TRADITIONAL IRA TRUST APPLICATION PACKET (FORM 2300-T)

Please Print or Type

____ ____ ____ ____ ____
CUID **(Credit union will complete.)**

____ ____ ____ - ____ ____ - ____ ____ ____ ____
IRA Owner's Social Security Number

IRA Owner's Birth Date (MM/DD/YYYY) - **(required for processing)**

Account Number

IRA Owner's Name (First, Initial, Last)

Street Address

Mailing Address if Different From Street Address

City, State, ZIP

I instruct the credit union to invest this IRA in the following investment: _____

☐ This is a Simplified Employee Pension (SEP) IRA.

DESIGNATION OF BENEFICIARY (Revocable; see next page for complete instructions)

PRIMARY Beneficiary(ies) — % Column MUST total 100%

%	Name	Mailing Address	Relationship	Birth Date	SS #

SECONDARY Beneficiary(ies) — % Column MUST total 100%

%	Name	Mailing Address	Relationship	Birth Date	SS #

TERTIARY Beneficiary(ies) — % Column MUST total 100%

%	Name	Mailing Address	Relationship	Birth Date	SS #

SPOUSAL CONSENT

This section should be reviewed if either the trust or residence of the IRA owner is located in a community or marital property state and the IRA owner is married. Due to the important tax consequences of giving up one's community property interest, individuals signing this section should consult with a competent tax or legal advisor.

Current Marital Status

☐ **I Am Not Married –** I understand that if I become married in the future, I must complete a new Traditional IRA Beneficiary Designation/Change form (Form 2303T).

☐ **I Am Married –** I understand that if I choose to designate a primary beneficiary other than my spouse, my spouse must sign below.

Consent of Spouse

I am the spouse of the above-named IRA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Due to the important tax consequences of giving up my interest in this IRA, I have been advised to see a tax professional.

I hereby give the IRA owner any interest I have in the funds or property deposited in this IRA and consent to the beneficiary designation(s) indicated above. I assume full responsibility for any adverse consequences that may result. No tax or legal advice was given to me by the Trustee.

X
Signature of Spouse Date (MM/DD/YYYY)

X
Signature of Witness Date (MM/DD/YYYY)

ACCEPTANCE OF TRUSTEE

(for credit union use only)

The credit union hereby establishes a traditional IRA for the above IRA owner under the terms of the "Credit Union Traditional IRA Trust Agreement."

Credit Union Name

Credit Union Mailing Address (include street address)

City, State, ZIP

X
Authorized Credit Union Signature Date (MM/DD/YYYY)

☐ Check here if this is an amendment to an existing IRA.

IRA OWNER'S SIGNATURE

I acknowledge receipt of the "Credit Union Traditional IRA Disclosure Statement," which includes a financial projection table. I also accept the terms and conditions of the "Credit Union Traditional IRA Trust Agreement."

X
IRA Owner's Signature Date (MM/DD/YYYY)

WHITE-ADMINISTRATOR COPY **CANARY-CREDIT UNION COPY** **PINK-OWNER COPY**

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DESIGNATING BENEFICIARIES

General Instructions. A beneficiary can be a person, trust, charity or your estate. Write only one beneficiary on each line. Make sure that you write the full names of all beneficiaries. For example, if you name your children as beneficiaries, DO NOT merely write "children" on one of the lines; instead, write the full names of all your children on separate lines.

Order of Payment. Upon your death, your IRA will be payable to the primary beneficiaries listed unless they have predeceased you. The balance in the IRA will only be payable to the secondary beneficiaries if all primary beneficiaries have predeceased you. The IRA balance will be paid to the tertiary beneficiaries only if all primary and secondary beneficiaries have predeceased you.

Primary Beneficiaries. If you're naming only one primary beneficiary, put 100% in the "%" column. If you're naming more than one primary beneficiary, you must indicate what percentage each is to receive. The total MUST equal 100%.

If you do not assign a percentage for any primary beneficiary, then all primary beneficiaries will share equally.

Secondary Beneficiaries. If you're naming only one secondary beneficiary, put 100% in the "%" column. If you're naming more than one secondary beneficiary, you must indicate what percentage each secondary beneficiary is to receive. The total MUST equal 100%.

If you do not assign a percentage for any secondary beneficiary, then all secondary beneficiaries will share equally.

Tertiary Beneficiaries. If you're naming only one tertiary beneficiary, put 100% in the "%" column. If you're naming more than one tertiary beneficiary, you must indicate what percentage each tertiary beneficiary is to receive. The total MUST equal 100%.

If you do not assign a percentage for any tertiary beneficiary, then all tertiary beneficiaries will share equally.

Example. *Mary wants her IRA to be paid to her husband upon her death. If her husband is not alive, she wants her IRA to be paid equally to her two children. Mary would list her husband's name under the "Primary Beneficiary(ies)" section and fill in "100" in the "%" column. She would list the two children's names under the "Secondary Beneficiary(ies)" section and fill in "50" in the "%" column for each child.*

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CREDIT UNION TRADITIONAL IRA TRUST AGREEMENT (rev. 1/2010)

Form 5305 under Section 408(a) of the Internal Revenue Code FORM (rev. March 2002).

The grantor named on the application is establishing a traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The trustee named on the application has given the grantor the disclosure statement required by Regulations section 1.408-6.

The grantor has assigned the trust account the sum indicated on the application.

The grantor and the trustee make the following agreement:

1. CONTRIBUTION LIMIT

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k) or a recharacterized contribution described in section 408A(d)(6), the trustee will accept only cash contributions up to $3,000 per year for tax years 2002 through 2004. That contribution limit is increased to $4,000 for tax years 2005 through 2007 and $5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to $3,500 per year for tax years 2002 through 2004, $4,500 for 2005, $5,000 for 2006 and 2007, and $6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

2. NONFORFEITABLE

The grantor's interest in the balance in the trust account is nonforfeitable.

3. INVESTMENT LIMITATIONS

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

3.2 Restriction on Collectibles. No part of the trust 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.

4. REQUIRED MINIMUM DISTRIBUTIONS

4.1 Distributions Must Comply With Tax Laws. Notwithstanding any provision of this agreement to the contrary, the distribution of the grantor's interest in the trust account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

4.2 Post 70½ Distributions. The grantor's entire interest in the trust account must be, or begin to be, distributed not later than the grantor's required beginning date, April 1 following the calendar year in which the grantor reaches age 70½. By that date, the grantor may elect, in a manner acceptable to the trustee, to have the balance in the trust account distributed in:

(a) A single sum; or

(b) Payments over a period not longer than the life of the grantor or the joint lives of the grantor and his or her designated beneficiary.

4.3 Death Benefits. If the grantor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

(a) If the grantor dies on or after the required beginning date and:

(i) the designated beneficiary is the grantor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy, as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

(ii) the designated beneficiary is not the grantor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the grantor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

(iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the grantor as determined in the year of the grantor's death and reduced by 1 for each subsequent year.

(b) If the grantor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the grantor's death. If, however, the designated beneficiary is the grantor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the grantor would have reached age 70½. But, in such case, if the grantor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

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

4.4 No Contributions to Inherited IRA. If the grantor dies before his or her entire interest has been distributed and if the designated beneficiary is not the grantor's surviving spouse, no additional contributions may be accepted in the account.

4.5 Computation of the RMD. The minimum amount that must be distributed each year, beginning with the year containing the grantor's required beginning date, is known as the "required minimum distribution" (RMD) and is determined as follows:

(a) **Post 70½ RMD.** The required minimum distribution under paragraph 4.2(b) for any year, beginning with the year the grantor reaches age 70½, is the grantor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the grantor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the grantor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)

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(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the grantor's (or, if applicable, the grantor and spouse's) attained age (or ages) in the year.

(b) Death Benefit RMD. The required minimum distribution under paragraphs 4.3(a) and 4.3(b)(i) for a year, beginning with the year following the year of the grantor's death (or the year the grantor would have reached age 70½, if applicable under paragraph 4.3(b)(i)) 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 individual specified in such paragraphs 4.3(a) and 4.3(b)(i).

(c) Distribution Deadlines. The required minimum distribution for the year the grantor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

4.6 Can Receive RMD From Another IRA. The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

5. REPORTING

5.1 Grantor Will Provide Information. The grantor agrees to provide the trustee with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

5.2 Trustee Will Submit Reports. The trustee agrees to submit to the Internal Revenue Service (IRS) and grantor the reports prescribed by the IRS.

6. CONTROLLING TEXT

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles 1 through 3 and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related regulations will be invalid.

7. AMENDMENT

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the application form.

8. GENERAL PROVISIONS

8.1 Beneficiaries. If the grantor dies before receiving all of the amounts in his or her IRA, payments from the IRA will be made to the grantor's beneficiaries.

If the grantor directs that payment be made under the grantor's will, then this will be treated as a designation of the grantor's estate as a beneficiary.

The trustee may allow, if permitted by state law, an original IRA beneficiary(ies) (the beneficiary(ies) who is entitled to receive distribution(s) from an inherited IRA at the time of the grantor's death) to name a successor beneficiary(ies) for the inherited IRA. This designation can only be made on a form provided by or acceptable to the trustee, and it will only be effective when it is filed with the trustee during the original IRA beneficiary's(ies') lifetime. Unless otherwise specified, each beneficiary designation form that the original IRA beneficiary(ies) files with the trustee will cancel all previous ones. The consent of a successor beneficiary(ies) shall not be required for the original IRA beneficiary(ies) to revoke a successor beneficiary(ies) designation. If the original IRA beneficiary(ies) does not designate a successor beneficiary(ies), his or her estate will be the successor beneficiary. In no event shall the successor beneficiary(ies) be able to extend the distribution period beyond that required for the original IRA beneficiary.

8.2 Absence of a Beneficiary. If none of the beneficiaries survive the grantor or if the trustee has not received a beneficiary designation form from the grantor, then the grantor's IRA will be paid as follows:

(a) Everything to the grantor's spouse if alive on the day after the grantor's death; or

(b) If the grantor is not survived by a spouse, then everything equally to the grantor's legitimate natural and legally adopted children who are alive on the day after the grantor's death; or

(c) If the grantor is not survived by a spouse or any children, then everything to the grantor's estate. A person or estate entitled to receive money under this section will be treated as a beneficiary for purposes of Article 4.3.

8.3 Forms, Notices, and Reports. The grantor will mail notices to the trustee or to an agent specified by the trustee. The grantor will notify the trustee of any change in name or address. The trustee may require the grantor and beneficiaries to use the trustee's forms. A copy of the grantor's application when attached to a copy of this agreement (including amendments) will be considered an original agreement. A copy on carbonless paper or a photographic reproduction of any document used to administer this IRA will be admissible as evidence in any judicial or administrative proceeding as if it were the original itself. The trustee will mail notices and reports to the grantor or beneficiaries at the last known address according to its records. The grantor agrees to examine each report received from the trustee and immediately notify the trustee of any information in a report that does not appear to be correct. If the trustee does not receive such a notification within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

8.4 Trustee's Liability. The trustee will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement, or by a lack of good faith in acting in compliance with this agreement.

8.5 Trustee's Services. The trustee may charge reasonable fees for its services, and deduct such fees from the assets of the IRA. The trustee may establish reasonable administrative deadlines prior to the tax deadline for the grantor and beneficiaries to file payment selections. If the trustee does not receive a payment selection prior to its administrative deadline, it may make payment as provided in this agreement. The trustee may offer the option of dividing annual payments into several more frequent payments.

8.6 Amendments. The trustee has the right to amend this agreement at any time. Any amendment the trustee makes to comply with the Code and related regulations does not require the grantor's consent. The grantor, or his or her beneficiary upon the grantor's death, will be deemed to have consented to any other amendment unless, within 30 days from the date the trustee mails the amendment, the grantor or the beneficiary notifies the trustee in writing that they do not consent.

8.7 Change of Trustee. If the trustee changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if the trustee (or any portion of the organization which includes this IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of this IRA, but only if it is the type of organization authorized to serve as an IRA trustee or custodian.

A successor trustee will have all of the same duties and rights granted to the original trustee under this agreement. A successor trustee will not be liable for any act or omission of a predecessor trustee.

If the trustee is required to comply with Regulations section 1.408-2(e), and fails to do so, or the trustee is not keeping the records, making the returns or sending the

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statements as are required by forms or Regulations, the IRS may, after notifying the grantor, require the grantor to substitute another trustee or custodian.

8.8 Termination. The trustee may terminate this IRA upon 30 days notice to the grantor. In such event this IRA will be paid out to the grantor, unless during this 30-day period the grantor instructs the trustee to transfer it directly to another IRA.

8.9 Security Interest Waiver. The trustee waives the provisions of any written contract that grants it a security interest in this IRA.

8.10 Controlling Law. Payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides. In all other cases, the administration of this IRA will be governed by the laws in effect at our office that primarily serves the grantor.

8.11 Disclosure of Account Information. The trustee may use third-party service providers to assist in administering the IRA. The trustee may release nonpublic personal information regarding the IRA to third-party service providers as necessary to provide the products and services made available under this agreement, and to evaluate the trustee's business operations and analyze potential product, service, or process improvements.

General Instructions.

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

Purpose of Form. Form 5305 is a model trust account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (grantor) and the trustee and must be completed no later than the due date (excluding extensions) of the individual's income tax return for the tax year. This account must be created in the United States for the exclusive benefit of the grantor and his or her beneficiaries.

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

For more information on IRAs, including the required disclosures the trustee must give the grantor, see **Pub. 590**, *Individual Retirement Arrangements (IRAs).*

Definitions.

Trustee. The trustee 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 trustee.

Grantor. The grantor is the person who establishes the trust account.

Identifying Number. The grantor's social security number will serve as the identification number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

Traditional IRA for Nonworking Spouse. Form 5305 may be used to establish the IRA trust account for a nonworking spouse. Contributions to an IRA trust account for a nonworking spouse must be made to a separate IRA trust account established by the nonworking spouse.

Specific Instructions.

Article 4. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the grantor reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

Article 8. Article 8 and any that follow it may incorporate additional provisions that are agreed to by the grantor and trustee to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the grantor, etc. Attach additional pages if necessary.

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CREDIT UNION TRADITIONAL IRA DISCLOSURE STATEMENT (rev. 1/2010)

This publication discusses traditional individual retirement accounts (IRAs) in general, and your credit union-sponsored traditional IRA in particular. This publication only discusses the federal tax rules, and you should consult your tax advisor concerning the tax laws of your state. Your credit union is referred to as "we" in this document.

There are two types of IRAs. This document primarily discusses the original IRAs that were created in 1974, which are called "traditional IRAs." The second type was created by Congress in 1997, and these are called "Roth IRAs." Roth IRAs are discussed in this document only to the extent they relate to traditional IRAs. Many rules are the same for both traditional and Roth IRAs, and the discussion of these rules will refer simply to "IRAs." For more information about Roth IRAs, ask for the Credit Union Roth IRA Disclosure Statement.

1. CAN I REVOKE MY IRA AFTER I HAVE SIGNED THE APPLICATION?

Right to Revoke. You can revoke an IRA within seven days after you receive this disclosure statement (except that you cannot revoke your IRA if you received this disclosure statement seven or more days before you set up your IRA). We are required to report to the IRS the contributions to and distributions from a revoked IRA.

How to Revoke. You can revoke an IRA by calling us, writing to us, or stopping by our office. Calls should be placed during normal business hours. Mailed notices are timely if postmarked within the seven-day period. If you revoke your IRA, the entire amount of any contributions you have made will be returned to you.

2. HOW MUCH CAN I CONTRIBUTE TO A TRADITIONAL IRA?

There are two limits on the regular contributions you can make to a traditional IRA for a year. Your regular traditional IRA contributions are limited to the lower of these limits. All regular contributions for the same year to all of your traditional IRAs must be combined for purposes of meeting the contribution limits. A regular traditional IRA contribution is any contribution that does not qualify as a direct transfer, rollover, direct rollover, recharacterization, SEP or SIMPLE contribution.

(a) Compensation Limit. In general, your total regular IRA contributions for a year (both to Roth and traditional IRAs) cannot exceed the amount of your compensation earned during that year. If you file a joint federal income tax return and earn less compensation than your spouse, you can treat as compensation the joint compensation of you and your spouse, less the IRA contributions made by your spouse. Your compensation for a year is the total taxable income you receive during the year for performing services or that you receive as taxable alimony or separate maintenance payments. Amounts excluded from taxable income are generally not treated as compensation. The only exception is that all combat pay earned by military personnel is treated as compensation, even though most combat pay is not taxable. Compensation does not include income from property, such as interest, dividends, rent, or capital gains. You compute your net income from performing services by adding:

- The wages, salary, tips, bonuses, professional fees, consulting fees, and other amounts you receive for providing personal services as an employee (you can use the amounts shown in the "wages, tips, other compensation" box of the IRS Forms W-2 that you receive); plus
- The net income from a business you own and operate as a sole proprietor or your share of partnership income, but only if you actively provide services in connection with the business.

(b) Annual Contribution Limit. Your regular traditional IRA contributions for a year cannot exceed the annual contribution limit (which is the amount stated in the following table). The annual contribution limit is higher in the year you reach age 50 and in each subsequent year. For example, if you reach age 50 by December 31, 2007, then this limit is $5,000 for 2007.

Contributions For	Under Age 50	Age 50+
2006–2007	$4,000	$5,000
2008	$5,000	$6,000

In 2009 and later years, the $5,000 contribution limit for individuals under age 50 will be subject to an inflation adjustment. The annual contribution limit for individuals age 50 or older will be $1,000 more than the adjusted amount for individuals under age 50.

3. WHEN CAN I MAKE CONTRIBUTIONS?

You can make regular IRA contributions up until the time prescribed by law for filing the tax return for the year, not including filing extensions. If you report income on a calendar tax year basis, the deadline for making a regular IRA contribution for a year is April 15 of the following year. If April 15 is a weekend or a legal holiday at the address to which you mail your federal tax return, then the deadline is the next business day. You can make a regular IRA contribution before this deadline even if you have already filed your tax return for the year (this may require you to file an amended return). There is no special time during this period for making a regular IRA contribution. You can make regular IRA contributions periodically during the year, or in a single contribution for the year.

4. HOW MUCH OF MY TRADITIONAL IRA CONTRIBUTION CAN I DEDUCT?

This answer discusses the amount that you can deduct for making regular contributions to a traditional IRA. The amount that you can contribute is discussed in answer 2.

Factors Affecting Deduction. The amount you can deduct depends on whether you and your spouse (if you are married) are active participants in a retirement plan, and your modified adjusted gross income (MAGI) for federal income tax purposes.

An active participant in a retirement plan is someone who is an active participant in an IRC 401 pension, profit-sharing, or stock-bonus plan; a Keogh plan; a SEP plan; a SIMPLE plan; a government retirement plan (other than Social Security); an IRC 403(b) annuity or mutual fund plan; or an employee savings plan operated under IRC 501(c)(18). The following retirement plans are ignored in making this determination: (1) Service as a member of a reserve or national guard unit of less than 91 days of active duty during the year (other than active duty for training), or (2) Service as a volunteer firefighter, if the accrued benefits as of the beginning of the year are not more than an annual benefit of $1,800 (single life annuity commencing at age 65).

Your MAGI is your adjusted gross income before taking any deduction for IRA contributions, and without taking into account certain foreign income, foreign housing exclusions, and series EE bond interest. Use your joint MAGI if you file a joint income tax return.

If You Are NOT an Active Participant. You can deduct all of your regular traditional IRA contributions regardless of your income if you are single or if your spouse is also not an active participant in a retirement plan. But if your spouse is an active participant in a retirement plan, then the maximum amount you can deduct is phased out between $150,000 and $160,000 of MAGI for 2006, and between $156,000 and $166,000 of MAGI for 2007. Use the MAGI on the tax return you file, whether it is a joint or separate return.

If You ARE an Active Participant. The deduction for an active participant who is single is phased out between $50,000 and $60,000 of MAGI for 2006, and between $52,000 and $62,000 of MAGI for 2007. The deduction for an active participant who files a joint return is phased out between $75,000 and $85,000 of joint MAGI for 2006, and between $83,000 and $103,000 of joint MAGI for 2007. The deduction for a married active participant who files a separate return is phased out between zero and $10,000 of joint MAGI. Most of these phase-out ranges will be adjusted for inflation in subsequent years.

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Deduction Phase-out. To compute the deduction limit within a phase-out range, start by subtracting the bottom of the phase-out range from your MAGI. Divide the answer from this subtraction by $10,000 ($20,000 for a married active participant in 2007 and later years). Then multiply the answer from this division by your annual contribution limit (the amount stated in the chart in answer 2(b)). Round the answer from this multiplication down to the next lower $10. Subtract this rounded amount from your annual contribution limit. The answer is the amount you can deduct unless the answer is between zero and $200, in which case you can deduct $200. The Form 1040 Instructions include a worksheet to compute the amount that can be deducted for those with income inside a phase-out range.

5. HOW DO I DEDUCT CONTRIBUTIONS?

Deduction Reduces Gross Income. A deductible regular traditional IRA contribution reduces your gross income for federal income tax purposes. Even if you do not itemize your deductions, you may still claim a deduction for making regular contributions to your traditional IRA. You should enter the amount of contributions as an "adjustment to income" on IRS Form 1040 or 1040A.

You Can Deduct a Contribution Before It Is Made. You can take a deduction for a regular traditional IRA contribution that you have not yet made. This allows you to file your tax return early and still have until the due date for the return to make your regular traditional IRA contribution. If you do not actually make the IRA contribution by this due date, then you must file an amended tax return and pay the additional tax (you may also be liable for interest).

6. WHAT IF I CAN'T DEDUCT MY CONTRIBUTIONS?

Nondeductible Contributions. If you cannot deduct any of your IRA contribution, then you can make a nondeductible regular contribution up to your limit for regular IRA contributions (see answer 2). If the amount that you can deduct is less than the amount that you can contribute, then you can make a nondeductible regular traditional IRA contribution for the difference. You also have the option of electing to treat some or all of your regular contributions as being nondeductible even though you could have taken a deduction for them. The total of deductible contributions and nondeductible contributions for one year cannot exceed your contribution limit for the year.

Making Nondeductible Contributions. You make a nondeductible regular traditional IRA contribution in the same way that you make a deductible contribution. You do not even have to decide whether a contribution is deductible or nondeductible until you file your tax return for the year, and you can later change the classification by filing an amended return. There is no advantage to putting nondeductible contributions in a separate traditional IRA. You must file IRS Form 8606 for each year for which you make a nondeductible contribution (see answer 12).

Roth IRA Contributions. If you are not able to deduct a regular contribution to a traditional IRA, you may be able to make a regular contribution to a Roth IRA instead. There are limits on who can make contributions to Roth IRAs, so this may not be an alternative. Ask us for a copy of the Credit Union Roth IRA Disclosure Statement for more information.

7. WHAT OTHER RULES CONTROL MY IRA CONTRIBUTIONS?

Age 70½ Limitation. You cannot make regular traditional IRA contributions for the year in which you attain age 70½ or for any later year. But regular contributions to a Roth IRA, and rollover, direct transfer, direct rollover, SEP, and SIMPLE contributions to a traditional IRA can be made regardless of age.

Saver's Tax Credit. A tax credit is available for qualified retirement contributions by low- and middle-income taxpayers. The credit is reduced by certain distributions received from retirement plans. The amount of the credit cannot exceed the amount of federal income tax that the taxpayer would otherwise pay. The credit is determined by multiplying IRA and other retirement contributions up to $2,000 by the percentage that applies to the taxpayer's adjusted gross income for the year.

A married person who files a joint tax return can receive this tax credit with joint income up to $50,000 in 2006 or $52,000 in 2007. The head of a household can receive this tax credit with income up to $37,500 in 2006 or $39,000 in 2007. All other taxpayers can receive this tax credit with income up to $25,000 in 2006 or $26,000 in 2007. The income limits will be indexed for inflation for subsequent years.

Direct Deposit of Tax Refunds. You may instruct the IRS to deposit your tax refund into your IRA. If you file a joint return, you and your spouse may each give a separate instruction. These deposits are treated as regular IRA contributions.

Cash Contributions Required. Regular IRA contributions must be made in cash (currency, checks, etc.). Contributions of stock or other property are not allowed.

Community and Marital Property Laws. Community and marital property laws are disregarded for purposes of determining your maximum regular IRA contribution. You and your spouse must meet the qualifications for contributions individually, except for the spousal contribution rules described in answer 2(a).

Beneficiary Accounts. If you have an interest in a traditional IRA that you received as the result of someone who died after 1983, and you were not married to that person, then you may not make any contributions (including rollovers and direct rollovers) to that traditional IRA.

Recharacterizing a Contribution. Under certain circumstances, you can treat a contribution to a traditional IRA as if you made it to a Roth IRA, or you can treat a contribution to a Roth IRA as if you made it to a traditional IRA. This can be done to correct an excess contribution situation, although you can also recharacterize a contribution that is not an excess contribution. To recharacterize a contribution you must be able to make the contribution as it has been recharacterized. For example, if you discover that you cannot deduct a contribution to a traditional IRA, then you can recharacterize it as a contribution to a Roth IRA if this is allowed by the Roth contribution rules. You must give a special notice to the fiduciaries of both IRAs. This notice includes notification that you intend to recharacterize the contribution along with instructions to direct transfer the amount of the contribution. The income attributable to the contribution must also be transferred, and you must use an IRS formula to compute the income attributable.

Withdraw With Income by Deadline. You can withdraw any contribution, other than a direct transfer or SEP contribution permitted by the tax laws, until the deadline described below. Under this rule, you can withdraw both excess contributions and contributions that are permitted by the tax laws. The withdrawn contribution is not subject to income tax. You must also withdraw the income attributable to the contribution, and you must use an IRS formula to compute the income attributable. The income attributable is subject to income tax, and it is also subject to a 10% early distribution tax if you are under age 59½ at the time of withdrawal and none of the exceptions discussed in answer 12 apply. The 6% excess contribution tax does not apply to the contribution that is withdrawn.

Normal Deadline to Withdraw or Recharacterize a Contribution. You can withdraw or recharacterize a contribution and the income attributable to it until the deadline for filing your federal tax return for the year for which the contribution was made. If you file your federal income tax return on a calendar year basis and do not apply for an extension, then the normal deadline is April 15. If April 15 is a weekend or a legal holiday at the address to which you mail your federal tax return, then the deadline is the next business day. If you apply for a filing extension, then the normal deadline is the end of the filing extension period.

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Possible Six-Month Extension. If you timely filed your federal income tax return for the year, then your deadline is automatically extended for six months after the deadline for filing your federal tax return for the year (not including any filing extensions for which you have applied). For example, if you filed your return by your tax filing deadline of April 15, then you can withdraw or recharacterize a contribution and its income until October 15. If you rely on this six-month extension, then you must file an amended federal return reflecting the tax effects of the transaction within three years after your filing deadline. You must write "Filed pursuant to section 301.9100-2" at the top of your amended return.

8. WHAT IF I CONTRIBUTE TOO MUCH?

Recharacterizing a Contribution. You may be able to treat a contribution to a Roth IRA as if you made it to a traditional IRA, or treat a contribution to a traditional IRA as if you made it to a Roth IRA. See "Recharacterizing a Contribution" in answer 7 for more details.

Withdrawing a Contribution. You may be able to withdraw a contribution with little or no tax liability. See "Withdrawing a Contribution" in answer 7 for more details.

Excess Contribution Tax. Excess contributions that are not recharacterized or withdrawn as described above are subject to a nondeductible 6% excess contribution tax for the year for which the contribution was made and each year thereafter until the excess is eliminated. This tax is imposed each year that ends with the excess contribution still in the IRA. The excess contribution is reduced (until it is eliminated) by:

- The excess of the maximum regular contribution allowed in any future year over the amount actually contributed; or
- The amount of any distribution that you receive (other than a distribution that is subsequently rolled over).

Apply the Excess to a Future Year. Excess contributions are considered regular contributions, regardless of your original intention when you made the contribution. The tax laws automatically apply an excess traditional IRA contribution as a regular traditional IRA contribution for the first year for which you make less than the maximum regular traditional IRA contributions. For example, if you make regular traditional IRA contributions this year that are less than the maximum you can make, then an excess traditional IRA contribution you made for last year will be treated as a regular traditional IRA contribution for this year up to the difference between your contributions and the maximum. You would have to pay the 6% tax described in the preceding paragraph for last year.

Withdrawal After Deadline. You can withdraw an excess contribution to a traditional IRA after the deadline for filing your income tax return for the year for which the contribution was made if you meet the following two tests:

1. You must deduct the correct amount on your federal income tax return. This may require you to file an amended return.
2. The total traditional IRA contributions you made for the year did not exceed your annual contribution limit (see answer 2(b)) plus: (a) permitted rollovers, direct transfers, and recharacterization contributions, (b) contributions that did not qualify as rollovers from a QRP that were made in reliance on incorrect advice received from the plan administrator, and (c) SEP contributions or the annual limit on SEP contributions, whichever is less.

You will owe the 6% excess contribution tax for each year that ended with the excess still in your IRA.

Contributions in Prior Years. Contributions in prior years of less than the maximum amount may not be used to reduce the excess contribution in a later year.

9. CAN I MOVE MONEY FROM ONE TRADITIONAL IRA TO ANOTHER?

Direct Transfer. You can move money between traditional IRAs by having the money directly transferred between the IRAs. You do this by instructing the fiduciary of your traditional IRA to direct transfer the money to the fiduciary of another traditional IRA in your name. You should set up the traditional IRA that will receive the direct transfer before you start the direct transfer. The "fiduciary" is the trustee, custodian, or insurance company that issues the IRA. A direct transfer can be made without worrying about the once-a-year rule, and a direct transfer does not count as a rollover for purposes of applying the once-a-year rule to a later rollover.

Rollovers. You can move money between traditional IRAs by withdrawing the money from your traditional IRA and contributing part or all of the distribution to the same or another traditional IRA in your name. You can roll over a distribution only if you meet these tests:

- **60-Day Rule.** You must contribute the money to a traditional IRA within 60 days after you receive the distribution. The 60-day period may be extended if the money cannot be withdrawn from a financial institution because it is in financial trouble. The 60-day period is automatically extended in certain situations where the deadline is missed solely because of the error of a financial institution. You may be able to obtain an IRS waiver if applying the 60 day deadline would be against equity or good conscience, including casualty, disaster, or other events beyond your reasonable control.
- **Once-a-Year Rule.** A traditional IRA distribution cannot be rolled over if any other distribution from the same traditional IRA has been rolled over during the preceding 365 days.
- **First-Time Home Buyer Exception.** If the first-time home buyer rules described in answer 12 would apply except for the fact that there was a delay or cancellation of the home purchase, then you have until 120 days after you receive the withdrawal to contribute the assets to a traditional IRA as a rollover. Such a rollover is not subject to the once-a-year rollover rule, and it is not treated as a rollover in applying this rule to subsequent rollovers.

Distribution of Property. If you receive property in the distribution, then you must contribute the property itself. Please check with us to see if we can accept a contribution of property.

Divorce. A traditional IRA owner may be required to distribute part or all of a traditional IRA to his or her former spouse as part of a divorce or legal separation. A direct transfer from the owner's traditional IRA to a traditional IRA owned by the former spouse can be done tax-free, provided it is done according to the terms of the divorce decree or a written instrument incident to the divorce.

Death Benefits. Death benefits can be moved as follows:

- **Surviving Spouse to Spouse's Own IRA.** If your surviving spouse is the sole beneficiary of your entire IRA, your spouse will be deemed to elect to treat your IRA as his or her own by either (1) making contributions to your IRA, or (2) failing to timely remove a required minimum distribution from your IRA. A surviving spouse who receives death benefits from his or her deceased spouse's traditional IRA may also direct transfer the death benefits to a traditional IRA in the surviving spouse's name. Alternatively, a rollover may be used. This is treated like any other rollover, and it must meet the rollover tests described above.
- **To an IRA in the Owner's Name.** Any beneficiary may set up a new traditional IRA in the name of the deceased owner for the benefit of the beneficiary and use a direct transfer to move the money into this new IRA. The IRA that receives this direct transfer is required to make the same required minimum distributions as the decedent's IRA was required to make. A non-spouse beneficiary is not allowed to roll over or directly transfer the death

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benefits to an IRA in the beneficiary's name. Such a beneficiary is also prohibited from making any contributions (including rollovers and direct rollovers) to an IRA from which death benefits are payable.

No Income Limits. There are no income restrictions on your ability to move assets from one traditional IRA to another traditional IRA.

SIMPLE Retirement Accounts. A SIMPLE Retirement Account (SRA) is a special type of IRA that receives contributions under a SIMPLE Retirement Plan. You may roll over the assets from your SRA to your IRA at any time after the end of the two-year period that begins with the date you first participated in a qualified salary reduction arrangement with your current employer.

10. CAN I MOVE ASSETS FROM A TRADITIONAL IRA TO A ROTH IRA?

IRA Conversion Contribution. The IRS uses the phrase "IRA conversion contribution" to refer to any transaction in which all or part of the assets in a traditional IRA are moved to a Roth IRA. An IRA conversion contribution can be accomplished through a rollover or direct transfer (including a direct transfer between IRAs at the credit union).

IRA Conversion Contributions. Starting in 2010, anyone who has a traditional IRA will be able to make an IRA conversion contribution, regardless of income or filing status. During 2009 and earlier years, only people who file a single return or a joint return and have modified adjusted gross income (MAGI) of $100,000 or less can make an IRA conversion contribution. If you file a joint income tax return with your spouse, then this limit is joint MAGI of not more than $100,000. During 2009 and earlier years, you should not make an IRA conversion contribution unless you believe your MAGI will meet this limit. You may want to estimate your income for the year before starting an IRA conversion contribution. You cannot make an IRA conversion contribution in one year based on meeting the requirements in the previous year.

Creates Taxable Income. An IRA conversion contribution creates taxable income. This is true whether you use a direct transfer or rollover. The 10% early distribution tax does not apply even if you are under age 59½. The portion that the tax laws attribute to your traditional IRA basis is the only portion that is not taxable. You get a traditional IRA basis by making a nondeductible traditional IRA contribution or by rolling over to an IRA after-tax employee contributions that you made to a qualified retirement plan (see "Traditional IRA Basis" in answer 12). For conversions occurring in 2010, unless a taxpayer elects otherwise, the amount includible in gross income as a result of the conversion will be taxed one-half in 2011 and one-half in 2012.

For Further Information about IRA conversion contributions, ask us for a copy of the Credit Union Roth IRA Disclosure Statement.

11. CAN I MOVE ASSETS BETWEEN A QRP AND AN IRA?

QRP Defined. A qualified retirement plan (QRP) is any plan that meets the requirements of section 401 or section 403 of the Internal Revenue Code, or a governmental section 457 plan. This includes most pension, profit-sharing, Keogh, and stock-bonus plans, and annuities purchased by employers. The Federal Thrift Savings Plan (a plan for federal employees) is also a QRP.

Eligible Rollover Distribution Defined. Any "eligible rollover distribution" from a QRP can be moved into an IRA by using either a rollover or a direct rollover. The administrator of your employer's QRP is required to tell you when a distribution is an eligible rollover distribution. An eligible rollover distribution is any distribution from a QRP that is <u>not</u> (a) one of a series of substantially equal periodic payments made over your single or joint lifetime or life expectancy, or over a specified period of 10 or more years, (b) a required minimum distribution (RMD), or (c) a hardship distribution.

Designated Roth Accounts. Some QRPs include a provision that allow an employee to elect to be currently taxed on part or all of the contributions. These contributions and the income earned on them are kept in a designated Roth account for the benefit of the employee. An eligible rollover distribution of money from a designated Roth account cannot be contributed to a traditional IRA, although it can be contributed to a Roth IRA. For further information, ask us for a copy of the Credit Union Roth IRA Disclosure Statement.

Direct Rollover. In a direct rollover transaction, the QRP administrator makes the check payable to the credit union as the fiduciary of your IRA. The QRP administrator can send this check to the credit union, or the QRP administrator can send it to you and you can deliver it to the credit union. There is no income tax withholding on direct rollovers.

Rollover. In a rollover transaction, the QRP administrator makes the check payable to you, and you make a contribution to an IRA within 60 days after you receive the check. The QRP administrator must withhold 20% for federal income taxes from an eligible rollover distribution. However, you can still roll over 100% of the eligible rollover distribution by using funds from some other source to make up for the 20% that was withheld. You can make a rollover contribution only if both of these tests are met:

- You must make the contribution within 60 days after you receive the distribution. The 60-day period may be extended if the money cannot be withdrawn from a financial institution because it is in financial trouble. The 60-day period is automatically extended in certain situations where the deadline is missed solely because of the error of a financial institution. You may be able to obtain an IRS waiver if applying the 60-day deadline would be against equity or good conscience, including casualty, disaster, or other events beyond your reasonable control.
- If property is received, you can sell any portion of the property and contribute the proceeds to an IRA within 60 days after you receive the property. If you don't roll over everything you received, you may designate which property is to be treated as included in the rollover contribution. The tax laws also allow the property itself to be contributed (please check with us to see if we can accept a contribution of property).

Divorce. A QRP participant's former spouse can receive part or all of the participant's interest in the QRP in a divorce or legal separation. If the distribution to the former spouse is an eligible rollover distribution, the former spouse can move the money to an IRA in the name of the former spouse by using either a direct rollover or a rollover. The rules for determining what qualifies as an eligible rollover distribution for a participant's former spouse are basically the same as those for a participant. A former spouse should not remove any of his or her interest from the QRP until a qualified domestic relations order has been entered.

Surviving Spouse. When a QRP participant dies, the surviving spouse can move the death benefits to an IRA in the name of the surviving spouse if the death benefits qualify as an eligible rollover distribution. This can be done by using either a direct rollover or a rollover. The rules for determining what qualifies as an eligible rollover distribution for a participant's surviving spouse are basically the same as those for a participant.

To IRA in the Name of a Deceased Employee. Following the death of a QRP employee, any beneficiary can use a direct rollover to move an eligible rollover distribution of the QRP death benefits to an IRA in the name of the deceased employee, for the benefit of the beneficiary. Starting in the year after the transaction, the beneficiary must receive a required minimum distribution (RMD) each year computed in the same manner as the RMD for the distributing QRP.

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Conduit IRA No Longer Required. The tax laws now allow most assets in any traditional IRA to be moved to any traditional QRP. It is no longer necessary to move QRP assets to a conduit IRA in order to preserve the ability to move the funds back into a QRP at a later date. An IRA owner born in 1935 or earlier may still benefit from using a conduit IRA, and you should consult a tax advisor if you are in this situation.

Moving Assets from IRA to QRP. You can use a direct rollover or rollover to move some or all of a traditional IRA into a traditional QRP. The funds can be moved into the same QRP from which the money originally came, or a different QRP (except that it cannot be moved into a designated Roth account). You cannot move your traditional IRA basis to a QRP (see below). You can move assets to a QRP only if the QRP allows such a transaction, and you should contact the QRP administrator to confirm that it accepts assets before starting such a transaction. The source of the funds in the IRA is not relevant in applying these rules, except that you cannot move assets from a SIMPLE Retirement Account until two years after you first participated in a qualified salary reduction arrangement with your current employer.

12. HOW ARE TRADITIONAL IRA DISTRIBUTIONS TAXED?

Generally Subject to Income Tax. A distribution from a traditional IRA is subject to income tax unless one of the following exceptions is applicable:

- Distributions that are directly transferred to another IRA or to a QRP.
- Distributions that are rolled over to another IRA or to a QRP.
- Withdrawals of contributions before the deadline described in answer 7, except that the income attributable to such contributions is subject to ordinary income taxes.
- Certain withdrawals of excess contributions after the tax return deadline (see "Withdrawal After Deadline" in answer 8).
- The return of your traditional IRA basis.

Traditional IRA Basis. You get a traditional IRA basis by making a nondeductible regular contribution to a traditional IRA or by moving your after-tax contributions from a QRP to your traditional IRA. If you have received an interest in a traditional IRA because of the death of the original owner, and the owner had a traditional IRA basis at the time of death, then this traditional IRA basis is divided proportionately among all of the beneficiaries of all of the owner's traditional IRAs. You must account separately for your traditional IRA basis and the basis you receive from a deceased owner.

May be Subject to 10% Early Distribution Tax. The portion of an IRA distribution that is subject to income tax is also subject to a 10% early distribution tax unless one of these exemptions is applicable. Note that a distribution is subject to income tax even if one of these exemptions is applicable.

- **Age 59½.** You are not subject to the 10% early distribution tax after you reach age 59½, which occurs six months after your 59th birthday.
- **First-Time Home Buyers.** You are not subject to the 10% early distribution tax to the extent a distribution qualifies for the first-time home buyer exemption. This exemption applies to a distribution up to the amount of qualified acquisition costs (including customary settlement, financing, or other closing costs) to buy or build the principal residence of a first-time home buyer. You have a $10,000 lifetime limit under this exception, and this is a single lifetime limit that is applied to the total distributions from both your Roth and traditional IRAs. You and your spouse can use both of your lifetime limits to withdraw up to $20,000. The money must be used for this purpose within 120 days after you receive the distribution. The first-time home buyer can be you, your spouse, or the child, grandchild, or ancestor of you or your spouse. A person is a "first-time home buyer" if neither the person nor the person's spouse has had an ownership interest in a principal residence during the two-year period ending on the date of acquisition of the principal residence for which the withdrawal is being made.
- **Disability.** You are not subject to the 10% early distribution tax if you are disabled when you receive a distribution. The tax laws define "disability" as being unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment that can be expected to result in death, or to be of long continued and indefinite duration.
- **Death Benefits.** Your beneficiaries are not subject to the 10% early distribution tax on the death benefits they receive from your IRA.
- **Higher Education Expenses.** Distributions up to the amount of qualified higher education expenses paid during the year are exempt from the 10% early distribution tax. These expenses are the tuition, fees, books, supplies, and equipment required for enrollment or attendance at a post-secondary educational institution (a college or vocational school). These expenses must be incurred for the education of you, your spouse, your child, your grandchild, or your spouse's child or grandchild. While elementary and secondary educational expenses can now be funded by Coverdell ESAs, only higher education expenses are exempt from the 10% early distribution tax.
- **Large Medical Expenses.** Distributions up to the amount you can claim as an income tax deduction for medical expenses for the year are exempt from the 10% early distribution tax. The medical expenses can be for the owner, the owner's spouse, or any person properly listed on the owner's tax return as a dependent. If the owner files a joint income tax return, then medical expenses include those paid for these people by the owner's spouse. Expenses that are reimbursed by insurance cannot be counted. Expenses reimbursed out of funds created by a reduction in the owner's paycheck do count. This exception applies whether or not the owner itemizes income tax deductions.
- **Medical Insurance During Unemployment.** If you are unemployed and have received unemployment compensation for 12 consecutive weeks under any federal or state unemployment compensation law, then distributions up to the amount of the medical insurance premiums you pay during the year are exempt from the 10% early distribution tax. This rule applies for the year that you receive the unemployment compensation and for the next year; except that it no longer applies to distributions you receive after you have become re-employed for at least 60 days. If you were self-employed, then this rule applies if you would have received unemployment compensation but for the fact that you were self-employed.
- **Federal Tax Levy.** Distributions to the U.S. Government in response to a federal tax levy are exempt from the 10% early distribution tax.
- **Pre-59½ Periodic Payments**. Distributions under the pre-59½ periodic payment rules are exempt from the 10% early distribution tax (see answer 13).
- **Qualified Reservist Distributions.** If you are a qualified reservist called to active duty, you may be eligible to take penalty-free distributions from your IRA.
- **Early Withdrawal Penalty.** The 10% early distribution tax is not imposed on the premature withdrawal penalty charged by your credit union.

IRS Form 8606. You must file an IRS Form 8606 with your federal income tax return for any year for which you make a nondeductible regular traditional IRA contribution or during which you receive a taxable distribution after you have made a nondeductible contribution at some time in the past. If you overstate the amount of a nondeductible contribution on the Form 8606, you are subject to a $100

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penalty. If you fail to report the amount of a nondeductible contribution on the Form 8606, you are subject to a $50 penalty. The IRS will waive these penalties if you establish that the error was due to reasonable cause.

13. HOW WILL I RECEIVE MY RETIREMENT BENEFITS?

Before Age 59½. Before reaching age 59½, you can receive periodic payments over your life expectancy or the joint life expectancy of you and your designated beneficiary. If you substantially change these payments before you have received them for five years or before you reach age 59½ (whichever is later), you receive additional distributions from the IRA making the distributions, or you make contributions to this IRA, then you will be liable for the 10% early distribution tax on the periodic payments that you have received before age 59½, plus interest.

Between Ages 59½ and 70½. From age 59½ until the year in which you reach 70½, you can choose periodic payments of any amount (except that we may have a minimum amount policy).

After Age 70½. Starting with the year in which you reach age 70½, you must receive payments from your IRA each year that at least equal a minimum amount set by the tax laws (this is known as the IRA's "required minimum distribution" or "RMD"). The payment attributable to the year in which you reach age 70½ must be received by April 1 of the following year. The payment attributable to the year in which you reach age 71½, and each subsequent year, must be received by December 31 of that year. The RMD is computed separately for each traditional IRA by dividing the fair market value of the IRA at the end of the prior year by one of the following distribution periods:

- **Younger Spouse Rule.** If your spouse is the sole beneficiary of an IRA during an entire year and your spouse is more than ten years younger than you are on your birthdays during the year, then the applicable distribution period for the year is the joint life expectancy of you and your spouse on your birthdays during the year.
- **Uniform Lifetime Table (ULT).** If the younger spouse rule does not apply to an IRA, then the applicable distribution period is the ULT divisor based on your age as of your birthday during the year. Here is a portion of the ULT to help you understand how the RMD is computed:

Attained age	ULT divisor
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0
77	21.2
78	20.3
79	19.5
80	18.7

We will ask you to select a payment plan when the time nears to start your post-70½ payments. The periodic payments we offer you will each meet your RMD requirement, and if you select one of these payment plans, it will not be necessary for you to compute the amount of your RMD. You can receive the RMD for one traditional IRA from any other traditional IRA you have set up.

Charitable Distributions After Age 70½. Until the end of 2009, or until such later time as extended by Congress, a distribution from an IRA that is paid directly to a charity is tax-free if: (a) it is made after you have attained age 70½, and (b) the charity qualifies to receive this type of IRA distribution. Charitable distributions are limited to $100,000 per year, and they count toward meeting your RMD for the year. A charitable distribution cannot be made from an IRA if a SEP or SIMPLE contribution will be made to the IRA for the plan year ending within your same tax year.

14. WHAT HAPPENS TO MY IRA AFTER MY DEATH?

Beneficiary Designations. You can select the beneficiaries who will receive your IRA after your death on the IRA Application. You can change your beneficiaries in the future by completing a Beneficiary Change Form. It is important to complete a new Beneficiary Change Form each time that something occurs that causes you to want your IRA to go to different beneficiaries. The community or marital property laws of your state may grant your surviving spouse a portion of your IRA regardless of your designation of beneficiaries.

If you do not designate a beneficiary or if none of the beneficiaries you designate survive you, then your IRA will be paid to your surviving spouse. If you do not have a surviving spouse, then it will be paid equally to your legitimate natural and legally adopted children. If you are not survived by any children, then it will be paid to your estate.

Your Spouse Can Move Assets to Own IRA. Your spouse has the option of moving the assets to a traditional IRA in his or her name (see "Death Benefits" in answer 9).

Required Minimum Distribution (RMD). The tax laws specify the RMD that each beneficiary must receive from your traditional IRA. We will ask your beneficiaries to select a payment plan. These plans will each meet your beneficiaries' RMD requirement, and if your beneficiaries select one of these plans, it will not be necessary for them to compute the amount of their RMD. Each beneficiary of your traditional IRA will be able to choose a lump sum payment or periodic payments over a time period no longer than his or her life expectancy, and they may have additional payment options.

Field of Membership. The credit union laws under which we operate limit who can become a member of our credit union. This may limit our ability to offer periodic payment options to some beneficiaries. In such a situation, a beneficiary may obtain all of the options by direct transferring the death benefits to another IRA (see "To an IRA in the Owner's Name" in answer 9).

15. HOW ARE THE DEATH BENEFITS TAXED?

Estate Taxes. The entire value of an IRA is included in the estate for purposes of federal estate taxes.

Income Taxes. Your beneficiaries are generally subject to income tax on the amount they receive from your IRA. The only exception is that your traditional IRA basis is allocated to your beneficiaries, and the return of this traditional IRA basis is not taxed (see Traditional IRA Basis in answer 12).

16. HOW IS THE IRA ITSELF TAXED?

This answer discusses the taxation of an IRA other than as a result of a distribution from the IRA. The taxation of traditional IRA distributions is discussed in answers 12 through 15.

IRAs Generally Exempt from Tax. The earnings of an IRA are generally not subject to income tax while the money remains in the IRA. But an IRA will lose its exemption from taxation if you engage in a prohibited transaction. This will be effective as of the first day of the tax year in which the prohibited transaction occurs. In such a case, you will be treated as if the IRA's assets had been distributed to you. In addition, you may be liable for the 10% tax on early distributions. Examples of prohibited transactions are borrowing from an IRA, selling property to or buying property from an IRA, or receiving more than reasonable compensation for services performed for an IRA. An IRA is also subject to income tax on any unrelated business income that is earned by the IRA.

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Using IRA as Security for a Loan. Using an IRA as security for a loan causes the portion used as security to be taxed as if it was distributed to you.

Investing an IRA in Collectibles. Investing an IRA in collectibles causes the portion so invested to be taxed as if it was distributed to you. A "collectible" is a work of art, rug, antique, metal, gem, stamp, coin, alcoholic beverage, or other property specified by the Secretary of the Treasury. Certain gold, silver, and platinum coins and gold, silver, platinum, and palladium bullion are not considered to be collectibles.

No Federal Gift Tax. No federal gift tax has to be paid when you name a beneficiary or otherwise provide that payments from your IRA will be made to a designated person following your death.

17. WHAT ARE THE TAX REQUIREMENTS FOR A TRADITIONAL IRA?

A traditional IRA is a trust or custodial account created in the United States for the exclusive benefit of you and your beneficiaries. It must be created by a written governing instrument that meets the following requirements:

- The trustee or custodian must be a federally insured credit union, bank, savings and loan association, or another person that the IRS determines is eligible to act as trustee or custodian.
- The trustee or custodian must not accept regular contributions for a year of more than the annual contribution limit.
- You must have a nonforfeitable interest in the IRA.
- No part of the trust or custodial funds can be invested in life insurance contracts or collectibles, nor may the assets be commingled with other property except in a common trust fund or common investment fund.
- Distributions after you attain age 70½ and after your death must be made according to one of several options specified in the tax laws.

18. HOW MUCH WILL I HAVE IN MY IRA?

You should have received one or more financial projection tables along with this disclosure statement. If you did not receive these tables, then please ask us for a copy. These tables represent projections of the amount that you would be able to withdraw from your IRA based on certain assumed facts. These assumptions are stated on each table. These tables are only projections of the future value of your IRA based on these assumptions; they are not guarantees of the future value.

19. MISCELLANEOUS

Early Withdrawal Penalties. If an IRA is invested in an investment that has a fixed term, such as a share certificate or a certificate of deposit, then there may be an early withdrawal penalty imposed on a distribution from the IRA before the end of the investment term. We will provide you with a detailed explanation of the applicable early withdrawal penalties upon request.

IRS Model Agreement. The Credit Union Traditional IRA Agreement was published as a model agreement by the IRS. This means only that the form of this agreement has been approved by the IRS. This does not represent a determination by the IRS of an IRA's merits as an investment. Further information can be obtained from any district office of the IRS.

Hurricane-Related Relief. If you are an individual who sustained an economic loss due to, or are otherwise considered affected by, hurricane Katrina, Rita or Wilma, you may be eligible for favorable tax treatment on distributions and rollovers from your IRA. Qualified distributions include IRA distributions made on or after specified dates for each hurricane and before January 1, 2007 to a qualified individual. For a complete definition of what constitutes a qualified individual and a qualified hurricane distribution for purposes of hurricane relief, refer to IRS Publication 4492, *Information for Taxpayers Affected by Hurricanes Katrina, Rita and Wilma.*

1. **10 Percent Penalty Exception on Qualified Distributions –** Qualified hurricane distributions are not subject to the 10 percent early distribution penalty tax. This penalty exception applies only to the first $100,000 of qualified distributions to each individual.
2. **Taxation May be Spread Over Three Years –** If you receive qualified hurricane distributions, you may elect to include the distribution in your gross income ratably over three years, beginning with the year of the distribution.
3. **Repayment of Qualified Hurricane Distributions –** You may roll over qualified hurricane distributions to an eligible retirement plan, and avoid federal income taxation, within three years of the date of receipt of the distribution. The 60-day rollover rule does not apply to these distributions.

For further detailed information on tax relief granted for hurricanes Katrina, Rita and Wilma, and other exceptions which may be granted in the future by the IRS, you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements (IRAs),* by calling 1-800-TAXFORM, or by visiting www.irs.gov on the Internet.

Qualified Reservist Distributions. If you are a qualified reservist called to active duty, you may be eligible to take penalty-free distributions from your IRA and recontribute those amounts to an IRA generally within a two-year period from your date of return. For further detailed information you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements (IRAs)* from the IRS.

Heartland Disaster Related Tax Relief. If you are an individual who has sustained an economic loss due to, or are otherwise considered affected by, the severe storms, tornadoes and flooding that occurred in the Midwestern disaster area, you may be eligible for favorable tax treatment on distributions and rollovers from your IRA. Qualified disaster recovery assistance distributions include IRA distributions made on or after specified dates for each disaster, and before January 1, 2010 to a qualified individual. For more information on this tax relief, refer to IRS Publication 4492-B, *Information for Affected Taxpayers in the Midwestern Disaster Area.*

1. **10 Percent Penalty Exception on Qualified Distributions –** Qualified disaster recovery distributions are not subject to the 10 percent early distribution penalty tax. This penalty exception applies only to the first $100,000 of qualified distributions to each individual.
2. **Taxation May be Spread Over Three Years –** If you receive qualified disaster recovery assistance distributions, you may elect to include the distribution in your gross income ratably over three years, beginning with the year of the distribution.
3. **Repayment of Qualified Disaster Recovery Assistance Distributions –** You may roll over qualified disaster recovery assistance distributions to an eligible retirement plan, and avoid federal income taxation, within three years of the date of receipt of the distribution. The 60-day rollover rule does not apply to these distributions.

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