant to a divorce decree or legal separation order, may transfer assets from your IRA to his or her IRA. All transferred assets will be treated as a separate IRA of your spouse or former spouse.

4.4 Converting Amounts from a Traditional IRA. You can convert an existing Traditional IRA to a Roth IRA by any of following three methods:

1. An amount distributed from a Traditional IRA is contributed (rolled over) to the Roth IRA within the 60-day period after the distribution; or
2. An amount in a Traditional IRA is transferred in a Trustee-to-Trustee transfer from the Trustee/Custodian of the Traditional IRA to the Trustee/Custodian of the Roth IRA; or
3. An amount in a Traditional IRA is transferred to the Roth IRA maintained by the same Custodian.

If you are required to take a required minimum distribution (RMD) for the tax year of the conversion from the Traditional IRA, you must take the RMD before making the conversion. RMDs may not be converted.

Taxation of Roth IRA Conversion. Any amount that is converted to a Roth IRA is includible in gross income as a distribution for the taxable year in which the amount is distributed or transferred. The 10% early withdrawal penalty tax (see Section 5.3) generally does not apply to amounts that are converted from a Traditional IRA to a Roth IRA. An amount distributed from a Roth IRA will not be included in gross income to the extent it is rolled over to another Roth IRA on a tax-free-basis under the rules of Internal Revenue Code § 408(d)(3) and 408A(e). A Custodian-to-Custodian transfer from one Roth IRA to another Roth IRA is not a taxable event and is not considered a conversion.

- 4.5 Custodian's Acceptance of Rollover or Conversion Contributions.** Before making a rollover or conversion contribution to a Traditional or Roth IRA, you should consult your advisor with respect to the technical requirements and economics of such contributions. The Custodian assumes no responsibility to determine whether a rollover contribution or conversion contribution made to your IRA satisfies the definition of qualifying rollover contribution.
- 4.6 Rollover of Exxon Valdez Settlement Income.** Qualified taxpayers who receive Exxon Valdez settlement income may contribute all or part of the amount received to an eligible retirement plan, including a Traditional or Roth IRA. You may contribute up to \$100,000 less contributions of settlement income made in prior tax years. Any Exxon Valdez settlement income that you contribute to your IRA will be included in your taxable income for the year the qualified settlement income was received. Please see IRS Publication 590 for more information.
- 4.7 Contributions of Military Death Gratuities or Service Members' Group Life Insurance Payments.** Any military death gratuity payment you receive as an eligible survivor of a member of the armed services or under the Service Members' Group Life Insurance (SGLI) program may be contributed to your IRA within one year of your receipt of the payment, regardless of your income level or marital status.
- 4.8 Rollover of Amounts Received in an Airline Carrier Bankruptcy Case.** If you were an employee of a commercial airline carrier that filed for bankruptcy after September 11, 2001 but before January 1, 2007, and participated in a defined benefit plan of the carrier that was terminated or became subject to the restrictions of Section 402(b) of the Pension Protection Act of 2006, a payment you receive with the approval of the bankruptcy court may be eligible for a rollover to a Traditional or Roth IRA. The rollover must be made within 180 days of your receipt of payment. For more information, see IRS Publication 590.
- 4.9 Rollover of Coronavirus Related Distributions.** In general, section 2202 of the CARES Act provides for expanded distribution options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions from eligible retirement plans (certain employer retirement plans, such as section 401(k) and 403(b) plans, and IRAs) to qualified individuals, as well as special rollover rules with respect to such distributions. A coronavirus-related distribution is a distribution that is made from an eligible retirement plan to a qualified individual from January 1, 2020, to December 30, 2020, up to an aggregate limit of \$100,000 from all plans and IRAs. You may repay all or part of the amount of a coronavirus-related distribution to an eligible retirement plan, provided that you complete the repayment within three years after the date that the distribution was received. If you repay a coronavirus-related distribution, the distribution will be treated as though it were repaid in a direct trustee-to-trustee transfer so that you do not owe federal income tax on the distribution.

SECTION 5 – DISTRIBUTIONS AND FEDERAL TAX IMPLICATIONS

You may take an IRA distribution at any time. However, depending on the timing and amount of your distribution, you may be subject to income taxes and/or penalty taxes.

You must start taking required minimum distributions from your Traditional IRAs by April 1 following the year in which you reach age 72 to avoid penalty taxes (age 70½ if you were born before July 1, 1949 and age 73 if you attain age 72 or after January 1, 2023). The required minimum distributions rules applicable to a Traditional IRA during your lifetime do not apply to a Roth IRA.

You may request a distribution of the amounts in your IRA by indicating the choices for withdrawal (e.g., single sum payment, installments, etc.) on a form acceptable to the Custodian.

5.1 Federal Tax Aspects of Distributions from Traditional IRAs. Amounts withdrawn from a Traditional IRA are taxable to you when distributed, as determined under the formula explained below. The special qualifying lump sum distribution treatment afforded certain types of qualified retirement plans is not available for a Traditional IRA distribution, even if the original contribution to the IRA was a rollover contribution which would have qualified for that special treatment if you had not rolled over the lump sum distribution.

Because nondeductible IRA contributions are made using income which has already been taxed, the portion of the IRA distribution which is deemed to consist of nondeductible contributions will not be taxed again when you receive it. For example, if you made any nondeductible IRA contributions, each distribution from your Traditional IRA will consist of a nontaxable portion (return of nondeductible contributions) and a taxable portion (return of deductible contributions), if any, plus account earnings. Thus, you may not take a distribution which is entirely tax-free. For purposes of determining the taxation of withdrawals from your Traditional IRAs, all of your Traditional IRAs must be treated as one, including any Traditional IRAs you may have established with another IRA Custodian. IRS Form 8606 has been specifically designed to calculate this proportionate return. You must complete IRS Form 8606 each year you take withdrawals under these circumstances and attach it to your tax return for that year to validate the nontaxable portion of your Traditional IRA withdrawal for that year.

If you take a distribution before you reach age 59½, you may also be subject to a 10% additional tax on early withdrawals on the taxable amount of your withdrawal.

Income Tax Withholding. Traditional IRA distributions are subject to Federal Income Tax withholding unless you, or upon your death, your beneficiary, affirmatively elect not to have withholding apply. The required Federal Income Tax withholding rate is 10% of the distributed amount.

5.2 Federal Tax Aspects of Roth IRA Distributions – Qualified Distribution. Taxation of a withdrawal from a Roth IRA depends on whether the distribution is a “qualified distribution”. If the withdrawal meets the requirements of a “qualified distribution”, any earnings or gains on your contributions held in your Roth IRA can be withdrawn tax-free and penalty-free. A withdrawal will be a “qualified distribution” if it:

- (a) Is made after a 5-year period, as defined below; AND
- (b) Meets one of the following requirements:
 - (iii) Is made on or after the date on which you attain age 59-½; or
 - (iv) Is made to a beneficiary or your estate on or after your death; or
 - (v) Is attributable to you being disabled within the meaning of Code § 72(m)(7); or
 - (vi) Is made for a first-time home purchase that meets the requirements of Code § 72(t)(2)(F). This includes the cost of purchasing, building or rebuilding a principal residence, including reasonable settlement, financing or other closing costs. An individual is considered a “first time homebuyer” if the individual did not have (or, if married, neither spouse had) an ownership interest in a principal residence during the two-year period immediately preceding the acquisition. The withdrawal must be used for eligible expenses within 120 days after the withdrawal. There is a lifetime limit on eligible first-time homebuyer expenses of \$10,000 per individual.

The 5-year period mentioned above begins with the first year for which you make any contribution to a Roth IRA (including a conversion from a Traditional IRA). For example, if you first contributed to a Roth IRA for 2019, your 5-year period would be complete at the end of 2023.

Nonqualified Roth IRA Distributions. If the distribution is not a qualified distribution, any earnings that are distributed are includible in income. An additional 10% early distribution penalty tax may also apply to any earnings distributed before you reach age 59½, unless you meet one of the exceptions described below. Special ordering rules provide that the first monies distributed are your regular (annual) contributions, followed by your conversion and rollover contributions (on a first-in, first-out basis). These amounts are distributed tax-free. Nonqualified distributions in excess of your contributions (and rollovers) are deemed to be distribution of earnings.

5.3 Penalty Tax for Early Distributions. Any distribution from your Traditional IRA or Roth IRA before you reach age 59-½ is subject to a nondeductible federal penalty tax, unless one of the exceptions discussed below is applicable. The amount of the penalty tax is 10% of the taxable amount distributed (which will still be subject to ordinary income tax in the year distributed). Generally, the 10% early distribution tax does not apply to IRA distributions that are made:

- (a) On or after you reach age 59-½;
- (b) Following your death or your becoming disabled at any age;
- (c) To effect a timely rollover to another IRA;
- (d) To correct an excess contribution plus any net income before the due date of the Participant’s tax return;
- (e) To pay medical expenses up to the amount of your deductible medical expenses;
- (f) To pay health insurance premiums for you, your spouse and your dependents if you are unemployed and have received federal or state unemployment compensation for at least 12 consecutive weeks;
- (g) As part of a series of substantially equally periodic payments (made at least annually) over your life expectancy or the joint life expectancies of you and your beneficiaries;
- (h) To pay “qualified higher education expenses” incurred by you, your spouse or your (or your spouse’s child(ren) or grandchild(ren));
- (i) To pay for a “qualified first time home purchase” (up to \$10,000 during your lifetime) for you, your spouse or the children, grandchildren or parents of you or your spouse;

- (j) To pay for expenses related to the birth or adoption of a child (for distributions of up to \$5,000 in the aggregate from IRAs and other retirement plans);
- (k) Pursuant to an IRS levy to pay overdue taxes.
- (l) As a “qualified reservist distribution” paid to certain reservists who are called or ordered to active duty after September 11, 2001 for at least 180 days or indefinitely.
- (m) To terminally ill individuals.
- (n) Pursuant to a federally declared disaster (for disasters with an incident period beginning on or after January 26, 2021) covering an area in which your principal place of abode is located (if the distribution is within 180 days after the first day of the incident period or, if later, the date of the disaster declaration), up to a maximum of \$22,000.

Generally, you may repay distributions made after December 29, 2022 for qualified birth and adoption expenses, terminal illness, and federally declared disasters, all as described above, to an employer-sponsored retirement plan or to an IRA within three years following the date of distribution. In addition, if you received a distribution to be used for qualified first-time home purchase expenses with respect to the purchase or construction of your principal residence in a federally declared disaster area (for which the disaster period commences on or after January 26, 2021), but the distribution was not so used, and you received the distribution during the period beginning 180 days prior to the disaster period and ending 30 days after the disaster period, you may repay the distribution to an employer-sponsored retirement plan or an IRA at any time within 180 days after the later of the first day of the disaster period or the date of the disaster declaration.

You are required to file IRS Form 5329 for any tax year for which this 10% penalty is due.

Application of Early Distribution Tax on Roth IRA Converted Amounts. If a distribution includes conversion contributions, additional rules apply. Only for purposes of applying the 10% early withdrawal penalty to a distribution, a 5-year taxable period is determined separately for each conversion contribution. This 5-year period begins on the first day of the taxable year in which the conversion contribution is made. If a distribution is made before the special conversion 5-year taxable period has expired, there will be imposed a 10% early withdrawal penalty tax on the portion of the distribution that can be attributed to the conversion amount being tracked. You should refer to IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs) or a tax advisor for assistance.

5.4 Special Tax Treatment. Capital gains treatment and 10-year income averaging pursuant to Code Section 402 do not apply to IRA distributions.

5.5 Qualified Charitable Distributions. If you are age 70½ or older, you may directly transfer up to \$100,000 per year to a qualified charitable organization. These distributions, called “qualified charitable distributions” are excluded from income and count toward satisfying your required minimum distributions (RMD) for the year. This rule is available only for distributions from a Traditional IRA or Roth IRA; distributions from an ongoing active SEP-IRA or SIMPLE IRA do not qualify. Certain charitable organizations are not eligible, including donor-advised funds and certain private foundations. You may count any one-time distribution of up to \$50,000 to a charitable gift annuity, charitable remainder unitrust or charitable remainder annuity trust toward the \$100,000 lifetime limit. The \$100,000 lifetime limit and the \$50,000 limit are indexed to the cost-of-living after 2023.

Please consult with a tax advisor or see IRS Publication 590-B for more information.

SECTION 6 – REQUIRED MINIMUM DISTRIBUTIONS

6.1 Required Minimum Distributions. Required minimum distributions (RMDs) require you to take annual minimum distributions from your Traditional IRAs once you reach age 73 (age 70½ if you attained age 70½ before 2020 & age 72 if you attained age 72 before January 1, 2023) and that your beneficiaries take minimum distributions from your Traditional IRAs and Roth IRAs after your death. You are not required to take RMDs from your Roth IRA during your lifetime.

6.2 During Your Lifetime. Your first RMD must be taken by April 1 following the year you attain age 73 (age 70½ if you attained age 70½ before 2020 & age 72 if you attained age 72 before January 1, 2023), which is your required beginning date. Second year and subsequent distributions must be taken by December 31 of each year until your death. RMDs are taxable in the calendar year you receive them.

Distribution Calculation. Your RMD will generally be calculated by dividing your previous year-end adjusted balance in your Traditional IRA by the distribution periods in the Uniform Lifetime Table provided by the IRS, using your age on your birthday in the distribution year. The Uniform Lifetime Table is a table that is used whether or not you have named a beneficiary and regardless of the age or type of beneficiary you may have named. However, if your only beneficiary is your spouse and your spouse is more than 10 years younger than you, you may be able to calculate the required distribution amount using the Joint and Last Survivor Table provided by the IRS. The rules on calculating RMDs are complex; consult with your tax advisor for assistance or see IRS Publication 590-B, Distributions from Individual Retirement Accounts (IRAs).

6.3 Multiple IRAs. If you have more than one Traditional IRA, you must calculate a separate RMD for each Traditional IRA based on the account balance and beneficiary of each IRA. You may, however, take the aggregate total of your RMDs from one or more of your Traditional IRAs (including SEP IRAs or SIMPLE IRAs). You cannot choose to take this lifetime RMD from your Roth IRAs.

6.4 After Your Death. After you die, the entire interest in the IRA must be distributed by the end of the tenth anniversary of your death unless your beneficiary is an “eligible designated beneficiary” or you do not have a “designated beneficiary” for purposes of determining a distribution period. This requirement applies to your beneficiaries regardless of whether you die before, on or after your required beginning date. These rules are applicable to Traditional IRAs and Roth IRAs. If you die after your required beginning date, the proposed RMD regulations issued in February 2022

require your beneficiary to take an RMD annually over the 10-year period until the IRA is depleted. If you die before your required beginning date, there is no requirement to take annual RMDs, under the 10-year rule, but the IRA must be depleted by the end of the tenth year following the anniversary of your death .

Eligible Designated Beneficiary. If your beneficiary is an “eligible designated beneficiary,” the entire interest in the IRA may be distributed over the life expectancy of the beneficiary. An “eligible designated beneficiary” is generally your surviving spouse, a disabled or chronically ill individual, an individual who is not more than 10 years younger than you, or your child who has not reached the age of majority.

Generally, a life expectancy distribution must commence by December 31 of the year following the year of your death. However, if your surviving spouse is your eligible designated beneficiary, he or she may defer commencement of the life expectancy distributions until December 31 of the year in which you would have attained age 73, if later. If the eligible designated beneficiary is your surviving spouse, single life expectancy is based on his or her attained age in the year for which the distribution is being paid. If the eligible designated beneficiary is an individual who is not your surviving spouse, the eligible designated beneficiary’s single life expectancy is based on his or her attained age in the year following the year of your death and then reduced by one for each subsequent year thereafter. Generally, the beneficiaries of a “special needs trust” established at least in part for the benefit of a disabled or chronically ill individual can be treated as eligible designated beneficiaries if all beneficiaries are other designated beneficiaries. Effective January 1, 2023, if a remainder beneficiary of such a trust is a charitable organization, the trust will qualify for this treatment even through a charitable organization would not otherwise be treated as a designated beneficiary.

Your surviving spouse designated beneficiary may roll over the IRA benefits to his or her own IRA. In this case, for a Traditional IRA, the surviving spouse may defer the commencement of minimum required distributions until April 1 of the year following the year in which your surviving spouse attains age 73. For a Roth IRA, no amount is required to be distributed prior to the death of the sole spouse beneficiary for whose benefit the account was established. An eligible designated beneficiary who is your minor child may continue to receive the single life expectancy distributions until the year he or she reaches the age of majority and then must receive the entire remaining balance in the IRA by December 31 of the tenth year following the year he or she reaches the age of majority.

No Designated Beneficiary. You will be treated as having no designated beneficiary for purposes of the post-death IRA distribution rules if your beneficiary is not a person (i.e., your estate, a charity or certain types of trusts). If you die before your required beginning date, and there is no designated beneficiary, the entire amount in your IRA must be distributed by December 31 of the fifth calendar year following the year of your death. If you die on or after your required beginning date, and there is no designated beneficiary, distributions will be made using your single life expectancy in the year of your death, reduced by one in each subsequent year.

Please consult with a tax advisor or see IRS Publication 590-B for more information.

6.5 Failure to take RMD. If you (or your beneficiaries) fail to withdraw required distributions as required by the Code, a 25% excess accumulation penalty tax may be assessed. The excess accumulation penalty tax may be reduced to 10% if you correct the failure by the end of the second tax year that begins after the end of the tax year in which the distribution was required. Please consult a tax advisor and/or IRS Publication 590-B for more information.

6.6 Federal Gift Tax/Estate Tax. Your designation of a beneficiary for your IRA does not constitute a gift for Federal gift tax purposes. The balance in your IRA at the time of your death is includible in your gross estate for Federal estate tax purposes.

SECTION 7 – EXCESS CONTRIBUTIONS

A regular contribution to your Traditional and/or Roth IRA that exceeds the maximum amount you are eligible to contribute to all your IRAs for a taxable year is considered an excess contribution and may be subject to a non-deductible penalty tax of 6% for each year the excess contribution remains in your account. The Custodian will distribute an excess contribution upon your request.

However, if the excess contribution and all its income are distributed from your IRA before the due date, including extensions, for filing your Federal Income Tax return for the year in which the excess contribution was made, the 6% excise tax will not be assessed. The excess contribution returned will not be subject to income tax or the 10% penalty tax for early distributions. The income earned on the excess contribution is taxable as income and will be treated as earned and taxable in the tax year for which the excess contribution was made, but will not be subject to the 10% penalty tax for early distributions. If you do not withdraw the excess contribution by this deadline, you may still avoid or reduce the 6% excess contribution penalty tax for future years by withdrawing the excess contribution from the IRA before the end of the future tax year, or, alternatively, treating the excess as an IRA contribution for that future year, if eligible to make an IRA contribution for that year. You will be required to file IRS Form 5329 for any year in which a tax is due because of an excess contribution. Such net income (earnings) may be subject to the 10% penalty tax for early withdrawals.

SECTION 8 – PROHIBITED TRANSACTIONS

Certain transactions between you (or your beneficiary) and the assets held in your IRA are not allowed. The Code specifically prohibits selling, exchanging, or leasing of any property between an IRA and the IRA owner. If you engage in a prohibited transaction with your IRA, your IRA will lose its tax-deferred status and will be treated as having been distributed to you.

A Traditional or Roth IRA can lose its exemption from Federal Income Tax if you (or your beneficiary) engage in a “prohibited transaction.” Prohibited transactions generally include any direct or indirect sale, exchange, lease or property between you and your Traditional IRA or Roth IRA or lending of money or furnishing goods or services between you and your Traditional IRA or Roth IRA.

If your Traditional IRA or Roth IRA loses its tax exemption because you (or your beneficiary) engaged in a prohibited transaction, the fair market value of the IRA assets as of the first day of the year of the transaction must be included in your gross income for the taxable year in which the loss of exemption occurs. If you have not yet attained age 59½, you may also be subject to the 10% premature distribution penalty tax, discussed above, on the amount so included in gross income unless an applicable exception is available.

SECTION 9 – TAX ADVICE

This Disclosure Statement, together with the Custodial Account Agreement should answer most questions about the IRA, but this should not be construed as tax advice. If you have questions regarding IRAs, you should consult your tax advisor. Additional information regarding Roth IRAs can be obtained from any District Office of the Internal Revenue Service. For more information, see IRS Publication 590-A, Contributions to Individual Retirement Arrangements, and IRS Publication 590-B, Distributions from Individual Retirement Arrangements.

SECTION 10 – TAX STATUS OF ACCOUNT/REPORTING

10.1 Approved Form

- (a) **Traditional IRA.** This IRS Form 5305-A Model IRA document has been pre-approved as to form by the Internal Revenue Service (IRS). You should not consider the IRS pre-approval as to form as a determination by the IRS of the merits of the Traditional IRA Plan.
- (b) **Roth IRA.** This IRS Form 5305-RA Model IRA document has been pre-approved as to form by the Internal Revenue Service (IRS). You should not consider the IRS pre-approval as to form as a determination by the IRS of the merits of the Roth IRA Plan.

10.2 Account Tax Exempt/Required Report. Under a Traditional IRA or Roth IRA plan, the IRA is tax-exempt. Accordingly, unless the IRA loses its tax-exempt status, the earnings within the IRA accumulate without reduction for Federal Income Tax. Other parts of this Disclosure Statement explain the income tax consequences of distributions from the IRA to you or to your beneficiary.

You will report distributions from (and contributions to) your IRA on your Federal Tax Form 1040. IRS Form 8606 should be used to report nondeductible IRA contributions to a Traditional IRA and conversions to, distributions from, and partial re-characterizations of contributions involving a Roth IRA. IRS Form 8606 should be filed with IRS Form 1040.

Any special IRA penalty taxes are reported on IRS Form 5329 as an attachment to IRS Form 1040 for the taxable year of the penalty. Special IRA penalty taxes include the excise tax on excess contributions, the penalty tax for taking certain distributions prior to attaining age 59½, the penalty tax on the failure to take a required minimum distribution, and the penalty tax for receiving certain non-qualified distributions.

10.3 State Income Tax. Though this IRA is exempt from Federal Income Tax, you should consult with your tax advisor regarding proper reporting of IRA proceeds for State Income Tax purposes.

SECTION 11 – TAX ON UNRELATED BUSINESS INCOME

Unrelated Business Income Tax. Your IRA is subject to tax on unrelated business income if it carries on an unrelated trade or business. An unrelated trade or business means any trade or business regularly carried on by the IRA or by a partnership of which it is a member. If your IRA has \$1,000 or more of unrelated trade or business gross income, the IRA trustee/custodian is required to file a Form 990-T, Exempt Organization Business Income Tax Return. The Form 990-T must be filed by the 15th day of the 4th month after the end of the IRA's tax year. Consult your tax advisor and IRS Publication 598, Tax on Unrelated Business Income of Exempt Organizations, for more information.

SECTION 12 – ADMINISTRATIVE EXPENSE

The Traditional IRA Custodial Account Agreement and Roth IRA Custodial Account Agreement provides that the Custodian will receive reasonable annual compensation for the administration of this IRA. The Custodian may change its Fee Schedule upon 30 days' written notice to you. A Custodian's Fee Schedule is printed with the IRA Application and is available upon request.

SECTION 13 – INVESTMENT OF THE ROTH IRA & FINANCIAL DISCLOSURE

As stated in the Traditional IRA Custodial Account Agreement and the Roth IRA Custodial Account Agreement, the assets of the IRA will be invested only in accordance with your directions (or your beneficiary after your death) or your duly authorized agent. The Custodian of the IRA does not offer investment advice to you or your beneficiary. The investments available include a wide range of assets. The assets of the IRA at any given time may contain one or more of the permitted assets depending on which investments you or your beneficiary have selected. It is therefore impossible to estimate the value of your IRA assets at any given future point in time. Identification of an investment category as administratively feasible, or not administratively feasible, does not constitute a determination by the Custodian of the prudence or advisability of the investment nor does the Custodian provide investment advice or recommend or evaluate the merits or suitability of any investment.