2024-2025

Trust Comprehensive Inherited Traditional IRA Amendment

TRUST—NONDEPOSIT INVESTMENTS NOT FDIC-INSURED. Under your Inherited Trust IRA, you may use your IRA funds to purchase mutual funds and other nondeposit investment products. Nondeposit investment products, such as mutual funds, stocks, bonds, etc., are not FDIC-insured; are not deposits or other obligations of this institution and are not guaranteed by this institution; and involve investment risks, including possible loss of principal.

#75-TTI (1/24)

Dear Inheriting IRA Beneficiary:

You have an inherited traditional IRA. Originally, this IRA had been established for an IRA accountholder who has died. You were designated as his or her beneficiary. We, as your IRA custodian, are updating or amending the IRA documents (IRS Form 5305, as modified, and the Disclosure Statement) previously furnished you.

On December 20, 2019, a new law was enacted which included a number of IRA law changes. The new law is the Further Consolidated Appropriations Act of 2020. Included in this law was the SECURE Act which contained the IRA changes.

On December 22, 2022 the Consolidated Appropriations Act of 2023 was enacted into law. This law contains the SECURE Act 2.0 (The Setting Everyone Up for Retirement Enhancement Act) which contains many IRA and pension law changes.

We are furnishing you this Comprehensive inherited traditional IRA Amendment so that you can be informed of these changes. The general rule is that the IRA plan agreement must authorize the transaction being made by an IRA accountholder or an inheriting IRA beneficiary and the IRA custodian.

The new law requires that one set of rules apply to beneficiaries of IRA accountholders who died before January 1, 2020 and another set of rules apply to beneficiaries of IRA accountholders who die on or after January 1, 2020.

If you inherited your inherited IRA prior to January 1, 2020, then you have been grandfathered and you may continue to stretch out distributions over your life expectancy if that is what you previously elected.

If you are the beneficiary of an IRA accountholder who dies on or after January 1, 2020, then in general, you will have to close the inherited IRA within ten years. However, there are some beneficiaries who will still be entitled to stretch out distributions. The rules for spouse beneficiaries have changed only a little.

In general, certain beneficiaries are still entitled to stretch out their withdrawal of the inherited IRA funds over their life expectancy. These beneficiaries are called Eligible Designated Beneficiaries (EDB). To be an Eligible Designated Beneficiary the beneficiary generally must be disabled, chronically ill, not more than 10 years younger than the IRA accountholder. Refer to the discussion in the Disclosure Statement explaining who is an EDB and the discussion of the tax benefits available to an EDB.

In general, non-EDB beneficiaries are no longer entitled to stretch out their withdrawal of the inherited IRA funds over their life expectancy. They must withdraw the inherited IRA funds within a 10 year time period commencing with the death of a IRA owner. There are two 10-year rules. Refer to the discussion in the Disclosure Statement.

The 50% excess accumulations RMD tax was repealed effective for 2023. The RMD or excess accumulation tax is now either 10%, 25% or 0%. Refer to the discussion in the Disclosure Statement.

The IRS in Notice 2023-54 granted special RMD relief for certain beneficiaries of an IRA accountholder who has died after 2019 and who had died after his or her required beginning date. Technically, under the proposed regulation such a beneficiary had an RMD for 2021, 2022, 2023 or 2024, but the IRS has stated the IRS will not assess the RMD tax if the beneficiary has not withdrawn the RMD or was late in doing so. Such relief will not apply for 2025 distributions unless the IRS would grant additional relief.

There will be times when you will want to conduct additional research, and you will want to contact a tax professional for advice. You will find helpful information at the IRS website, www.irs.gov.

We suggest you keep this Comprehensive Inherited Traditional IRA Amendment in your personal files for safekeeping. The revised and updated Inherited Individual Retirement Account (IRA) and Disclosure Statement are both set forth in this Comprehensive Inherited Traditional IRA Amendment and they replace any previously furnished forms.

Sincerely, Your IRA Trustee

Individual Retirement Inherited Trust Account

***Special Note.* This is an inherited traditional IRA. An inherited IRA is different from a traditional IRA established for a grantor, in the following ways: (1) annual contributions are no longer permissible; (2) a nonspouse beneficiary does not have the right to roll over a distribution from this inherited IRA to his or her own IRA or to another inherited IRA; (3) special required distribution rules apply to this inherited IRA; and (4) an inheriting IRA beneficiary may not convert the traditional IRA to be a Roth IRA. Therefore, it is desirable to have an IRA plan agreement form which clearly states the special rules which apply to an inherited IRA. The IRS has not written such a special form. Set forth below is the IRS Model Form 5305 which is written primarily from the viewpoint that the depositor/accountholder will make additional contributions. Be aware that those provisions describing the rights of the grantor are no longer applicable, since the grantor has died. The Disclosure Statement has been written to discuss only those rules which apply to you as a beneficiary, and to your beneficiary(ies) after your death.**

FORM

This is Form 5305 as revised by the Department of Treasury, Internal Revenue Service in April of 2017. Do not file with the IRS. This IRA account is under section 408(a) of the Internal Revenue Code.

NOTICE OF AGREEMENT

Since your name appears on the application, you understand that you are establishing an Individual Retirement Account (IRA) (under section 408(a) of the Internal Revenue Code) to provide for your retirement and for the support of your beneficiaries after your death. The Trustee named on the application has given you the disclosure statement under the Income Tax Regulations under section 408(i) of the Code. You have deposited with the Trustee the sum indicated on the application in cash. You and the Trustee make the following agreement with the following terms:

ARTICLE I

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 $5,500 per year for 2013 through 2017. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to $6,500 per year for 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

ARTICLE II

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

ARTICLE III

1. 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 common investment fund (within the meaning of section 408(a)(5)).
2. 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.

ARTICLE IV

1. 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.
2. The grantor's entire interest in the trust account must be, or begin to be, dis-

tributed 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.

3. 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. 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.

5. 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" and is determined as follows:

   (a) The required minimum distribution under paragraph 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 distri-

bution 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)(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) The required minimum distribution under paragraphs 3(a) and 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 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 3(a) and 3(b)(i).

(c) 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.

6. 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).

ARTICLE V

1. 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.
2. The trustee agrees to submit to the Internal Revenue Service (IRS) and grantor the reports prescribed by the IRS.

ARTICLE VI

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

ARTICLE VII

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 below.

ARTICLE VIII

Article VIII may be used for any additional provisions. If other provisions are added, they must comply with applicable requirements of State law and the Internal Revenue Code.

Introduction

In this Article, the words "you" and "your" mean the person for whose benefit the Inherited IRA has been established. The words, "we," "us," and "our" mean the Custodian of your Inherited IRA. In addition to the provisions of Articles I-VII, you and we agree that your Inherited IRA will be governed by these terms.

1. Your Duties and Rights

1.1 Notice and Address Change. You and your beneficiaries must deliver or mail any required information to our office unless we ask that you send it elsewhere. Any notice or election is effective only upon actual receipt. You or your beneficiaries must notify us of any change in address.

1.2 Tax Consequences. Because Inherited IRAs are so influenced by tax laws, you expressly acknowledge that you should consult with your tax advisor before making almost any Inherited IRA transaction. You are responsible for the tax consequences of any distributions or transfers, as well as any prohibited transactions. You acknowledge that you have not relied upon us for any advice concerning such tax consequences.

1.3A Investments and Selection of Investments. You have the right to self-direct the assets of this inherited IRA. You, or your authorized investment manager, may direct us to invest your inherited IRA funds or some portion in any other assets as described in section 1.3B.

You agree to notify us in writing with sufficient direction so that we may properly execute the transaction. You also agree to comply with any other conditions or requests we may require for administrative reasons. You expressly agree that your Inherited IRA will be charged for all transaction costs and other fees related to any directed investments. Such costs and fees are in addition to any other fees we may charge under this agreement.

You may invest your Inherited IRA assets only in assets which are clearly permitted by the laws governing IRAs. Thus, you cannot direct that your IRA assets be invested in any investment so that a prohibited transaction occurs. And, although we may permit you to self-direct the investments, we reserve the right to refuse to follow any investment direction.

When you direct your investments, you assume full responsibility and we shall not be liable for any loss you suffer. We shall be able to rely fully on your directions without making any inquiry or investigation. We are granted the discretion to decline your investment direction for any reason. We shall have the right to request that you furnish us with a written attorney's opinion that the proposed transaction will not be a prohibited transaction.

You may also instruct us in writing to invest your inherited IRA into one or more of the savings or time deposit instruments which we are offering at that time. You expressly authorize this even though we are acting as the IRA custodian of your Inherited IRA. Our name is set forth on the Inherited IRA application. Such deposit account must bear a reasonable rate of interest as determined by the terms of the deposit instruments and the short and long term economic conditions. the terms of any such accounts are incorporated by reference into this agreement.

FDIC insurance will only apply to the portion of your Inherited IRA funds invested in our time and savings accounts or those of another insured institution, and then only to the extent provided under governing rules. Such insurance does not apply to Inherited IRA funds which you self-direct into other types of investments. Securities are not bank deposits or FDIC insured, are not obligations of or guaranteed by the Custodian, and involve risk to principal.

The FDIC has stated that funds within an Inherited IRA are insured separately from funds within your personal IRA. The reason – the funds are held in a different right and capacity.

1.3B Investments. We will invest the assets comprising this inherited IRA unless the application page indicates otherwise. We have the following powers, rights and duties regarding the investment of your traditional Inherited IRA assets.

a. You expressly authorize us to invest your Inherited IRA funds into one or more deposit accounts as being offered by our financial institution or any related affiliate.

   See the application page for our name. Such deposit accounts must bear a reasonable rate of interest as determined by the terms of the deposit instruments and the short and long term economic conditions. The terms of any such accounts are incorporated by reference into the agreement.

b. To hold any property in our name or that of our nominee or in any other form we consider desirable.

c. To invest in bonds, notes, debentures, mortgages, trust interests, investment stock, mutual funds, general and limited partnership interest, deposits which bear a reasonable interest rate in the trustee, or in such other property, real or personal, within the United States, as the trustee may deem advisable, or as directed by you.

d. To invest in common trust funds and common investment funds (within the meaning of Code section 408(a)(5)).

e. To hold in cash such portion of the Inherited IRA assets as shall be reasonable under the circumstances.

f. To exercise any powers and rights of any individual owner with respect to any property of the Inherited IRA including, but not limited to, conducting business or litigation, participating in a voting trust, merger, borrowing funds and to do all other acts in its judgment necessary or desirable for the investment of your Inherited IRA assets even though the specific power to do such acts is not listed.

g. To allow you (the IRA beneficiary) pursuant to written policy to direct the investment of your Inherited IRA assets. For purposes of this section, the term "you" includes any Investment Manager which you have named. When we permit you to direct the investment, we shall not be liable for any loss you suffer.

1.3C. Voting Proxies. The IRA grantor and the IRA custodian/trustee agree the following provisions will apply to investment proxies related to the IRA investments. We as the IRA custodian/trustee have the responsibility to perform the proxy duties, including voting, whether we select the investments or you select the investments because you self-direct your IRA. We as the IRA custodian/trustee are the owner of the IRA investments. We will use our best efforts to determine what is best for your IRA. In general, the investments selected for your IRA (by us or you) must be in your economic interest considering only pecuniary factors.

You and we agree that we are not required to inform you when we are sent proxy materials with respect to an IRA investment. However, you may inform us in writing when you want us to inform you about a proxy matter.

If we determine the cost associated with responding to the proxy materials exceeds the economic benefit to be realized, then we will not respond or vote on the proxy matter.

You agree that we may charge a reasonable fee for our proxy services. If you request us to respond to a proxy we may charge a fee of based on the rate of $50 per hour. If we decide we will respond to a proxy we may charge a fee of based on the rate of $50 per hour. We reserve the right to waive this fee.

We both acknowledge that in some situations there could be prohibited transaction concerns. You should advise us in writing when you hold an asset within your IRA and you (or a company controlled by you) also own such asset on a personal non-IRA basis. If we decide to adopt your suggested approach on a proxy matter, you agree to accept full responsibility for the matter, including any negative resulting from a determination by a banking regulator, the SEC, the IRS or the Department of Labor (DOL).

1.4 Withdrawals/Termination. You may withdraw any amount of money from your Inherited IRA at any time. You must, however, complete our distribution form and furnish us with the reason for your distribution. Unless you instruct us in writing otherwise, we must withhold income tax on any Inherited IRA distribution for federal and state income tax purposes, if applicable. The amount to be withheld would be the amount then required by the applicable tax laws. With any distribution, including transfers, you will be required to pay from your Inherited IRA funds, if applicable, the interest penalty for the early surrender of a time deposit(s) and/or any fees related to the distribution.

1.5 Special Distribution Rules to Ensure Compliance with Beneficiary RMD Rules. You are required to establish a periodic distribution schedule so that you are paid a distribution amount which equals or exceeds the required minimum distribution amount. We have forms available which can be used to establish this schedule. Alternatively, you may elect to use the alternative certification method. You must furnish us a written notice of your intent to use the alternative certification method. Upon your request we will furnish you a form which you can use to make this election.

Unless you instruct us otherwise in writing, you hereby authorize us to issue you a check from your Inherited IRA funds for the amount of your annual distribution as determined above, or deposit such amount into any non-IRA checking or savings account which you maintain with us. We shall have the authority but not the duty to distribute this annual distribution amount from your Inherited IRA. You

are solely responsible to make sure that your required minimum distributions take place on a timely basis.

Note. The CARES Act waived all RMDs for 2020. RMD rules will again apply for 2021 and subsequent years.

1.6 Designating Beneficiaries and Method of Payment. You may designate one or more beneficiaries to receive your Inherited IRA assets after your death. We require that you use our beneficiary form to designate your beneficiary or beneficiaries and that you sign this form and file it with us during your lifetime. You are deemed to have furnished us with your beneficiary designation if you furnished such a form to an entity with respect to which we are considered to be a successor custodian and we have such designation in our files. You may change your beneficiaries at any time, and the consent of a beneficiary is not required unless you reside in a state with community or marital property laws. When you sign a new beneficiary form, you revoke all prior beneficiary designations. If you do not name a beneficiary, or if none of the named beneficiaries are alive on the date of your death, your Inherited IRA assets will be paid to your estate. As the beneficial owner of the Inherited IRA assets, you can instruct how and when these assets will be paid to the beneficiaries. If you don't instruct, your beneficiaries will have the right to choose how and when the assets will be paid. Any method of payment must satisfy the provisions of Article IV and other governing law.

Should any beneficiary pre-decease you, his or her share of the IRA is distributed pursuant to the selection you made on the account application in the Designation of Beneficiary section. The first choice, the pro rata method, terminates the interest of the deceased beneficiary and distributes those funds pro rata according to the remaining beneficiary's share percentage(s). The second choice (a per stirpes method) transfers the deceased beneficiary's share equally to the next generation of his or her living issue. Living issue is defined first as children, then grandchildren, then great-grandchildren (natural and/or adopted). If the predeceased primary beneficiary does not have any living issue, then his or her share shall be transferred to the other primary beneficiary (ies) on a pro rata basis based on their respective percentage shares unless you indicate on the IRA application that the share of the predeceased primary beneficiary is to go to his or her surviving spouse, if any.

In order that your funds be distributed according to your wishes, we strongly recommend you complete a new beneficiary designation as soon as possible when a beneficiary dies before you.

After your death, each primary beneficiary who acquires an interest in your Inherited IRA shall have the right to designate his or her own beneficiary(ies) with respect to his or her share. The procedures for designating a beneficiary(ies) which apply to you as the accountholder shall also apply to your beneficiary. When a beneficiary signs a new or revised beneficiary designation form, your beneficiary revokes all of his or her prior beneficiary designations. If the beneficiary does not designate his other beneficiary(ies), or if a designated beneficiary is not alive when the beneficiary dies, then the remaining Inherited IRA assets will be paid to such beneficiary's estate. Any method of payment must satisfy the provisions of Article IV and other governing law.

Simultaneous Death Provision. If your beneficiary and you die together with no evidence showing who died first, then your beneficiary is deemed to have predeceased you.

1.7 Special Distribution Rules to Ensure Compliance with Required Minimum Distribution Rules by Beneficiaries and Special Provisions for an Inherited IRA(s). You agree to inform any person who is your beneficiary that he or she is your beneficiary, and he or she must inform us of your death. We have the right to require that your beneficiary(ies) furnish us with a certified copy of your death certificate or other documentation, as we feel appropriate, to verify your death.

An inheriting beneficiary is subject to these terms of your Inherited IRA. Your beneficiary is required to complete such forms and furnish such information as

we deem appropriate in order to handle a distribution request, including a transfer distribution.

After your death, there are rules which mandate that your Inherited IRA funds be distributed to your beneficiary(ies) on or before certain time deadlines. The RMD schedule applying to you will apply to your inheriting beneficiary(ies).

If a time deadline is not met and the applicable required distribution is not withdrawn, an inheriting beneficiary will owe the 25% excise tax. The rules and time deadlines which apply depend upon whether the IRA owner died on or before December 31, 2019 or whether he or she died after December 31, 2019 and whether or not you as the beneficiary are an eligible designated beneficiary as defined in the SECURE Act or you are not an eligible designated beneficiary. These rules and deadlines are discussed in the IRA Disclosure Statement. You acknowledge that these rules are complex and that you should discuss with your own advisers.

Upon your death, your Inherited IRA will be converted into one or more inherited IRAs. The number of inherited IRAs to be created depends upon the number of your primary beneficiaries alive as of the date of your death. There will be an inherited IRA created for each such beneficiary. The following rules will govern such inherited IRAs. These rules are in addition to the other rules of this agreement and will govern if there is a conflict.

You agree that we have the right to establish an inherited IRA account for each beneficiary on our data processing system, even before a beneficiary instructs us how he or she will take withdrawals. We will have the authority to move the funds from your Inherited IRA to one or more new inherited IRA accounts. We will have the right, if necessary, because of data processing or administrative requirements, to surrender the savings and time deposits which comprised your account and establish new ones for the inherited IRAs.

There will be earnings (or losses) from the time of your death until the time the separate Inherited IRAs are set-up. Such earnings (or losses) will be allocated on a pro rata basis in a reasonable and consistent manner. An inheriting beneficiary is only entitled to receive a distribution with respect to his or her Inherited IRA.

There may be times when your estate will be the beneficiary of your Inherited IRA upon your death and your personal representative will request that separate Inherited IRAs be established for the beneficiary(ies) of your estate. We will have the discretion whether or not we will do so. We may ask that the estate's attorney furnish us a legal opinion that under federal and state law it is permissible for the estate to pass-through to its beneficiary(ies) the estate's right to withdraw the Inherited IRA funds using a divisor as based on the deceased IRA grantor. You agree that we and/or any affiliate may serve concurrently as the personal representative of your estate and also as the IRA trustee.

There may be times when your trust will be the beneficiary of your Inherited IRA upon your death and your trustee(s) may request that separate inherited IRAs be established for the beneficiary(ies) of your trust. We will have the discretion whether or not we will do so. We may ask that the attorney for the trust furnish us a legal opinion that under federal and state law it is permissible for the trust to pass-through to its beneficiary(ies) the trust's right to withdraw the Inherited IRA funds using a divisor based on the life expectancy of the oldest trust beneficiary from an Inherited IRA as established for a trust beneficiary. You agree that we and/or any affiliate may serve concurrently as the trustee of the trust and also as the IRA trustee.

We will transfer an inherited IRA to another Inherited IRA custodian or trustee, but only if the requesting beneficiary and the receiving Inherited IRA custodian/trustee will furnish us with a special “transfer of inherited IRA” administrative form so it is clearly acknowledged that it is an “inherited IRA” which is being transferred. Inherited IRAs are not eligible to be rolled over unless the beneficiary is a spouse who is the sole beneficiary.

Each beneficiary will be required to instruct us in writing as to how he or she will withdraw funds from his or her inherited IRA so that the required minimum distributions rules will be satisfied.

A beneficiary who wishes to disclaim his or her interest must do so within nine months of your death or by the attaining the age of 21, if later, and must comply with the requirements of Code section 2518 and applicable state law. Your beneficiary will be required to furnish us a written disclaimer as prepared by his or her attorney.

We have forms available which can be used by your beneficiary to instruct us which option he or she elects, and to establish a distribution schedule. Alternatively, the beneficiary may elect to use the alternative certification method. The beneficiary must furnish us a written notice of his or her intent to use the alternative certification method. We will furnish the beneficiary a form which can be used to make this election, upon his or her request.

We shall have the authority but not the duty to distribute any required minimum distribution to your beneficiary(ies). Any beneficiary shall be solely responsible to make sure that the required minimum distributions take place on a timely basis.

If your beneficiary fails to furnish us with his or her instruction as to how he or she will comply with the required distribution rules which apply to the situation, if applicable, then you hereby authorize us to mail a check to the beneficiary or to set-up a non-IRA savings account for such beneficiary and to deposit such funds into such account. We shall have the authority to make such a distribution by November 15 of the applicable year, but not the duty. Any beneficiary shall be solely responsible to make sure that required distributions take place on a timely basis so the RMD excise tax of Code section 4974(a) will not apply. A nonspouse beneficiary must remember that he or she has no rollover rights with respect to a distribution from an inherited IRA unless the mistake is caused by one of the IRA custodians/trustees and not by the beneficiary. IRS guidance is that the beneficiary is to use the IRS procedure for certifying a late rollover.

1.8 Assignment Rights. You, your beneficiaries, or anyone else may not borrow from your Inherited IRA, or pledge any portion of it as security or otherwise assign or create a lien on any part of your Inherited IRA account.

1.9 Indemnification. You hereby agree to release us from any and all liability with respect to your Inherited IRA except if such liability arises from our intentional misconduct or gross negligence.

1.10 Sale of Custodian-Successor Custodian. If another institution should purchase this, the custodian institution, or any of our Inherited IRA deposits, or we elect to change our corporate structure via a merger, consolidation or name change, then you hereby consent that the purchasing entity or the resulting corporate entity will be the successor custodian of your Inherited IRA funds with all duties and rights as listed in section 2.

1.11 General Rule–No FDIC Insurance Coverage. Normally FDIC insurance does NOT apply to assets held within an Inherited trust IRA because FDIC insurance applies only to certain deposit accounts. Your Inherited IRA has primarily been invested or will be invested in investments other than such deposit accounts and therefore will NOT be insured by the FDIC.

Stated another way, under your Inherited trust IRA, your Inherited IRA funds may be used to purchase mutual funds and other nondeposit investment products. The nondeposit investment products are not FDIC insured; are not deposits or other obligations of this institution and are not guaranteed by this institution; and involve investment risks, including loss or principal.

In some instances a portion of your Inherited IRA funds will be invested in deposits at this institution or another institution which is an “insured” institution. In such case, such deposits would be insured pursuant to the rules as established by the FDIC. A summary follows. Such Inherited IRA deposits are insured on a per institution basis and are insured separately from other deposit accounts, pursuant to the Federal Deposit Insurance Act, up to $250,000. Any IRA, Roth IRA, most eligible deferred compensation plans described in section 457 of the Internal Code, a Keogh plan as described in Code section 401(d) and any individual account plan as defined in section 3(34) of ERISA shall be aggregated and insured in an amount not to exceed $250,000. This aggregation requirement applies to a Keogh plan or an individual account plan only when

you have the right to direct the investment of your account. Amounts in excess of $250,000 are not insured.

The FDIC has stated that funds within an Inherited IRA are insured separately from funds within your personal IRA. The reason – the funds are held in a different right and capacity.

1.12 Special Agreement Regarding Prohibited Transactions. You acknowledge that the prohibited transaction rules set forth in Code section 4975 are complex and can result in harsh tax consequences. Generally, if you or your beneficiary engages in a prohibited transaction in connection with your Inherited IRA account at any time during the year, the account stops being an Inherited IRA as of the first day of that year. Therefore, you expressly agree that you will consult with your attorney or tax advisor prior to any proposed transaction which might be a prohibited transaction. You shall furnish us with an attorney's written opinion that a prohibited transaction will not occur on account of the proposed transaction. You agree to hold us harmless for any prohibited transaction which occurs unless we would be principally at fault.

Generally, a prohibited transaction is any improper use of your traditional IRA account or annuity by you, your beneficiary, or any disqualified person.

Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant).

The following are examples of prohibited IRA transactions.

- Borrowing money from it.
- Selling property to it.
- Receiving unreasonable compensation for managing it.
- Using it as security for a loan.
- Buying property for personal use (present or future) with IRA funds.

1.13 Fiduciary. For these purposes, a fiduciary includes anyone who does any of the following.

- Exercises any discretionary authority or discretionary control in managing your IRA or exercises any authority or control in managing or disposing of its assets.
- Provides investment advice to your IRA for a fee, or has any authority or responsibility to do so.
- Has any discretionary authority or discretionary responsibility in administering your IRA.

Current law provides for a 5-part test to determine if a person is a fiduciary. Under this rule a person is a fiduciary only if he or she:

1) makes recommendation on investing in, purchasing or selling securities or other property; or gives advice as to their value; 2) on a regular basis; 3) pursuant to a mutual understanding that the advice; 4) will serve as a primary basis for investment decisions; and 5) will be individualized to the particular needs of the IRA or plan.

A person who does not meet all five conditions is not a fiduciary.

1.13A Withholding of State Income Tax. If you are a resident of a state which has income tax laws, then we will withhold income tax for such state if we are required by law to do so or if we choose to do so. In general, we will withhold income tax for a state only if we have the minimal contacts with such state so we are required to do so.

1.14 Express Duty to Notify Us When You Become an Expatriate. You acknowledge that you have the express duty to notify us (your IRA custodian/trustee) of your expatriation date when you become an expatriate or covered expatriate. In general, an expatriate is either a United States citizen who has relinquished his or her citizenship or is a long term resident who ceases residence in the United States.

You agree to complete such administrative forms as we believe necessary. In our sole discretion, we will have the right to deduct and pay from your IRA

assets any amount which reasonably might be owed to the United States Treasury regarding your expatriation. Refer to section 4.5.K for a summary.

1.15 Power of Attorney. You may designate in writing one or more individuals to act as your power of attorney with respect to your Inherited IRA. He or she will have the full authority to make contributions, take distributions and take other actions with respect to your Inherited IRA on your behalf. There is one exception. He or she will not have the authority to name himself or herself as a beneficiary unless the power of attorney expressly grants this authority. You agree that this power of attorney continues in full force and effect even if you become incapacitated or unable to conduct your own affairs. You agree to assume all liability and responsibility for the acts of your power of attorney or for his or her failure to act. We shall have no liability for any loss of any kind incurred as a result of actions taken by your power of attorney. We shall have no duty or obligation to question any direction or instruction given by your power of attorney, including taking a distribution closing your Inherited IRA. This written power of attorney shall be furnished to us while you are alive. We must find it acceptable. We may rely on your power of attorney designation until we have been notified in writing that you have either revoked or changed such power of attorney. If we have a valid tax or business reason, we may decline to follow a direction or instruction as given by your power of attorney. The power of attorney designation is revoked by your death. The power of attorney no longer has any power to act with respect to your Inherited IRA once you die. You agree to inform your power of attorney that he or she has the duty to inform us in writing of your death, if he or she has knowledge of your death. We are not liable for the acts of your power of attorney after your death unless we have received written notification of your death.

1.16 Required Information to Open this Inherited IRA. When opening an Inherited IRA or any other banking account, you are required to provide your name, address of residence, date of birth, and your social security number or other tax identification number. We may ask for additional information to allow us to verify your identity. These requirements are designed to allow a financial institution to participate in the public policy goal of allowing the government to effectively fight the funding of terrorism and money laundering activities.

1.17 Effective Date. The effective date of this Inherited IRA plan agreement is the date that the Inherited IRA trustee signs or accepts the Inherited IRA application of the beneficiary.

1.18 Counterparts. The Inherited IRA application may be signed in any number of copies, each one shall be deemed to be an original even though the other copies are not available.

2. Our Duties and Rights

2.1 Reports. Each year we will provide you or your beneficiary with one or more reports showing the activity in your Inherited IRA for the preceding year as required by IRS regulations. You agree that we may furnish these reports by either providing a print version or an electronic version of the reports.

2.2 Reporting Errors. You or your beneficiary must carefully review each report for any errors. You are to notify us immediately if there are any errors. If you do not tell us of any errors within 90 days after the date we mailed the report, we are relieved of any responsibility for the error.

2.3 Agents. We may use agents to assist us in fulfilling our duties under this agreement.

2.4 Contribution Limitations. Since this is an Inherited IRA, the only permissible contribution is a transfer contribution. No other contributions are permitted.

2.5 Fees. You agree to pay us the fees specified in our current schedule of fees, if any, for establishing, maintaining and administering your Inherited IRA. We may replace or change our fee schedule at any time, upon giving you 30-days' written notice. You hereby authorize us to deduct these fees from your Inherited IRA assets and to surrender or sell such Inherited IRA assets at our discretion to pay any fee of which you have been notified, and which remains unpaid 30 days thereafter. However, in the case of an administrative fee, we will allow you

to pay such fee with non-IRA funds, but we have no duty to inform you of this option other than herein.

If your Inherited IRA is escheated to a state we will have the discretion to charge a $50 fee. In addition, we will have the discretion to charge a $50 fee if we use the IRS missing person programs or similar programs to find you or your beneficiary or to try to find you or a beneficiary. If state law does not permit such fee or fees, then these fees shall not apply. You expressly authorize us to use the IRS' program if we have not had contact with you for a period of 12 months.

2.6 Termination and Resignation as Trustee. We may resign or terminate our position as trustee of your Inherited IRA at any time by giving you written notice. You may then instruct us in writing to transfer your IRA assets to another IRA trustee if done within 30 days of our written notice. If you fail to so instruct us in writing within 30 days of our written notice, the Inherited IRA assets will be paid to you by mailing a check to you or by depositing such funds into a non-IRA checking account or savings account which you maintain with us. In addition, if you do not maintain such a non-IRA checking or savings account, then you hereby grant us the authority to establish a non-IRA savings account to receive this transfer.

2.7 Amendments. We may amend this agreement at any time in order to meet the requirements of the tax laws or regulations. We will send you a copy of any such amendment. You also agree that we may amend any provision of Article VIII and it will become effective 30 days after it is mailed to you or your beneficiary.

2.8 Good Faith Payments. We are not liable for any payments we make in good faith. We can rely fully on any information or direction you give us or on any document which we believe sufficient to determine a person's identity. We can rely on the latest beneficiary form in our possession. We may presume that a beneficiary is fully competent until we are told otherwise. If a beneficiary is a minor or is incompetent, we may make payments to the beneficiary's legal representative, or to the person with whom the beneficiary resides or to the beneficiary directly, notwithstanding state law to the contrary.

2.9 Withholding Payments and Resolution of Disputes. We shall have the right to withhold payments from your Inherited IRA assets if there is any dispute or uncertainty with respect to these assets. For example, disputes could arise in a divorce situation, or different individuals could claim that they were entitled to be paid as your beneficiaries. This right of ours to withhold payment is expressly authorized until the dispute or uncertainty is settled to our satisfaction by all of the parties. We shall have the right (but not the duty) to request a judicial determination as to ownership of the assets at any time from a Court of law. The Court's determination shall be binding upon us, you and all persons claiming an interest in the assets. You expressly authorize and agree that we have the right to be paid (i.e. deduct) from your Inherited IRA assets any fees and expenses including but not limited to legal and accounting fees, whether internal or external, associated with resolving any dispute.

2.9A Legal Claims Against Your Inherited IRA. We will attempt to notify you if we are served with any type of legal process which affects or might affect your Inherited IRA. The provisions of section 2.9 will apply to this situation except rather than request a judicial determination as to the ownership of the assets there would be a request to determine the validity of the legal process against your Inherited IRA assets. Your Inherited IRA will be responsible for all fees and expenses associated with responding to the legal process claim.

2.10 Notices. We may give a notice or report to you or your beneficiary by mailing it to you or your beneficiary at the address last furnished to us. The notice or report is considered given when it is mailed by either an agent or us.

2.11 Transfers. We may request certification acceptable to us before we will accept any transfer contribution. We reserve total discretion whether or not we will transfer your Inherited IRA assets to another custodian or trustee. You assume sole responsibility for complying with this requirement.

2.12 Authority to Deduct Taxes. In our sole discretion, you authorize us to

deduct and pay from your Inherited IRA assets the amount necessary to pay any and all taxes which relate to this Inherited IRA for which it may be liable.

2.13 Investments. We will invest the assets comprising this traditional IRA unless the application page indicates otherwise. We have the following powers, rights and duties regarding the investment of your traditional IRA assets.

a. You expressly authorize us to invest your Inherited IRA funds into one or more deposit accounts as being offered by our financial institution or any related affiliate.

   See the application page for our name. Such deposit accounts must bear a reasonable rate of interest as determined by the terms of the deposit instruments and the short and long term economic conditions. The terms of any such accounts are incorporated by reference into the agreement.

b. To hold any property in our name or that of our nominee or in any other form we consider desirable.

c. To invest in bonds, notes, debentures, mortgages, trust interests, investment stock, mutual funds, general and limited partnership interest, deposits which bear a reasonable interest rate in the trustee, or in such other property, real or personal, within the United States, as the trustee may deem advisable, or as directed by you.

d. To invest in common trust funds and common investment funds (within the meaning of Code section 408(a)(5)).

e. To hold in cash such portion of the Inherited IRA assets as shall be reasonable under the circumstances.

f. To exercise any powers and rights of any individual owner with respect to any property of the Inherited IRA including, but not limited to, conducting business or litigation, participating in a voting trust, merger, borrowing funds and to do all other acts in its judgment necessary or desirable for the investment of your Inherited IRA assets even though the specific power to do such acts is not listed.

g. To allow you (the IRA beneficiary) pursuant to written policy to direct the investment of your IRA assets. For purposes of this section, the term "you" includes any Investment Manager which you have named. When we permit you to direct the investment, we shall not be liable for any loss you suffer.

2.14 Corrections of Errors. We shall have the right to correct any error we make with respect to your Inherited IRA unless IRS rules and procedures would not permit us to do so. Such errors include both reporting errors and non-reporting errors.

3. General Provisions

3.1 Entire Agreement/Reproductions. This agreement is made up of two documents: (1) the application form and (2) the IRS model Form 5305 plan agreement along with Article VIII. You and we have received or retained a copy of these documents. You also acknowledge the fact that we have given you an Inherited IRA disclosure statement. A copy of these documents shall be admissible in evidence in any judicial or administrative proceeding as if they were originals. This agreement contains the entire agreement of the parties. It may not be changed orally; you and we must agree to any changes according to the procedure set forth in section 2.7.

3.2 Controlling Law. The laws of the state in which our principal office is located will govern this agreement for purposes of the relationship between us (i.e. the traditional Inherited IRA custodian and the traditional Inherited IRA accountholder or the inheriting beneficiary). However, if controlling law must be determined for another reason, then the laws of the state of the accountholder's domicile shall govern this agreement.

3.3 Waiver of a Breach and Severability. Your waiver or our waiver of a breach of any provision of this agreement by the other party shall not operate or be construed as a waiver of any subsequent breach. If any provision of this agreement is held to be illegal or nonenforceable, the remaining provisions shall be construed as if that provision had not been included.

3.4 Special Plan Agreement Changes Authorizing Tax-Free Charitable Distributions. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits for tax years 2006 to 2015 relating to tax-free charitable distributions. These changes are discussed in the Disclosure Statement.

3.5 Special Plan Agreement Changes Authorizing a New Type of Inherited IRA as Set Forth in the Pension Protection Act of 2006. To the extent necessary, the previous provisions are modified to authorize the special IRA tax benefits relating to the new type of inherited IRA arising from direct rollovers of the accounts of nonspouse beneficiaries. These changes are discussed in the Disclosure Statement.

3.6 Special Plan Agreement Changes Authorizing IRA Funds to be Transferred Tax-Free to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution, who has funds within a traditional IRA (and in limited cases a Roth IRA) may make a special election once during their lifetime to transfer a certain amount from their traditional IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. Such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to-trustee transfer will be excluded from your income.

3.7 Special Plan Agreement Changes for IRA Laws Enacted By The Bipartisan Budget Act of 2018 as signed into law by President Trump on February 9, 2018. To the extent necessary, the previous provisions are modified effective for tax years commencing after December 31, 2017 to authorize the new rollover rule for an IRA owner who has had their IRA levied by the IRS and then the IRS has had to return some or all of the levied funds. Also victims of the California fires are to receive the special tax benefits as summarized in section 2.13. These changes are discussed in the IRA Disclosure Statement.

3.8 Special IRA Plan Agreement Changes for IRA Law Changes Enacted by the SECURE Act as incorporated into the Further Consolidated Appropriations Act of 2020 as signed into law by President Trump on December 20, 2019. To the extent necessary the preceding IRA plan agreement provisions are modified to adopt the IRA changes authorized by the Further Consolidated Appropriations Act of 2020. In general, these changes apply for tax year commencing after December 31, 2019. The following changes (and also others) are discussed in the IRA Disclosure Statement. In general, if you are a beneficiary of an IRA accountholder who died before January 1, 2020, the RMD beneficiary rules applying to you (and your subsequent beneficiary) have not changed. You are to continue use the life distribution rule, if applicable or your must use the 5-year rule, if applicable. The new 10-year time period does not apply to you. In general, with respect to an IRA accountholder dying on or after January 1, 2020, a nonspouse beneficiary who is more than 10 years younger than the IRA owner will have 10 years in which to close the inherited IRA.

3.9 Special IRA Plan Agreement Changes for IRA Law Changes as Enacted within the "CARES Act". "Coronavirus Aid, Relief and Economic Security Act" on Friday, March 27, 2020. To the extent necessary the preceding IRA plan agreement provisions are modified to adopt the IRA changes authorized by the CARES Act, In general. these changes apply for the tax year commencing after December 31, 2019. The following changes are discussed in the IRA Disclosure Statement. RMDs for 2020 are waived for both living IRA accountholders and beneficiaries. 2020 is not to be considered in applying the 5-year rule for a beneficiary using the 5-year rule when the IRA accountholder had died before January 1, 2020.

3.10 Special IRA Plan Agreement Changes. IRA Law Changes as enacted within the SECURE ACT 2.0 on December 23, 2022 as incorporated into the Consolidated Appropriations Act of 2023. To the extent necessary the preceding IRA plan agreement provisions are modified to adopt the IRA changes authorized by the SECURE Act 2.0. Some of the changes are effective for the 2023 tax year and some will be effective for the 2024 tax year. These changes are

set forth in the IRA Disclosure Statement. These changes are incorporated by reference.

3.11 The IRS adopted its final regulation on required minimum distributions on July 19, 2024. Those rules applying to IRAs are incorporated by reference into this plan agreement including the rule that a spouse beneficiary is able to elect for purposing of calculating his or her RMD that he or she is to be treated as an IRA accountholder rather than a beneficiary. Although we may work to assist a beneficiary, this final regulation and this IRA plan agreement adopt the approach that it is the duty of a beneficiary to comply with the beneficiary RMD rules.

The final RMD rules apply as of January 1, 2025. For years prior to 2023 a taxpayer is to apply the 2002 and 2004 final regulations and is to apply a reasonable good faith interpretation of the amendments made by the SECURE Act. For 2023 and 2024 a taxpayer is to apply a reasonable good faith interpretation of the amendments made by the SECURE Act 2.0.

The IRS has adopted two new rules which assist a beneficiary. First, the IRS has extended the deadline for a beneficiary to withdraw the RMD amount which was not withdrawn by the IRA accountholder prior to his or her dying. The new deadline is December 31 of the year following the year the IRA accountholder died rather than December 31 of the year he or she dies. The second change is that when there are multiple beneficiaries that the RMD which still needs to be withdrawn does not need to be withdrawn prorata by each beneficiary, but may be satisfied by just one of the beneficiaries.

Disclosure Statement

Introduction

This Inherited IRA Disclosure Statement is an explanation of the rules which govern the traditional IRA, because that is the type of IRA which you have inherited.

You have not established an inherited Roth IRA, SIMPLE-IRA or a Coverdell Education Savings Account.

This summary or explanation of the inherited traditional IRA is intended to be a nontechnical explanation. However, as with any plan or program created by the Internal Revenue Code, these rules are complicated. Note that this is a summary, and you may well wish to conduct additional research. You are advised to always seek professional tax advice.

Revocation Procedure

You are entitled to revoke or cancel your Inherited IRA for any reason within seven (7) calendar days of the day you established it. You revoke your Inherited IRA by mailing or delivering a written notice to the Custodian's representative as shown on the application page. If you mail your notice, it is deemed mailed on the postmark date if you deposited it, properly addressed, in the United States mail with first class postage. Your timely revocation within the first seven days will mean your original contribution will be returned to you without any adjustment.

Statutory Requirements of an Inherited IRA

1. Cash Contributions. A beneficiary is not permitted to make any additional contributions to this inherited IRA.

2. Custodian/Trustee Requirements. The custodian or trustee of your traditional Inherited IRA must be a bank, trust company, savings and loan association, a federally insured credit union, or other person approved by the Secretary of the Treasury.

3. No Life Insurance. Funds in your Inherited IRA cannot be invested in life insurance to any extent.

4. Nonforfeitable. Your Inherited IRA funds are nonforfeitable.

5. Segregated Funds. Your Inherited IRA funds must be kept separate from

other property, although these assets may be combined with other property in a common Inherited IRA trust fund.

6. General Discussion of an Inherited IRA.

When an IRA accountholder dies, who inherits these funds? The beneficiary of the IRA, as designated by you on the IRA plan application document or most recent IRA beneficiary document, inherits the IRA funds. If no beneficiaries are named, applicable state law rules, usually naming your estate as the beneficiary.

Can you dictate how the money is to be distributed death? Yes! If the distribution instructions are in writing and call for an amount to be distributed, (not less than the amount required by the federal tax laws), you have the right to dictate the manner of distributions. Most beneficiaries allow the beneficiary to decide when he or she will take the required distributions.

Do the federal income tax laws mandate that I, as an IRA beneficiary, must be distributed funds from the decedent's IRA? Yes. If certain minimum amounts are not distributed to you, then you will owe the RMD excise tax. This tax amount is calculated as follows: 25% or 10% times the amount required to be withdrawn but which was not withdrawn. This is determined annually.

As a beneficiary, may I transfer my inherited IRA funds to a different IRA custodian/ trustee? Yes. If certain information is furnished and acknowledged by both IRA custodians, then you should be able to transfer the IRA you have inherited to a different IRA custodian.

Am I eligible to roll over inherited traditional IRA funds to another traditional IRA? No. Inherited IRAs are not eligible to be rolled over unless you are a spouse beneficiary.

Am I eligible to roll over or convert inherited traditional IRA funds to a Roth IRA? No. Inherited traditional IRA funds are not eligible to be converted into a Roth IRA.

What are the beneficiary options upon the death of the IRA accountholder? If the IRA accountholder has not specified the distribution method, the beneficiary options are numerous, and vary depending on whether it is a traditional IRA or a Roth IRA, and are further differentiated by whether the IRA accountholder dies before or after the Required Beginning Date. Also, spouse beneficiary options differ from nonspouse beneficiary options.

What date is used to determine a beneficiary(ies') RMD? In order to be an inheriting IRA beneficiary for RMD purposes, you must have been a designated beneficiary as of the time of the accountholder's death, and also as of September 30 of the year after the year the accountholder died.

What if more than one beneficiary is named? The IRA will generally be divided into separate inherited beneficiary accounts, with each account under the control of the individual beneficiary. Each beneficiary can generally make their own choice of payout options unless the decedent mandated the form and timing of payment.

What must I do to begin distributions? Bring a certified copy of the deceased's death certificate to the financial institution. They will give you the forms to complete to choose your election and payment schedule.

Understanding the Tax Consequences of Distributions from an Inherited IRA

You are required to be distributed certain amounts determined under either the life-distribution rule or the 10-year rule.

When funds are withdrawn or distributed from this inherited IRA, you will generally include the full amount in your gross income for federal income tax purposes. The amount of tax you will need to pay because of an IRA distribution will be added to your other income, and you will pay tax at whatever your marginal income tax bracket would require. If your spouse had a nontaxable amount within his or her IRA because he or she had made non-deductible contributions to the traditional IRA, or had rolled over non-deductible contributions from a 401(k) plan or other pension plan, then a portion of that distribution will

not be taxed. This subject of non-deductible contributions or basis is beyond the scope of this brochure. You will want to consult with your tax advisor and also perform your own research.

5. Rules and Procedures the IRA Accountholder or A Beneficiary Has Died – RMD Rules for a Beneficiary

Are IRA beneficiaries required to take RMDs after I die? Yes. Once an IRA accountholder dies, the law generally requires that a beneficiary take required distributions over his or her life expectancy or by using the 5-year rule or the 10-year rule. Unless you have restricted how much your beneficiary may withdraw, he or she is able to withdraw more than the required distribution amount, including closing the IRA. If your beneficiary fails to take his or her required distribution by the applicable deadline, then he or she will owe the 25% tax.

Have the RMD rules for certain beneficiaries changed? Yes. With the enactment of the SECURE Act within the Further Consolidations Act of 2020 there are now different rules depending upon whether the IRA owner died on or before December 31, 2019 or after December 31, 2019.

Are there situations where a person designated to be a beneficiary no longer qualifies as a beneficiary? Yes. If my beneficiary and I die together with no evidence showing who died first, then my beneficiary is deemed to have predeceased me. If my beneficiary dies within 120 hours of my death, such beneficiary is deemed to have predeceased me.

Surviving Spouse's Right to Treat Deceased Spouse's IRA as Own. A spouse who is the sole primary beneficiary, and who has an unlimited right to withdraw amounts from the deceased spouse's IRA, has the right to treat this IRA as his or her own IRA at any time after the spouse's date of death. When a surviving spouse elects to treat the deceased spouse's IRA as his or her own, the IRA is no longer an "inherited" IRA. The effect of treating the deceased spouse's IRA as his or her own IRA is that the surviving spouse is now treated as if he or she had originally made the IRA contributions. The surviving spouse is now considered to be the IRA owner, for whose benefit the IRA is maintained, for all purposes under the tax laws (e.g. the application of the 10% excise tax for pre-age 59½ distributions, the right to designate a beneficiary(ies), the right to convert the funds to a Roth IRA, the RMD Rules, etc).

Note. The IRS has made clear that even though your spouse beneficiary does not have the right to elect to treat your IRA as his or her own because he or she is not the sole beneficiary or for some other reason, your spouse may still roll over a distribution as long as the standard rollover rules are satisfied.

When must you be paid a required distribution? The RMD due for the years after the year of your death depend upon the RMD rules as discussed below.

What is the tax consequence if you fail to take an RMD by December 31? You will owe the 10% or the 25% tax. For example, if the RMD is $600, then the penalty tax amount owed is $150. The IRS does have the authority to waive this tax if special circumstances explain why a beneficiary missed taking his or her RMD.

What is the general RMD formula for an IRA beneficiary? It is the same formula which applies to a living IRA accountholder, except the life-expectancy table to be used is different. An IRA beneficiary uses the Single Life Table. An IRA beneficiary never uses either the Uniform Lifetime Table or the Joint and Last Survivor Table.

The Formula for Current Year:
12-31-XX of Preceding Year divided by the Period from Single Life Table (As Adjusted) equals RMD.

What life-expectancy table is used to determine the life expectancy which applies to an inheriting IRA beneficiary using the life expectancy rule?

Single Life Table

Age of IRA Benefi-ciary	Distribu-tion Period (in yrs)	Age of IRA Benefi-ciary	Distribu-tion Period (in yrs)	Age of IRA Benefi-ciary	Distribu-tion Period (in yrs)	Age of IRA Benefi-ciary	Distribu-tion Period (in yrs)
0	84.6	31	54.4	61	26.2	91	5.3
1	83.7	32	53.4	62	25.4	92	4.9
2	82.8	33	52.5	63	24.5	93	4.6
3	81.8	34	51.5	64	23.6	94	4.3
4	80.8	35	50.5	65	22.9	95	4.0
5	79.8	36	49.6	66	22.0	96	3.7
6	78.8	37	48.6	67	21.2	97	3.4
7	77.9	38	47.7	68	20.4	98	3.2
8	76.9	39	46.7	69	19.6	99	3.0
9	75.9	40	45.7	70	18.8	100	2.8
10	74.9	41	44.8	71	18.0	101	2.6
11	73.9	42	43.8	72	17.2	102	2.5
12	72.9	43	42.9	73	16.4	103	2.3
13	71.9	44	41.9	74	15.6	104	2.2
14	70.9	45	41.0	75	14.8	105	2.1
15	69.9	46	40.0	76	14.1	106	2.1
16	69.0	47	39.0	77	13.3	107	2.1
17	68.0	48	38.1	78	12.6	108	2.0
18	67.0	49	37.1	79	11.9	109	2.0
19	66.0	50	36.2	80	11.2	110	2.0
20	65.0	51	35.3	81	10.5	111	2.0
21	64.1	52	34.3	82	9.9	112	2.0
22	63.1	53	33.4	83	9.3	113	1.9
23	62.1	54	32.5	84	8.7	114	1.9
24	61.1	55	31.6	85	8.1	115	1.8
25	60.2	56	30.6	86	7.6	116	1.8
26	59.2	57	29.8	87	7.1	117	1.6
27	58.2	58	28.9	88	6.6	118	1.4
28	57.3	59	28.0	89	6.1	119	1.1
29	56.3	60	27.1	90	5.7	120	1.0
30	55.3						

Who is primarily responsible to comply with the RMD rules? Each beneficiary has this responsibility. Each beneficiary should seek guidance from their own adviser because these laws are complicated. Current IRS procedures do not require the IRA custodian/trustee to furnish an IRA beneficiary with an annual RMD notice as is provided to you annually. Many IRA custodians/trustees will communicate with a beneficiary to assist a beneficiary with the withdrawal of the inherited IRA funds.

What is the consequence if you fail to comply with the RMD laws? You will owe the RMD tax.

After you die what required minimum distribution laws will apply to your beneficiary(ies)? In general, the RMD schedule which applies to you will be continued by your beneficiary after you die.

For example, if you are a non-EDB beneficiary of an IRA accountholder who died in 2021 before his or her required beginning date, then the 10-year rule applies to you and the inherited IRA must be closed by December 31, 2031. If you would die in 2026, your beneficiary must still close the inherited IRA by December 31, 2031. For example, if you are a non-EDB beneficiary of an IRA accountholder who died in 2021 after his or her required beginning date, then the special 10-year rule applies to you and the inherited IRA must be closed by December 31, 2031. If you would die in 2028, your beneficiary must still close the inherited IRA by December 31, 2031.

Another example, if you are an EDB beneficiary of an IRA accountholder who died in 2021 and you are using the life distribution rule, then your beneficiary will continue your schedule. Upon the death of your beneficiary the 10-year rule would apply.

Discussion of the Beneficiary RMD Rules After the SECURE ACT of 2019. An IRA beneficiary is required to comply with RMD rules applying to a beneficiary once the IRA accountholder dies. A beneficiary who fails to timely withdraw an RMD will be liable for the 25% excess tax. The law and the IRS procedure is to assess the 25% tax against the beneficiary and not the IRA custodian/trustee. A beneficiary should discuss their beneficiary situation with their adviser be it an attorney, an accountant, a financial adviser or a family member. In gen-

eral, a beneficiary is required to include a distribution of the inherited IRA funds in their income unless some of the funds are basis and are not taxable.

A beneficiary may withdraw more than their annual RMD unless the IRA accountholder has imposed restrictions limiting a distribution to the RMD amount or some larger amount. The IRA accountholder could state that the beneficiary was not to take an immediate lump sum distribution.

An IRA custodian/trustee has two beneficiary classifications after the SECURE Act of 2019.

Category #1. IRA Accountholder Died Before January 1, 2020.

You are a beneficiary of an IRA accountholder who died before January 1, 2020. The law has defined you to be an EDB, an eligible designated beneficiary. You have been grandfathered and you are to continue to apply the same RMD method which you originally elected or which automatically applies to you. Most beneficiaries will need to continue their life distribution rule as modified under IRS which allow your divisor to be reset by using the divisors set forth in the current Single Life Table. If you had elected the five year rule, that rule is to be continued.

If you are a sole spouse beneficiary who has maintained the IRA as an inherited IRA, you are to continue to use the applicable life distribution rule. However, you may still exercise your right to elect to treat this inherited IRA arising from your deceased spouse as your own IRA. You should be aware that the IRS has proposed to change these rules so that there will be deadline for making this election.

If you are a spouse beneficiary who is not sole beneficiary and who has maintained the IRA as an inherited IRA, you are to continue to use the applicable life distribution rule. However, you may still exercise your right to rollover this inherited IRA arising from your deceased spouse. You must comply with the standard rollover rules at there will be deadline for making this election.

If you are a non-spouse beneficiary who is a person you must continue the previous method which you had elected or which applied to you. If the IRA accountholder had died before the required beginning date the beneficiary selected between the 5-year rule and the life distribution rule. If the IRA accountholder had died on or after the required beginning date the beneficiary used the life distribution rule. The IRS has instructed that the divisor used under the life distribution rule is to be reset using the revised Single Life Table.

Upon you death, your beneficiary is allowed to continue your RMD schedule, but the beneficiary will be required to close out the inherited IRA under the 10-year rule.

Category #2. IRA Accountholder Died or Dies On or After January 1, 2020.

The purpose of the SECURE Act was to reduce the time frame for making distributions to many beneficiaries. That is, rather than being able to withdraw distributions over their life expectancy a beneficiary must use the 10-year rule. In a certain situation if the beneficiary is not a person, that beneficiary will have to use the 5-year rule.

There are at least 16 beneficiary situations which can exist. Set forth is a discussion of each situation. It is still important to know if the IRA accountholder died before or on or after their required beginning date. A beneficiary should discuss the specifics of their situation with their adviser.

The Eight Situations When the IRA Accountholder Dies Before Their Required Beginning Date

Situation #1. The beneficiary is a spouse beneficiary who is the sole beneficiary and the IRA accountholder has died before the required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has three options with respect to the inherited IRA. Option one is to elect to treat the deceased spouse's IRA as their own IRA. Option two is to use a special life distribution rule. Option three is to use the 10-year rule. Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

The IRS has proposed that the spouse beneficiary must make this election by December 31 of the year he or she attains age 72 or December 31 of the following year if the spouse beneficiary is older than age 72.

Situation #2. The beneficiary is a spouse beneficiary who is not the sole beneficiary and the IRA accountholder has died before their required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has only two options with respect to the inherited IRA. There is no right to treat as his or her own. Option one is to use the standard life distribution rule. Option two is to use the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

Situation #3. The beneficiary is a non-spouse beneficiary who qualifies an EDB (Eligible Designated Beneficiary and the IRA accountholder has died before their required beginning date. An EDB has two options with respect to the inherited IRA. There is no right to treat as his or her own. Option one is to use the standard life distribution rule. Option two is to use the 10-year rule. Once made the election is irrevocable.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year.

A beneficiary will be an EDB if as of the day the IRA accountholder dies the beneficiary is: more than ten years younger than the IRA accountholder, disabled, chronically ill, or a child of the IRA accountholder who is not yet age 21. The beneficiary will need to certify if he or she is an EDB and assume full responsibility for the certification.

Situation #4. The beneficiary is a non-spouse beneficiary who is a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died before their required beginning date. This non-EDB beneficiary must close the inherited IRA under the 10-year rule.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the 10th year. It is permissible to have no withdrawals for years 1-9. Many beneficiaries will want to withdraw approximately 10% each year for income tax planning reasons.

Situation #5. The beneficiary is a non-spouse beneficiary who is not a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died before their required beginning date. This non-EDB beneficiary must close the inherited IRA under the 5-year rule.

Under the 5-year rule the only requirement is to close the inherited IRA by December 31 of the 5th year.

Situation #6. The beneficiary is a non-spouse beneficiary who is not a qualified trust and the IRA accountholder has died before their required beginning date. This non-qualified trust beneficiary must close the inherited IRA under the 5-year rule.

Under the 5-year rule the only requirement is to close the inherited IRA by December 31 of the 5th year.

Situation #7. The beneficiary is a non-spouse beneficiary who is a qualified trust and the IRA accountholder has died before their required beginning date. This qualified trust beneficiary must close the inherited IRA under the 10-year rule.

Under the 10-year rule the only requirement is to close the inherited IRA by December 31 of the10th year.

Situation #8. The beneficiary is an EDB trust and the IRA accountholder has died before their required beginning date. This EDB beneficiary is able to use the life distribution rule using the age of the oldest trust beneficiary to determine the distribution period.

The Eight Situations When the IRA Accountholder Dies On or After Their Required Beginning Date

Situation #9. The beneficiary is a spouse beneficiary who is the sole beneficiary and the IRA accountholder has died on or after the required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary has two options with respect to the inherited IRA. Option one is to elect to treat the deceased spouse's IRA as their own IRA. Option two is to use a special life distribution rule.

The IRS has proposed that the spouse beneficiary must make this election by December 31 of the year he or she attains age 72 or December 31 of the following year if the spouse beneficiary is older than age 72.

Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

Situation #10. The beneficiary is a spouse beneficiary who is not the sole beneficiary and the IRA accountholder has died on or after their required beginning date. A spouse beneficiary is an EDB (Eligible Designated Beneficiary). This spouse beneficiary will use the standard life distribution rule. It will be used for as long as the spouse beneficiary lives. Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Situation #11. The beneficiary is a non-spouse beneficiary who qualifies an EDB (Eligible Designated Beneficiary and the IRA accountholder has died on or after their required beginning date. This non-spouse beneficiary will use the standard life distribution rule. It will be used for as long as the non-spouse beneficiary lives. Upon the beneficiary's death the subsequent beneficiary must continue the distribution schedule but close it under the 10-year rule.

The standard life distribution rule is - the annual RMD equals the fair market value as of the preceding December 31 divided by a divisor from the Single Life Table. The initial divisor for the first year after the IRA accountholder died is determined using the age of the beneficiary in that year and the Single Life Table. For subsequent year subtract 1.0 for each elapsed year.

Situation #12. The beneficiary is a non-spouse beneficiary who is a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died on or after their required beginning date. This non-EDB beneficiary must close the inherited IRA under the standard beneficiary life distribution rule, but it must also be closed under the 10-year rule. An example is set forth below. Jane Doe, age 58 in 2021, is the beneficiary of Mary Doe's IRA. Mary was age 81 when she died in 2021. Jane must commence RMD distributions in 2022 and close the inherited IRA by December 31, 2031. See below.

Year	Jane's Age	RMD Divisor	Closeout Deadline
2022	59	28.0	
2023	60	27.0	
2024	61	26.0	
2025	62	25.0	
2026	63	24.0	
2027	64	23.0	
2028	65	22.0	
2029	66	21.0	
2030	67	20.0	
2031	68	1.0	12/31/2031

Note. Although the law permits a beneficiary to only with the RMD for years 1-9, many beneficiaries will decide for tax reasons to take equal (or nearly equal) distributions over the 10 year period.

Situation #13. The beneficiary is a non-spouse beneficiary who is not a person who does not qualify as an EDB (Eligible Designated Beneficiary) and the IRA accountholder has died on or after their required beginning date. This non-EDB beneficiary must close the inherited IRA under a special life distribution rule which is based on the age of the deceased IRA accountholder and the standard beneficiary life distribution rule, but it must be closed under the 10-year rule. An example is set forth below. Sam Doe died in 2021 when he was 78 and his beneficiary is his estate. The divisor for someone age 78 is 12.6. See the RMD calculations set forth.

Year	Sam's Age	RMD Divisor	Closeout Deadline
2022	N/A	12.6	
2023	N/A	11.6	
2024	N/A	10.6	
2025	N/A	9.6	
2026	N/A	8.6	
2027	N/A	7.6	
2028	N/A	6.6	
2029	N/A	5.6	
2030	N/A	4.6	
2031	N/A	1.0	12/31/2031

Note. If the IRA accountholder is older than age 81, then there will be a payout period of less than 10 years in this situation. An individual who is a beneficiary of the estate may have passed through to him or her the right to receive RMD distributions from the estate.

Situation #14. The beneficiary is a non-qualified trust the IRA accountholder has died on or after their required beginning date. The discussion set forth in situation #13 also is to be used for this situation.

Situation #15. The beneficiary is a qualified trust (but not an EDB trust) and the IRA accountholder has died on or after their required beginning date. The beneficiary life distribution rule applies and the measuring life is based on the age of the oldest beneficiary. Upon the death of the oldest beneficiary the IRA must be closed out under the 10-year rule.

Situation #16. The beneficiary is an EDB trust and the IRA accountholder has died on or after their required beginning date. The beneficiary life distribution rule applies and the measuring life is the oldest beneficiary. Upon the death of the oldest beneficiary the distribution schedule continues to apply until the divisor is 1.0.

The SECURE Act 2.0 creates a special RMD beneficiary rule for a special needs trust. A special needs trust may provide for a charitable organization to be the remainder beneficiary and still qualify as an EDB trust entitled to stretch out distributions over the life expectancy of the disabled beneficiary. It would not be required to use the 10-year rules or another rule because the charitable organization was the remainder beneficiary. Starts for 2023.

Federal Income Tax Consequences.

1. **Deferred Taxation.** Your Inherited IRA funds (whether contributions or related earnings) are not taxed until actual distribution unless (1) you engage in a

prohibited transaction, (2) you invest in collectibles, (3) the original contribution was non-deductible, (4) you pledge your Inherited IRA as security, or (5) you engage in a trade or business with these funds so that the unrelated business income tax imposed by Internal Revenue Code section 511 applies. If you engage in a prohibited transaction at any time during the year, your Inherited IRA funds will be treated as if they were distributed on January 1 of that year. IRC section 4975 names the prohibited transactions. Some examples: (1) borrowing from your Inherited IRA; (2) selling property to your Inherited IRA; (3) using your Inherited IRA as security for a loan; or (4) receiving unreasonable compensation for managing your Inherited IRA. If any of your Inherited IRA funds are invested in collectibles after 1981, the amount invested is considered distributed to you in that year. Collectibles include tangible personal property such as artwork, rugs, antiques, metals, gems, coins, alcoholic beverages, etc. Exception #1: Inherited IRA funds may be invested in certain gold, silver, and platinum coins issued by the United States. Exception #2: Inherited IRA funds may be invested in any coin issued under the laws of any state. Exception #3: After December 31, 1997, an Inherited IRA may purchase certain gold, silver, platinum or palladium bullion. Such bullion must be in the physical possession of the Inherited IRA trustee or custodian. Such bullion must be of a fineness that a contract market requires for metals which may be delivered in satisfaction of a regulated futures contract.

2. Transfers. You are entitled to transfer other traditional Inherited IRA funds or assets into this Inherited IRA, as long as such funds are inherited from the same decedent.

3. RMDs for Beneficiaries of an Inherited IRA Arising from a Direct Rollover from a 401(k) Plan or Other Eligible Employer Plan. On or after January 1, 2007, if you are a nonspouse beneficiary of a deceased plan participant, then you will be able to directly roll over your inherited funds into a new type of inherited IRA, if the plan is amended to authorize such a direct rollover. Prior to 2007, a nonspouse beneficiary of a pension plan participant was unable to roll over such inherited funds. He or she was required to take distributions from the pension plan as the plan stipulated.

What is the benefit of a direct rollover? Receiving distributions will generally be a less complicated process if the inherited funds are within an inherited IRA rather than an employer-sponsored plan. Why? In many cases, plan administrators would rather not have to make a number of distributions to an inheriting beneficiary. They prefer making one distribution, as occurs when a terminating employee requests a direct rollover of their funds into an IRA. Many times an inheriting beneficiary will have more investment options with their own inherited IRA than if the funds stay within the employer-sponsored plan. Taking distributions from an IRA is generally much easier than taking distributions from an employer-sponsored plan. For example, it is very possible that the employer-sponsored plan would limit a beneficiary to taking a distribution to just once or twice a year. An inherited IRA normally allows more frequent distributions.

What must a nonspouse QP beneficiary do to make a direct rollover? A nonspouse beneficiary must establish an Inherited IRA with an IRA custodian, and inform the qualified plan administrator that they wish to perform a direct rollover of the inherited QP funds to their Inherited IRA. Both the plan administrator and the IRA custodian will normally require the beneficiary to complete a form or forms authorizing this direct rollover distribution from the qualified plan, and certifying that an Inherited IRA has been established with the IRA custodian.

What rules apply to a beneficiary for receiving the required distributions from the Inherited IRA? You will be required to take required distributions from this new type of inherited IRA. The IRS has adopted the approach that the inherited IRA established to receive the direct rollover must apply the same required distribution rules as set forth in the ERP. That is, if the ERP mandated that the 5-year rule applies, then the 5-year rule must be applied by the IRA, unless a special election has been made to use the life-distribution rule. If the ERP mandated the life-distribution rule, then the life-distribution rule must be applied by the IRA.

Special rule and election. If the 5-year rule applies, the nonspouse beneficiary may elect to use the life-distribution rule rather than the 5-year rule. There are two requirements. First, the funds must be directly rolled over before the end of the year following the year of death. Secondly, the life-distribution rule must be determined using the same nonspouse beneficiary. Note that the amount ineligible to be directly rolled over includes the required distribution amount for any prior year to the extent not distributed.

4. Distributions.

A. In General. For Inherited IRA purposes, a distribution is defined to be a removal of funds or property from an Inherited IRA, which is actually paid to you or your beneficiary, or which is transferred to another qualifying Inherited IRA or inherited IRA.

A distribution will either be fully taxable, partially taxable, or not taxable at all depending on the amount of the distribution which will be required to be included in income for federal income tax purposes.

B. Rollovers and Transfers. The general tax rule until 2018 was that a nonspouse beneficiary is not authorized to make a rollover contribution of an IRA distribution. That is, a nonspouse beneficiary must remember that he or she has no rollover rights with respect to a distribution from an inherited IRA unless the exception enacted in 2018 for the return of an IRS levy would apply. If the IRS levies upon your inherited IRA and must repay to you some or all of the levied amount, you will have until your tax filing deadline for the year you receive the repayment to make your rollover contribution or contributions of some or all of the returned amount.

A transfer occurs when ownership of the Inherited IRA funds or property is changed from one Inherited IRA custodian/trustee, on behalf of an Inherited IRA depositor or beneficiary, to a subsequent Inherited IRA custodian /trustee on behalf of the same depositor or beneficiary. A transfer is not a reportable event to either the individual or the IRS, because an actual payment has not been made. The following types of transfers may take place with respect to your Inherited IRA: (1) you may transfer funds to another of your Inherited IRAs (but only from the same decedent); (2) there may be a transfer of your Inherited IRA funds to your spouse or ex-spouse, if pursuant to a court decree or property settlement or (3) there will be a transfer by operation of law from your Inherited IRA to your beneficiary's inherited IRA.

C. Tax Treatment of Distributions. Any money or property that you receive from your Inherited IRA is a distribution. The **general rule** is that any distribution be included in the gross income of the recipient in the year received. The favorable ten-year averaging or capital gain provisions of IRC section 402 do not apply. If any non-deductible contributions or basis exists within the inherited IRA, then a portion of the distribution will not be taxable as determined by applying the rules of IRC section 72 as modified by some special Inherited IRA rules. See IRS Publication 590.

Distributions from your traditional Inherited IRA may be fully or partly taxable, depending on whether your Inherited IRA includes any non-deductible contributions.

Fully taxable. If only deductible contributions were made to your traditional Inherited IRA (or Inherited IRAs, if you have more than one), you have no basis in your Inherited IRA. Because you have no basis in your Inherited IRA, any distributions are fully taxable when received.

Partly taxable. If any non-deductible contributions were made to any of your traditional Inherited IRAs, you have a cost basis (investment in the contract) equal to the amount of those taxed contributions. These non-deductible contributions are not taxed when they are distributed to you. They are a return of the decedent's investment in the Inherited IRA.

Only the part of the distribution that represents non-deductible contributions (the cost basis) is tax-free. If non-deductible contributions have been made, distributions consist partly of non-deductible contributions (basis) and partly of deductible contributions, earnings, and gains (if there are any). Until all of the

basis has been distributed, each distribution is partly nontaxable and partly taxable.

Form 8606. You must complete Form 8606, and attach it to your return, if you receive a distribution from a traditional Inherited IRA and any non-deductible contributions have ever been made to any of your traditional Inherited IRAs. Using the form, you will figure the nontaxable distributions and the total Inherited IRA basis.

Note. If you are required to file Form 8606, but you are not required to file an income tax return, you still must file Form 8606. Complete Form 8606, sign it, and send it to the IRS at the time and place you would otherwise file an income tax return.

A Tax to Consider Before Withdrawing IRA Funds. Effective as of January 1, 2013, a 3.8% tax went into effect. The IRS has chosen to call this tax, the Net Investment Income Tax.

This 3.8% tax applies to certain individuals having net investment income and certain estates and trusts having net investment income. To determine the tax owing, a person will multiply 3.8% time the lesser of: (1) his or her net investment income (NII) or a person's modified adjusted gross income as reduced by a threshold amount as set forth in the following table:

Filing Status	Threshold Amount
Married filing jointly	$250,000
Married filing separately	$125,000
Single	$200,000
Head of household (with qualifying person)	$200,000
Qualifying widow(er) with dependent child	$250,000

This tax will be owed only if an individual has net investment income and his or her modified adjusted gross income exceeds the applicable threshold amount.

<u>The tax means an individual before taking an IRA distribution will want to determine if he or she will have to pay the 3.8% tax on account of such distribution.</u> For most people and situations, a person will not owe the 3.8% tax on account of his or her IRA or pension distribution, but in some situations the tax would be owed.

There will be times, however, when a person’s IRA distribution will mean the individual will have to pay the 3.8% tax on account of the IRA distribution.

There will also be times when a person will take an IRA distribution and he or she will be required to pay the 3.8% tax, but the amount owed does not increase because of such IRA distribution.

What types of income are defined to be non-investment income?

Distributions from IRAs, pension plans, 401(k) plans, tax sheltered annuities, etc. are not investment income. Social security benefits are not investment income. Wages and income or profits from a nonpassive business including self-employment income are not investment income. Unemployment compensation and workers compensation are not net investment income.

What types of income are net investment income and so they might be subject to the 3.8% tax?

Investment income includes interest, dividends, gains from the sale of stocks, bonds, mutual funds, capital gain distributions from mutual funds, certain sales related to real estate, rental and royalty income, non-qualified annuities, income from businesses involved in trading of financial instruments or commodities, business income arising from certain passive activities, and the sale of an interest in a partnership and S corporations by an individual who had a passive interest. Such investment income is reduced by certain expenses properly allocable to the income. And any income or gain excluded from gross income for regular income tax purposes is also excluded from a person net investment income (e.g. $250,000 exclusion for sale of primary residence).

This 3.8% tax is different from the 9/10ths of 1 percent Additional Medicare tax which also went into effect on January 1, 2013.

If you have net investment income for a tax year, then you should review the IRS instructions for Form 8960, Net Investment Income Tax – Individuals, Estates and Trusts to determine if you are required to complete and file this form.

D. Discussion of the Special Rules Applying to Tax-Free Charitable IRA Distributions/Contributions. The federal income tax laws governing Qualified Charitable Distributions are now permanent as a result of a new budget and tax bill as signed into law by President Obama on December 18, 2015.

The IRS has issued guidance that a qualified charitable distribution will count towards your required minimum distribution.

A qualified charitable distribution (QCD) is a non-taxable distribution made directly by the trustee of your IRA (other than a SEP or SIMPLE-IRA) to an organization eligible to receive tax-deductible contributions. You must have been at least age 70½ when the distribution was made. Also, you must have the same type of acknowledgement of your contribution that you would need to claim a deduction for a charitable contribution. See Records To Keep in IRS Publication 526. Charitable Contributions. Your total QCDs of the year cannot be more than $100,000.If you file a joint return, your spouse can also have a QCD of up to $100,000. However, the amount of the QCD is limited to the amount of the distribution that would otherwise be included in income. If your IRA includes nondeductible contributions, the distribution is first considered to be paid out of otherwise taxable income.

What requirements must I meet in order to take advantage of this charitable contribution law? (a) You must be age 70½ or older; (b) You must have a traditional or Roth IRA; (c) You must be allowed to itemize deductions on your Form 1040 income tax return; (d) Your contribution to a qualifying charity must also have been able to qualify as an itemized deduction, but for this special charitable contribution rule under Code section 170 (disregard the percentage limits). **Caution:** You receive the tax-free charitable contribution treatment only if the entire amount would have qualified as a charitable deduction. Thus, if the contribution amount is reduced because of a benefit received by you in exchange, or because the custodian does not obtain sufficient substantiation, the exclusion is not available with respect to any part of the IRA distribution; (e) The distribution, but for this rule, must otherwise have been required to be included in your gross income. The withdrawal of basis (i.e. non-deductible contributions or nontaxable distributions) from a traditional IRA and/or Roth IRA is not includable in income, and consequently, such withdrawal does not qualify as a tax-free charitable contribution; and (f) Payment, no matter in what form (electronic transfer, check, etc.), must be made directly from the IRA to the qualifying charitable organization. The instrument used for payment must not be negotiable by the IRA accountholder. The IRS has stated, however, that the accountholder may hand deliver the payment to the charity.

IRS Reporting Tasks for QCDs. There is no special reporting for QCDs by the IRA custodian. Many times IRA accountholders and their tax advisors think the IRA custodian should be preparing the Form 1099-R to show the distribution as being tax-free. This is not the IRS procedure. A QCD is to be reported as a "normal" distribution since you are older than age 59½. You will be required to complete lines 15a and 15b of your federal income tax return. The general rule is that most IRA distributions are fully taxable so line 15a is left blank and the taxable amount is inserted on line 15b. An exception applies to QCDs. If the total distribution is a QCD, enter 0 on line 15b and write QCD next to line 15b. If only part of the distribution is a QCD, enter the part that is not the QCD on line 15b. Enter QCD next to line 15b.

What new QCD rule applies for 2020?

Effective for QCDs made in 2020 and subsequent years, the QCD exclusion amount for the current year must be reduced by an amount (but not below zero) equal to the excess of: the aggregate of all deductions allowed for all tax years on or after attaining age 70½ over the aggregate amount of the QCD reductions for all tax years preceding the current year.

E. Withholding. If you receive an Inherited IRA distribution which is payable upon demand, the payer-custodian will withhold Federal income tax at the rate of 10% unless you elect not to have any withholding or instruct to have a greater amount withheld. You use Form W-4P to instruct your custodian that you do not want withholding.

F. Tax Credit for the Elderly. If you are age 65 or older, amounts you receive from your Inherited IRA may qualify for the retirement income credit. See IRS Publication 524.

G. Ten Percent Additional Tax. The general Inherited IRA taxation rule is that an Inherited IRA distribution will be included in the income of the beneficiary but the 10% additional tax does not apply.

H. Effect on Taxation of Social Security and Railroad Retirement Benefits. Commencing with the 1994 tax year (i.e. January 1, 1994), new rules govern when Social Security benefits and Tier 1 Railroad Retirement benefits must be included in a taxpayer's gross income. If you receive such benefits, then you must include a portion of these benefits in your gross income if your provisional income exceeds either of two threshold amounts. Your provisional income includes modified adjusted gross income (adjusted gross income plus tax-exempt interest plus certain foreign-source income) plus 50% of your Social Security or Railroad Retirement benefit.

If your provisional income exceeds the following applicable threshold amount – $32,000 for married taxpayers filing joint returns, $25,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns – then you are required to include in gross income the lesser of (1) 50% of your Social Security or Railroad Retirement benefit or (2) 50% of the excess of your provisional income over the applicable threshold level.

If your provisional income exceeds the following applicable threshold amount – $44,000 for married taxpayers filing joint returns, $34,000 for unmarried taxpayers and $0 for married taxpayers filing separate returns, then you are required to include in gross income the lesser of (1) 85% of your Social Security or Railroad Retirement benefit or (2) the sum of 85% of the excess of your provisional income over the applicable threshold level plus the lesser of: (a) the amount determined using the applicable threshold described in the immediately preceding paragraph or (b) $4,500 if you are unmarried, $6,000 if you are married and filing jointly and $0 if you are married but are filing a separate return.

The consequence of this rule may be that a distribution from your Inherited IRA could result in some of your Social Security benefits being taxable.

5. Transfer Incident to Divorce and/or Election to Treat as Own. When an Inherited IRA is transferred from one spouse to another by a divorce decree or written document relating thereto, or after the death of one spouse, the transfer is not a distribution and is deemed tax-free. The Inherited IRA becomes the Inherited IRA of the transferee as of the date of transfer, subject to all rules governing Inherited IRAs.

6. Special Taxes that Apply Even Though No Distribution.

A. Six Percent Excise Tax on Excess Contributions. If the original accountholder had made any excess contributions to your inherited IRA, and these funds are still in the account, you must pay a 6% excise tax each year on the excess amounts that remain in your Inherited IRA. The tax cannot be more than 6% of the value of your Inherited IRA as of the end of the tax year. In general, an excess contribution is an amount paid to an IRA which exceeds the contribution limit (lesser of 100% of compensation or the applicable limit) or which is an improper rollover amount.

B. RMD Excise Tax on Excess Accumulations. There is an excise tax on any excess accumulation in your Inherited IRA. An excess accumulation is the difference between the amount actually distributed to your beneficiary, and the amount required to be distributed.

7. Form 5329 – Reporting Requirements when an Excise Tax applies.

If you or your beneficiary(ies) owe the 6% excise tax on an excess contribution, or the 50% excise tax for failing to satisfy the minimum distribution require-

ments, you or your beneficiary(ies) must file IRS Form 5329. See the instructions for Form 5329 for more information. You may be required to file Form 5329 even though your income level would not otherwise require the filing of an income tax return (i.e. Form 1040 or 1040A). If you engaged in a prohibited transaction, then you must report the entire Inherited IRA's value as of such day as being distributed.

8. Converting or Rolling Over this Traditional Inherited IRA to a Roth Inherited IRA.

A beneficiary cannot ever convert funds within an inherited traditional IRA to a Roth Inherited IRA.

9. Recharacterizing a Contribution.

The special rules allowing an accountholder to recharacterize a contribution do not apply to this inherited IRA.

10. Federal Estate and Gift Taxes. IRC sections 2039(c) and 2517 provide limited exceptions so that certain Inherited IRA transactions will not be subject to Federal estate or gift taxes. For example, no Federal gift tax has to be paid when you name a beneficiary or when the funds are paid to a beneficiary after your death. In general, Inherited IRA funds are includable in the computation of Federal estate taxes. Publication 590 should be read for an explanation of the rules.

11. Discussion of the Special Rules Applying to Tax-Free Transfers to Health Savings Accounts. On or after January 1, 2007, a person who is eligible to make an HSA contribution and who has funds within a traditional IRA or Roth IRA may make a special election once during his or her lifetime to transfer a certain amount from such IRA to their HSA. This type of special transfer is called a qualified HSA funding distribution. Such an election, once made, is irrevocable. The amount transferred in such a direct trustee-to-trustee transfer will be excluded from the person's income.

This one-time transfer rule allows a person to change funds which would be taxable (money distributed from an IRA) to funds which will escape taxation if they are withdrawn from the HSA and used to pay qualified medical expenses.

The right allowing a person to transfer funds from an IRA to an HSA tax-free applies even when the person has inherited an IRA. When a beneficiary transfers funds from his or her inherited IRA to an HSA, such a transfer will count to satisfy his or her IRA required distribution from the inherited IRA.

The amount contributed to an HSA, when transferred from an IRA, does count against the HSA contribution limit for the current year.

The maximum amount which can be transferred tax-free is determined at the time of the transfer and not later in the year. A person who is covered under a HDHP in March of 2015 may transfer from an IRA to an HSA in March the "family" amount even though later in 2015 he switches to a "single" HDHP.

The amount to be excluded is limited. It shall not exceed the annual contribution limit for single or family coverage, as applicable, as based on the HDHP coverage as of the time of the special transfer, or, in some cases, the amount of an earlier qualified HSA funding distribution. Thus, the maximum amount eligible for this special transfer for 2015 will be $3,500 for single coverage and $6,650 for family coverage plus any applicable catch-up amount.

Any traditional IRA and/or Roth IRA funds may be transferred to an HSA, including non-taxable basis. However, if a person chooses to transfer his or her basis from either a traditional IRA and/or Roth IRA, the individual will not be able to carry over this basis to his or her HSA. The IRS has adopted the position that the general HSA distribution rule will be applied even if a person has transferred IRA basis into his or her HSA.

The general rule is that a person is allowed only one tax-free transfer during his or her lifetime. One means one. Therefore, if a person has two or more IRAs and wants to use amounts in multiple IRAs to make the tax-free transfer, if eligible, the individual must first make an IRA to IRA or Roth IRA to Roth IRA transfer of the amounts to be distributed into a single IRA, and then make the one

tax-free transfer. A person who has both a traditional IRA and a Roth IRA will only be able to do the transfer from one or the other IRA.

A person will be able to transfer SEP-IRA or SIMPLE-IRA funds to his or her HSA only if the SEP or SIMPLE is not an "on-going" plan. That is, the transfer is permissible as long as the employer has not made an employer contribution for the plan year ending with or within the SEP-IRA or SIMPLE-IRA owner's tax year.

There are special testing period taxes if you make this special type of transfer and then end your coverage under an HDHP before a one-year time period has expired.

The testing period starts with the month in which the qualified HSA funding contribution is contributed to the HSA and ends on the last day of the 12th month following such month.

If, at any time during the testing period, you are no longer an eligible individual, then you will be penalized as follows. You will have to add to your income all contributions which had been excluded from income. This is required for the first month you become ineligible. The tax you owe will depend on what marginal tax rate applies. You will also owe an additional 10% tax.

Caution — Once the IRA funds are contributed to the HSA, there is no authority or provision in the law to recontribute the funds to the IRA. However, if the recontribution took place within the standard 60-day rollover period, it would be permissible.

IRS Reporting Tasks for Qualified HSA Funding Distributions. There is no special reporting for Qualified HSA Funding Distributions (HFD). Many times IRA accountholders and their tax advisors think the IRA custodian should be preparing the Form 1099-R to show the movement of the IRA funds to their HSA as being tax-free. This is not the IRS procedure. An HFD is to be reported as any other IRA distribution (code 7 if you are 59½ or older and code 1 if less than age 59½). You will be required to complete lines 15a and 15b of your federal income tax return to show what portion is taxable, if any. If the total distribution is an HFD, then enter 0 on line 15b and write HFD next to line 15b.

12. Discussion of the Special Rules Applying to Distributions to Expatriates. The Heroes Earnings Assistance and Relief Tax Act of 2008 changed the tax laws regarding expatriation. President Bush signed this bill into law on June 17, 2008. The expatriation changes apply to any individual whose expatriation date is on or after June 17, 2008.

An expatriate is any United States citizen who relinquishes his or her citizenship and any long term resident of the United States who ceases to a lawful permanent resident. An individual's expatriation date is the date he or she relinquishes citizenship or ceases being a permanent resident. A covered expatriate, in general, is an expatriate who meets the requirements of subparagraphs (A), (B), or (C) of Internal Revenue Code section 877(a)(2). However, there are exceptions where such a person is not treated as a covered expatriate. An individual will need to consult with his or her attorney or tax advisor.

There are special tax rules applying to IRA accounts and other tax preferred accounts. Any IRA of a covered expatriate is deemed totally distributed on the day before his or her expatriation date. The 10% early distribution tax does not apply. There are to be appropriate adjustments made with respect to subsequent distributions from the account to reflect the deemed distribution. Special withholding rules apply.

13. An IRA Distribution May Disqualify a Person For the Premium Tax Credit. The premium tax credit (PTC) is a refundable tax credit authorized under the Affordable Care Act. It assists individuals and families with low or moderate income to afford health insurance purchased through a health insurance marketplace. A person is ineligible for this credit if the health insurance coverage is purchased outside the marketplace. A person who is eligible to enroll in certain employer-sponsored coverage or government programs such as Medicare, Medicaid or TRICARE is ineligible. To be eligible and to obtain this credit a person must meet certain requirements and must file a federal income

tax return. One of the requirements is that a person's household income must fall within a certain range.

If you are receiving this credit, before taking any IRA distribution you will want to determine that such an IRA distribution will not make you ineligible to receive this credit. You become ineligible for this credit if the increase in your household income increases to more than 400% of the Federal poverty line for your family size. You will be required to repay any advance payment you receive for which you later become ineligible. For 2015, the limit is $45,960 for an individual, $62,040 for a family of two and $94,200 for a family of four. You will want to review Publication 974 and other IRS guidance.

14. IRS Reporting Duties of the IRA Custodian/Trustee. An IRA custodian has certain IRS reporting duties and certain duties to report to state revenue departments.

The IRS has adopted the administrative approach that an IRA custodian is not required to prepare a required distribution notice for an inheriting beneficiary as it must for a person who is age 70½ older. That is, the IRA custodian has no duty to inform you what your required distribution amount is. You or your accountant is responsible to calculate this amount and you will owe the RMD tax if you fail to take the required distribution by the appropriate deadline.

Even though not required by IRS rules, some IRA custodians as a customer/client service may furnish you a notice to remind you that as an inheriting beneficiary you must comply with the required distribution rules.

The IRA custodian does have the duty to furnish you with a fair market value statement and a Form 5498 for the inherited IRA. And the IRA custodian must furnish you a Form 1099-R to report to you and the IRS any distribution made to you from the inherited IRA.

15. IRS Reporting Duties of the IRA Accountholder and the Inheriting Beneficiary. An IRA accountholder and/or an inheriting IRA beneficiary has federal tax reporting duties. You must properly report your IRA contributions and your IRA distributions. You are to complete the following IRS tax forms as applicable: Form 1040, 1040A, 8606 (Non-deductible contributions) and 5329 (Additional taxes on IRAs and Other Tax-Favored Accounts). Form 1040 is the standard U.S. Individual Income Tax Return. Form 1040A is a shorter version of the U.S. Individual Income Tax Return as the standard deduction is used and a person may not itemize deductions. Either the Form 1040 or Form 1040A may be used by an IRA account holder to claim an IRA deduction, to report an IRA distribution and/or to claim the Retirement Savings Contribution Credit. In order for an IRA account holder or an inheriting beneficiary to report an IRA penalty tax, Form 1040 and Form 5329 must be completed. With respect to reporting an IRA distribution, the IRS has adopted the basic administrative rule that the recipient must include 100% of the distribution in his or her income and the applicable tax paid unless the recipient explains on his or Form 1040 or Form 1040A why the distribution need not be included in income. Some examples of when the distribution is not 100% taxable: return of basis, rollover, qualified HSA funding distribution, a qualified charitable distribution, the return of certain excess contributions or the return of certain current year contributions. If you are required to file one or more of these IRS tax return forms and fail to do so, the IRA may assess a tax penalty. The same is true for an inheriting IRA beneficiary. Form 1040EZ (Income Tax Return for Single and Joint Filers With No Dependents) is not to be used to report any IRA transaction be it an annual contribution, rollover contribution, a contribution credit or any IRA distribution.

16. The SECURE Act 2.0 was enacted into law in late December 2022. Some new laws are effective in 2023 and some in 2024. The IRS is required by a new law to include traditional IRAs and traditional IRAs in its correction program. This program is called EPCRS for Employee Plans Compliance Resolution System. The concept is - a person is to be able to correct certain mistakes without there be any substantial adverse tax consequence. The laws regarding IRAs and the statute of limitations has changed effectively for 2023.

17. Statute of Limitations for IRAs. The law has been that the standard three year statute of limitation period does not start to run until the taxpayer has filed

Form 5329 to reflect that an excise tax amount is owed. For many IRA owners they remained liable for an excess contribution or an excess accumulation for many years because he or she never filed Form 5329. The amount of interest and tax penalties could be very high. The law change is - the 3-year statute of limitations start to run from when the person files their Form 1040 for that year regardless of whether the Form 5329 is filed. There is an exception for excess contributions. The time period is 6 years rather than 3 years. There is a longer period than the 6 years if there has been a bargain sale to an IRA. Starts for tax year 2023.

Miscellaneous

1. Approved as to Form. Your Inherited IRA has not been approved as to form for use as an Inherited IRA by the IRS.

2. Further Inherited IRA Information. You may obtain further information about Inherited IRAs from any district office of the IRS. IRS Publication 590 has a discussion of Inherited IRAs.

3. Administrative Fees or Costs. We have the right to charge service fees as indicated in Article VIII.

Summary of Contractual Terms

1. You must refer to your savings or time deposit agreement(s) for the terms which govern the investment of your Inherited IRA deposits, including an early withdrawal penalty or fee for taking a distribution prior to maturity, if applicable.
2. You have the right to designate a beneficiary or beneficiaries to inherit your Inherited IRA account. Refer to Section 1.6 of Article VIII so that you understand the rules and procedures.
3. You do not have any ability to assign your rights in this Inherited IRA.
4. We may charge fees as set forth in section 2.5 of Article VIII.
5. We may amend the terms of this Inherited IRA from time to time to comply with law changes. If we amend it for any other reason, such amendment becomes effective 30 days after we have sent our notice of amendment to you.
6. You are to refer to Article VIII for the following topics: withdrawals, withholding rules, reporting errors, changes in the Inherited IRA custodian or trustee, good faith payments, termination and resignation of the Inherited IRA custodian or trustee, withholding payments and resolution of disputes, transfer and rollovers, and payment of taxes.