



# **IRA APPLICATION KIT**

## **SEP - IRA**

**Forester Funds**

**Mutual Shareholder Services, LLC**

**8000 Town Centre Drive, Suite 400**

**Broadview Heights, OH 44147**

# INSTRUCTIONS FOR OPENING YOUR FORESTER FUNDS IRA

Name of Specific Forester Fund you are investing:

Value Fund – N Share – Value Fund – I Share – Discovery Fund

Type of IRA

## I. Included in this kit is:

- a. An IRA Application (Mail to Forester Funds).
- b. The IRA Disclosure and Plan Agreement.
- c. A Transfer or Direct Rollover Request form. You may use this form to request your current custodian, trustee, or employer to directly transfer your plan assets to your Forester Funds IRA.

## II. To Open Your Forester Funds IRA:

- Step 1** Complete the IRA Application. See Designation of Beneficiary explanation below.
- Step 2** If you are requesting a transfer or direct rollover of current plan assets (held elsewhere) to your Forester Funds IRA, complete the Transfer or Direct Rollover Request form. You should complete this form **in addition** to the IRA Application.
- Step 3** Return the forms to the address below.
- Step 4** Include a check for the amount of your IRA contribution made payable to the Forester Fund(s) in which you are investing.
- Step 5** Retain the IRA Plan Agreement and Disclosure for your records.

## III. Designation of Beneficiary

You may designate a beneficiary to receive the IRA funds upon your death. The space provided is to name primary and contingent beneficiaries. If more space is needed, you may attach a supplementary sheet. If you wish a more complicated type of designation of beneficiary, you should consult an attorney. Some state's laws require married individuals to name their spouse as beneficiary. Married individuals should consult with their tax advisors prior to designating someone other than their spouse. You may change your beneficiary at any time by writing to the Custodian. If any of your beneficiaries die before you, the deceased beneficiary's share will be reallocated among the surviving beneficiaries on a *pro rata basis*. If none of your beneficiaries survive you, or if the Custodian cannot locate your beneficiary after a reasonable search, any balance in the IRA will be paid to your estate.

## FEE INFORMATION:

Annual Account Maintenance Fee: **\$8.00 per account.**

## REVOCAION INFORMATION:

You have the right to revoke this Individual Retirement Account (IRA) within seven days of receiving your disclosure statement. To revoke your IRA account simply notify in writing by first-class mail to the address below and the notification will be accepted as the date notice is received and time-stamped.

**Mutual Shareholder Services, LLC**  
**Attn: Forester Funds**  
**8000 Town Centre Drive, Suite 400**  
**Broadview Heights, OH 44147**



Send completed forms to:

Mutual Shareholder Services, LLC
Attn: Forester Funds
8000 Town Centre Drive, Suite 400
Broadview Heights, OH 44147

Please print or Type

IRA APPLICATION

IRA OWNER INFORMATION

Name Date of Birth

Soc Sec. No. Address

City State Zip Daytime Phone

Evening Phone Citizen and Permanent resident of USA Y N (Open to US residents only)

CONTRIBUTION INFORMATION

Amount to be invested in Forester Funds:

Value Fund - N Share \$ Value Fund - I Share \$ Discovery Fund \$

INITIAL CONTRIBUTION TYPE

Table with 3 columns: Type, Amount, Tax Year. Rows include Roth IRA, Regular/Spousal IRA, SEP IRA, Rollover from IRA/QP/TSA, Transfer from IRA, Rollover from Simple IRA\*, Transfer from Simple IRA\*, Coverdell Educational IRA.

ACCOUNT TYPE

- Regular/Spousal Conduit (See Note)
SEP IRA
Rollover Note: If you are moving assets from a qualified plan or TSA and do not want to commingle these assets with regular IRA contributions, select this option.
Roth
Transfer

\*Simple IRA (SRA) funds cannot be combined with regular IRA funds during the first two years of initial participation.

DESIGNATION OF BENEFICIARY

In the event of my death, pay my IRA balance to the following primary beneficiary(ies): (See instructions for additional conditions.)

Table with 6 columns: Name, SSN or TIN, Relationship, Date of Birth, Address, %. Contains three rows for beneficiary information.

If all of the primary beneficiaries die before me, pay my IRA balance to the following contingent beneficiaries

Table with 6 columns: Name, SSN or TIN, Relationship, Date of Birth, Address, %. Contains three rows for contingent beneficiary information.

\*If no percentage rate is indicated, the beneficiaries will share equally. Total

SIGNATURES AND CERTIFICATIONS

I certify under the penalty of perjury that my social security number stated above is correct, that I am of legal age in my state of residence and I agree that the designation of the tax year for my contribution and my election to treat a contribution as a rollover (if applicable) are irrevocable. By signing this application, I hereby authorize and appoint Huntington National Bank to act as Custodian of my account. I indemnify Huntington National Bank when making distributions in accordance with my beneficiary designation on file or in accordance with the Custodial Account Agreement absent any such designation. I acknowledge that I have received the IRA Disclosure Statement and IRA Custodial Account Agreement at least seven days prior to the date I signed this application. I have read both, which are incorporated in this application by reference, and I accept and agree to be bound by the terms and conditions contained in the IRA Custodial Account Agreement. I also certify that I have received and read the current Prospectus and understand that mutual fund shares are not obligations of or guaranteed by a bank, nor are they insured by the FDIC.

IRA Owner's Signature Date

HUNTINGTON NATIONAL BANK Date

Huntington National Bank accepts this application and agrees to act as Custodian of the account. A confirmation will be sent to you regarding the above transaction(s) and will serve as notification of the Custodian's acceptance.

Complete only if required by State Law
Spousal Consent: I am the spouse of the IRA Owner and I approve and consent to the naming of a beneficiary other than myself. I transmute (transfer) any community property interest I have in this IRA into the separate property of my spouse.
Spouse's Signature Date



Send completed forms to: Mutual Shareholder Services, LLC  
 Attn: Forester Funds  
 8000 Town Centre Drive, Suite 400  
 Broadview Heights, OH 44147

## IRA TRANSFER OR DIRECT ROLLOVER REQUEST FORM

### GENERAL INFORMATION

Name \_\_\_\_\_ Date of Birth \_\_\_\_\_  
 Soc. Sec. No. \_\_\_\_\_ Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Daytime Phone \_\_\_\_\_  
 Evening Phone \_\_\_\_\_ Account Number \_\_\_\_\_

### TRANSFER/DIRECT ROLLOVER REQUEST

I have established an IRA with Forester Funds of which Huntington National Bank serves as Custodian.

I request that my retirement funds be: (check one)

- Transferred from another IRA  
 Directly rolled over from my employer-sponsored retirement plan.  
 Transferred from a SIMPLE IRA (SAR)\*

Transfer assets to Forester:

Value Fund – N Share \$ \_\_\_\_\_  
 Value Fund – I Share \$ \_\_\_\_\_  
 Discovery Fund \$ \_\_\_\_\_

I authorize my present Custodian/Trustee of IRA, or the administrator of my current retirement plan, to directly send the assets indicated in #3 of Fund Automatic Investment (ACH) Form below to my IRA with Forester Funds.

Name of present Custodian, Trustee, or Employer Plan Administrator \_\_\_\_\_ Account# \_\_\_\_\_

*Please include a copy of your latest IRA statement.*

Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**\*SIMPLE IRA (SRA) funds cannot be combined with regular IRA funds during the first two years of the initial participation in the SIMPLE IRA (SRA)**

If you choose to wire-transfer your funds, contact your financial organization for information regarding any incoming or outgoing wire-transfer fees that may apply.

### PAYMENT INFORMATION

Payment Schedule. I authorize and direct you to send my assets as follows:

- (1) \_\_\_\_\_ Immediately liquidate all assets and send the cash proceeds  
 (2) \_\_\_\_\_ Send cash proceeds of all investments at maturity  
 (3) \_\_\_\_\_ Send the assets at maturity for the investments listed below  
 (4) \_\_\_\_\_ Other \_\_\_\_\_
- | <u>Investment</u> | <u>Maturity Date</u> (if applicable) |
|-------------------|--------------------------------------|
| _____             | _____                                |
| _____             | _____                                |

Conduit IRA – Do you want these funds kept in a separate IRA?  Yes  No Source of funds  IRA  SIMPLE IRA (SRA)  QP/TSA

### AGE 70 1/2 INFORMATION

Check one of the following

- I am *under age 70 1/2* and do not turn age 70 1/2 at any time during the calendar year.  
 I am *70 1/2 or older* and understand that no part of my required distribution is eligible for transfer or rollover. I further understand that there may be significant tax penalties resulting if I do transfer or roll over any part of my required distribution.

### SIGNATURES AND CERTIFICATIONS

I certify that I have established an IRA with the Forester Funds, of which Huntington National Bank is the Custodian. I agree to contact my present Custodian that I am transferring from to determine if specific documentation or signature guarantee is required. I understand that I am responsible for determining my eligibility for all transfers or direct rollovers. I agree to hold the Custodian harmless against any and all situations arising from an ineligible transfer or direct rollover. I acknowledge that the Custodian cannot provide legal advice and I agree to consult my own tax professions for advice.

Signature of Individual \_\_\_\_\_ Date \_\_\_\_\_ Signature of Custodian \_\_\_\_\_ Date \_\_\_\_\_

TO BE COMPLETED BY A Huntington National Bank REPRESENTATIVE (For office use only). Huntington National Bank here by confirms that it has accepted its appointment as Custodian of the Forester Funds IRA. Make checks payable to: Forester Funds, FBO \_\_\_\_\_

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_



Send completed forms to: Mutual Shareholder Services, LLC  
 Attn: Forester Funds  
 8000 Town Centre Drive, Suite 400  
 Broadview Heights, OH 44147

## FUND AUTOMATIC INVESTMENT (ACH) FORM \_\_\_\_\_

Please print or type

### 1. ACCOUNT INFORMATION

Account Holder Name(s): \_\_\_\_\_

Account Number: \_\_\_\_\_

(Leave blank if form accompanies new application)

### 2. TRANSFERS (\$50 Minimum)

Transfer the amount of \$ \_\_\_\_\_ TO the account listed above on the frequency selected below.

Please select on option

\_\_\_\_\_ Monthly beginning on the 20<sup>th</sup> of \_\_\_\_\_ (insert month)  
 \_\_\_\_\_ Quarterly beginning on the 20<sup>th</sup> of \_\_\_\_\_ (insert month)  
 \_\_\_\_\_ Annually beginning on the 20<sup>th</sup> of \_\_\_\_\_ (insert month)

Please select which fund:

Forester Value Fund – Class: N Share ( FVALX ): \$ \_\_\_\_\_ (or %)

Forester Value Fund – Class: I Share ( FVILX ): \$ \_\_\_\_\_ (or %)

Forester Discovery Fund: ( INTLX ): \$ \_\_\_\_\_ (or %)

### 3. BANK INFORMATION

Please complete with your bank information

Bank Name: \_\_\_\_\_

Bank Address: \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Account Number: \_\_\_\_\_ Checking \_\_\_\_\_ Savings \_\_\_\_\_

ABA Transit Routing Number (Bank): \_\_\_\_\_

**Please attach a copy of a voided check (checking account) or a pre-printed deposit slip (savings account) from the bank to enable transfer of funds.**

I hereby authorize Mutual Shareholder Services, LLC upon receiving instructions from me in accordance with the instructions provided to make investments into my mutual fund account. ***I acknowledge that this authorization may only be revoked by providing written notice to Mutual Shareholder Services, LLC*** in such time and manner as to afford Mutual Shareholder Services, LLC and the bank a reasonable opportunity to act upon it.

\_\_\_\_\_  
Signature of Primary Account Holder Date

\_\_\_\_\_  
Signature of Additional Account Holder Date

#### For Joint Account Registrations:

If the name(s) on your bank account in Section 1 are not identical to the mutual fund account names, all bank account owners who are not owners of the mutual fund account must sign below.

\_\_\_\_\_  
Bank Account Owner's Name

\_\_\_\_\_  
Bank Account Owner's Signature Date

# Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement

(Under section 408(k) of the Internal Revenue Code)

A SEP is a written arrangement (a plan) that allows a employer to make contributions toward your retirement.

**Note:** An employer may not establish a salary reduction SEP after 1996.

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## Article I—Eligibility Requirements (check applicable boxes—see instructions)

The employer agrees to provide discretionary contributions in each calendar year to the individual retirement account or individual retirement annuity (IRA) of all employees who are at least \_\_\_\_\_ years old (not to exceed 21 years old) and have performed services for the employer in at least \_\_\_\_\_ years (not to exceed 3 years) of the immediately preceding 5 years. This simplified employee pension (SEP) \_\_\_\_\_ includes \_\_\_\_\_ **does not** include employees covered under a collective bargaining agreement, \_\_\_\_\_ includes \_\_\_\_\_ **does not** include certain \_\_\_\_\_ nonresident aliens, and includes \_\_\_\_\_ **does not** include employees whose total compensation during the year is less than \$450\*.

## Article II—SEP Requirements (see instructions)

The employer agrees that contributions made on behalf of each eligible employee will be:

- A. Based only on the first \$205,000\* of compensation.
- B. The same percentage of compensation for every employee.
- C. Limited annually to the smaller of \$41,000\* or 25% of compensation.
- D. Paid to the employee's IRA trustee, custodian, or insurance company (for an annuity contract).

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## Instructions

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

### Purpose of Form

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408(k).

Do not file Form 5305-SEP with the IRS, instead, keep it with your records.

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

### Instructions to the Employer

**Simplified employee pension.** A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408(c).

**When not to use Form 5305-SEP.** Do not use this form if you:

1. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
2. Have any eligible employees for whom IRAs have not been established.
3. Use the services of leased employees (described in section 414(n)).
4. Are a member of an affiliated service group (described in section 414(m)), a controlled group of corporations (described in section 414(b)), or trades or businesses under common control (described in sections 414(c) and 414(o)), unless all eligible employees of all the members of such groups, trades, or businesses participate in the SEP.
5. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a non-model SEP.

**Note.** SEPs permitting elective deferrals cannot be established after 1996.

**Eligible employees.** All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who: (1) is at least 21 years old, and (2) has performed "service" for you in at least 3 of the immediately preceding 5 years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporations, or trades or businesses under common control, service includes any work performed for any period of time for any other member of such group, trades, or businesses.

**Excludable employees.** The following employees do not have to be covered by the SEP: (1) employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you and their union, (2) nonresident alien employees who did not earn U.S. source income from you, and (3) employees who received less than \$450\* in compensation during the year.

**Contribution limits.** You may make an annual contribution of up to 25% of the employee's compensation or \$41,000\*, whichever is less. Compensation, for this purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$205,000\*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$41,000\* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA)

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees

**Deducting contributions.** You may deduct contributions to a SEP subject to the limits of section 404(h). This SEP is maintained on a calendar year basis and contributions to the SEP are deductible for your tax year with or within which the calendar year ends.

Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

**Completing the agreement.** This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- You have completed all blanks on the agreement form without modification; and
- You have given all your eligible employees the following information:

1. A copy of Form 5305-SEP.

2. A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.

3. A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant within 30 days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.

4. A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or 30 days after the contribution is made.

Employers who have established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in *Instructions to the Employer* and *Information for the Employee*, are not required to file the annual information returns, Forms 5500 or 5500-EZ for the SEP. However, under Title I of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title I requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

**Yearly Custodian fee \$8.00.**

## Information for the Employee

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information, see Pub. 590, Individual Retirement Arrangements (IRAs).

**Simplified employee pension.** A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (traditional IRA). Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$205,000\*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

**Contribution limits.** Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$41,000\* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

**Tax treatment of contributions.** Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

**Employee contributions.** You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

**SEP participation.** If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

**SEP-IRA amounts—rollover or transfer to another IRA.** You can withdraw or receive funds from your SEP-IRA if, within 60 days of receipt, you place those funds in the same or another IRA. This is called a “rollover” and can be done without penalty only once in any 1-year period. However, there are no restrictions on the number of times you may make “transfers” if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

**Withdrawals.** You may withdraw your employer’s contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals occur before you reach age 59 ½, you may be subject to a tax on early withdrawal.

**Excess SEP contributions.** Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

**Financial institution requirements.** The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain, nontechnical language:

1. The law that relates to your IRA.
2. The tax consequences of various options concerning your IRA.
3. Participation eligibility rules, and rules on the deductibility of retirement savings.
4. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
5. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
6. Financial disclosure that provides the following information:
  - a. Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
  - b. Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
  - c. States the sales commission for each year expressed as a percentage of \$1,000. In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRAs investment performance.

\* For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at [www.irs.gov](http://www.irs.gov).

# SEP IRA DISCLOSURE STATEMENT

Concept and Basic Rules of SEP IRA

## **A. INTRODUCTION.**

This Disclosure Statement explains what you should know about your Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement (SEP IRA) and is a general review of the federal income tax law applicable to it. SEP IRAs are intended to help individuals in preparing for their retirement. Therefore, SEP IRAs may not be used like normal investments and are subject to many restrictions imposed by the Internal Revenue Code. The Fund/Custodian is also referred to in this Disclosure Statement as "we," "us" or "our."

Please read this SEP IRA Disclosure Statement carefully, and note that the rules regarding SEP IRAs are subject to frequent change. Before initiating any major transaction with your SEP IRA, you should make sure that you have the most current information available. If you have any legal or tax questions concerning your SEP IRA, we urge you to discuss them with your attorney or personal tax consultant. The representatives of The Fund/Custodian, will of course, be happy to answer any questions concerning the operation and financial aspects of your SEP IRA, but cannot give you legal or tax advice.

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408 (k).

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

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

## **INSTRUCTIONS TO THE EMPLOYER**

### **A.1 Simplified employee pension.**

A SEP is a written arrangement (a plan) that provides you with an easy way to make contributions toward your employees' retirement income. Under a SEP, you can contribute to an employee's traditional individual retirement account or annuity (Traditional IRA). You make contributions directly to an IRA set up by or for each employee with a bank, insurance company, or other qualified financial institution. When using Form 5305-SEP to establish a SEP, the IRA must be a Model traditional IRA established on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter. You may not make SEP contributions to a Roth IRA or a SIMPLE IRA. Making the agreement on Form 5305-SEP does not establish an employer IRA described in section 408 (c).

### **A.2 When not to use Form 5305-SEP. (Section references are to the Internal Revenue Code, unless otherwise noted)**

Do not use this form if you:

- a. Currently maintain any other qualified retirement plan. This does not prevent you from maintaining another SEP.
- b. Have any eligible employees for whom IRAs have not been established.
- c. Use the services of leased employees (described in section 414 (n)).
- d. Are a member of an affiliated service group (described in section 414 (m) ), a controlled group of corporations (described in section 414 (b), or trades or businesses under common control (described in sections 414 (c ) and 414 (o), unless all eligible employees of all the members of such groups, trades, or business participate in the SEP.
- e. Will not pay the cost of the SEP contributions. Do not use Form 5305-SEP for a SEP that provides for elective employee contributions even if the contributions are made under a salary reduction agreement. Use Form 5305A-SEP, or a non-model SEP.

**Note:** *SEP's permitting elective deferrals cannot be established after 1996.*

## **B. ELIGIBLE EMPLOYEES AND EXCLUDABLE EMPLOYEES.**

### **B.1 Eligible Employees.**

All eligible employees must be allowed to participate in the SEP. An eligible employee is any employee who:

- a. Who is at least twenty (21) years old, and
- b. Has performed "service" for you in at least three (3) of the immediately preceding five (5) years. You can establish less restrictive eligibility requirements, but not more restrictive ones.

Service is any work performed for you for any period of time, however short. If you are a member of an affiliated service group, a controlled group of corporation, or trades, or businesses under common control, service includes any work performed for any period of time of any other member of such group, trades, or businesses.

### **B.2 Excludable employees.**

The following employees do not have to be covered by the SEP:

- a. Employees covered by a collective bargaining agreement whose retirement benefits were bargained for in good faith by you & their union,
- b. Nonresident alien employees who did not ear U.S. source income from you, and

c. Employees who received less than \$450\* in compensation during the year.

\*For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release in the Internal Revenue Bulletin, and on the IRS website at [www.irs.gov](http://www.irs.gov).

## **C. CONTRIBUTIONS.**

### **C.1 Contributions limits.**

You may make an annual contribution of up to 25% of the employee's compensation or \$41,000\*, whichever is less. Compensation, for the purpose, does not include employer contributions to the SEP or the employee's compensation in excess of \$205,000\*. If you also maintain a salary reduction SEP, contributions to the two SEPs together may not exceed the smaller of \$41,000\* or 25% of compensation for any employee.

You are not required to make contributions every year, but when you do, you must contribute to the SEP-IRAs of all eligible employees who actually performed services during the year of the contribution. This includes eligible employees who die or quit working before the contribution is made.

Contributions cannot discriminate in favor of highly compensated employees. Also, you may not integrate your SEP contributions with, or offset them by, contributions made under the Federal Insurance Contributions Act (FICA).

If this SEP is intended to meet the top-heavy minimum contribution rules of section 416, but it does not cover all your employees who participate in your salary reduction SEP, then you must make minimum contributions to IRAs established on behalf of those employees.

\*For 2005 and later years, this amount is subject to annual cost-of-living adjustments. The IRS announces the increase, if any, in a news release in the Internal Revenue Bulletin, and on the IRS website at [www.irs.gov](http://www.irs.gov).

### **C.2 Deducting contributions. (Section references are to the Internal Revenue Code, unless otherwise noted)**

You may deduct contributions to a SEP subject to limits of section 404 (h). This SEP is maintained on a calendar year basis and contributions to the SEP are deductible for you tax year with or within which the calendar year ends. Contributions made for a particular tax year must be made by the due date of your income tax return (including extensions) for that tax year.

## **D. OPENING A SEP IRA.**

### **D.1 How do I open a SEP IRA?**

Complete an SEP IRA Plan Agreement and return it by mail to The Fund or Personal Advisor along with your initial contribution. If you need help in completing the form or have any questions, call The Fund or Financial Advisor for assistance.

To help the government fight the funding of terrorism and money laundering activities, Federal Law requires all financial institutions to obtain, verify, and record information that identifies each person who open an account. What this means to you: When you open SEP IRA, you will be asked for your name, address, date of birth and other information that will allow The Fund/Custodian to identify you. The Fund/Custodian will also require a copy of your identification.

### **D.2 Completing the Agreement.**

This agreement is considered adopted when:

- IRAs have been established for all your eligible employees;
- A statement that traditional IRAs other than the traditional IRAs into which employer SEP contributions will be made may provide different rates of return and different terms concerning, among other things, transfers and withdrawals of funds from the IRAs.
- A statement that, in addition to the information provided to an employee at the time the employee becomes eligible to participate, the administrator of the SEP must furnish each participant with thirty (30) days of the effective date of any amendment to the SEP, a copy of the amendment and a written explanation of its effects.
- A statement that the administrator will give written notification to each participant of any employer contributions made under the SEP to that participant's IRA by the later of January 31 of the year following the year for which a contribution is made or thirty (30) days after the contribution is made.

Employers who established a SEP using Form 5305-SEP and have furnished each eligible employee with a copy of the completed Form 5305-SEP and provided the other documents and disclosures described in *Instructions to the employer* and *Information for the Employee*, are not required to file the annual information returns, Forms 5500 for 5500-EZ for the SEP. However, under Title 1 of the Employee Retirement Income Security Act of 1974 (ERISA), this relief from the annual reporting requirements may not be available to an employer who selects, recommends, or influences its employees to choose IRAs into which contributions will be made under the SEP, if those IRAs are subject to provisions that impose any limits on a participant's ability to withdraw funds (other than restrictions imposed by the Code that apply to all IRAs). For additional information on Title 1 requirements, see the Department of Labor regulation at 29 CFR 2520.104-48.

### **D.3 May I cancel my SEP IRA?**

**Yes.** But to receive a full refund without penalty on your initial contribution, you must do so on or before the seventh (7th) day after you receive the SEP IRA Custodial Agreement ("Custodial Agreement") and Disclosure Statement. To cancel your SEP IRA, either deliver a written notice of cancellation to your Financial Advisor or mail one to the address on the SEP IRA Application before the end of the seven-day period. If you send your notice by first class mail, your revocation will be deemed mailed as of the date of the postmark. Until the seven-day period for revoking your SEP IRA has lapsed, contributions may be accepted, but investment instructions for your SEP IRA may be restricted.

If an important change is made to the Disclosure Statement or your SEP IRA during the seven-day period, we will notify you of the change and you will have an additional seven days from the date you receive the notice to revoke your SEP IRA.

**D.4 Is my SEP IRA non-forfeitable?**

Your interest in your SEP IRA is non-forfeitable at all times.

**D.5 Is my SEP IRA approved by the Internal Revenue Service?**

Since the Custodial Agreement establishing your SEP IRA utilizes IRS Form 5305-SEP, as currently provided by the IRS, your SEP IRA will be treated as approved as to form. IRS approval is a determination as to the form of your SEP IRA but does not represent a determination of its merits.

In the event that the laws governing SEP IRAs are amended or changed and cause differences between our current Custodial Agreement and the new laws, we will administer your SEP IRA in accordance with the new laws and amend the Custodial Agreement when revised IRS forms are published.

You may obtain further information on SEP IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590 Individual Retirement Arrangements (IRAs) at [www.irs.gov](http://www.irs.gov). **The Fund/Custodian does not render tax or legal advice.**

**D.6 Does the FDIC insure my SEP IRA?**

Each banking affiliate of The Fund/Custodian is a member of the Federal Deposit Insurance Corporation ("FDIC"), however, a SEP IRA investments in stocks, bonds and mutual funds, including any money market mutual funds, are not bank deposits, and they are not insured by the FDIC.

# SEP IRA DISCLOSURE STATEMENT

Concept and Basic Rules of SEP IRA

## **A. INTRODUCTION.**

This Disclosure Statement explains what you should know about your Simplified Employee Pension-Individual Retirement Accounts Contribution Agreement (SEP IRA) and is a general review of the federal income tax law applicable to it. SEP IRAs are intended to help individuals in preparing for their retirement. Therefore, SEP IRAs may not be used like normal investments and are subject to many restrictions imposed by the Internal Revenue Code. The Fund/Custodian is also referred to in this Disclosure Statement as "we," "us" or "our."

Please read this SEP IRA Disclosure Statement carefully, and note that the rules regarding SEP IRAs are subject to frequent change. Before initiating any major transaction with your SEP IRA, you should make sure that you have the most current information available. If you have any legal or tax questions concerning your SEP IRA, we urge you to discuss them with your attorney or personal tax consultant. The representatives of The Fund/Custodian, will of course, be happy to answer any questions concerning the operation and financial aspects of your SEP IRA, but cannot give you legal or tax advice.

Form 5305-SEP (Model SEP) is used by an employer to make an agreement to provide benefits to all eligible employees under a simplified employee pension (SEP) described in section 408 (k).

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

For more information on SEPs and IRAs, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

## **INFORMATION FOR THE EMPLOYEE**

The information below explains what a SEP is, how contributions are made, and how to treat your employer's contributions for tax purposes. For more information see Pub. 590.

### **A.1 Simplified employee pension.**

A SEP is a written arrangement (a plan) that allows an employer to make contributions toward your retirement. Contributions are made to a traditional individual retirement account/annuity (traditional IRA). Contributions must be made to either a Model traditional IRA executed on an IRS form or a master or prototype traditional IRA for which the IRS has issued a favorable opinion letter.

An employer is not required to make SEP contributions. If a contribution is made, however, it must be allocated to all eligible employees according to the SEP agreement. The Model SEP (Form 5305-SEP) specifies that the contribution for each eligible employee will be the same percentage of compensation (excluding compensation greater than \$205,000\*) for all employees.

Your employer will provide you with a copy of the agreement containing participation rules and a description of how employer contributions may be made to your IRA. Your employer must also provide you with a copy of the completed Form 5305-SEP and a yearly statement showing any contributions to your IRA.

All amounts contributed to your IRA by your employer belong to you even after you stop working for that employer.

## **B.CONTRIBUTIONS.**

### **B.1 Contributions Limits.**

Your employer will determine the amount to be contributed to your IRA each year. However, the amount for any year is limited to the smaller of \$41,000\* or 25% of your compensation for that year. Compensation does not include any amount that is contributed by your employer to your IRA under the SEP. Your employer is not required to make contributions every year or to maintain a particular level of contributions.

### **B.2 Tax treatment of contributions.**

Employer contributions to your SEP-IRA are excluded from your income unless there are contributions in excess of the applicable limit. Employer contributions within these limits will not be included on your Form W-2.

### **B.3 Employee contributions.**

You may make regular IRA contributions to an IRA. However, the amount you can deduct may be reduced or eliminated because, as a participant in a SEP, you are covered by an employer retirement plan.

### **B.4 Excess SEP contributions.**

Contributions exceeding the yearly limitations may be withdrawn without penalty by the due date (plus extensions) for filing your tax return (normally April 15), but are includible in your gross income. Excess contributions left in your SEP-IRA after that time may have adverse tax consequences. Withdrawals of those contributions may be taxed as premature withdrawals.

## **C. SEP PARTICIPATION.**

If your employer does not require you to participate in a SEP as a condition of employment, and you elect not to participate, all other employees of your employer may be prohibited from participating. If one or more eligible employees do not participate and the employer tries to establish a SEP for the remaining employees, it could cause adverse tax consequences for the participating employees.

An employer may not adopt this IRS Model SEP if the employer maintains another qualified retirement plan. This does not prevent your employer from adopting this IRS Model SEP and also maintaining an IRS Model Salary Reduction SEP or other SEP. However, if you work for several employers, you may be covered by a SEP of one employer and a different SEP or pension or profit-sharing plan of another employer.

#### **D. SEP-IRA AMOUNTS-ROLLOVER OR TRANSFER TO ANOTHER IRA.**

You can withdraw or receive funds from your SEP-IRA if, within sixty (60) days of receipt, you place those funds in the same or another IRA. This is called a "rollover" and can be done without penalty only once in any one (1)-year period. However, there are no restrictions on the number of times you may make "transfers" if you arrange to have these funds transferred between the trustees or the custodians so that you never have possession of the funds.

#### **E. WITHDRAWALS.**

You may withdraw your employer's contribution at any time, but any amount withdrawn is includible in your income unless rolled over. Also, if withdrawals occur before you reach age 59 ½, you may be subject to a tax on early withdrawals.

#### **F. SEP IRA BENEFICIARIES**

##### **F.1 Beneficiaries:**

You can name one or more beneficiaries to whom the balance of your SEP IRA will be paid when you die. To do so, just fill out the designation of beneficiary form provided by The Fund/Custodian. Your designation of beneficiaries will not be effective until received by The Fund/ Custodian.

You should review your designation periodically, especially if there is a change in your family status such as marriage, divorce, death of a family member or birth or adoption of children. You may change your beneficiary at any time by filing out a new form and sending it to The Fund/Custodian. You can use a new designation to revoke your prior designation in whole or in part.

If the SEP IRA continues after your death, your beneficiary has the same right to name beneficiaries as you had before your death. If you do not name beneficiaries, or if all your beneficiaries die before you or disclaim, The Fund/Custodian will pay your SEP IRA to your spouse first, if she/he survives you. If you have no spouse who survives you, then the money will go to your children who survive you in equal shares. If you have no children who survive you, the assets in your SEP IRA will be paid to your estate.

#### **G. FINANCIAL INSTITUTION REQUIREMENTS.**

The financial institution where your IRA is maintained must provide you with a disclosure statement that contains the following information in plain nontechnical language:

- a. The law that relates to your IRA.
- b. The tax consequences of various options concerning your IRA.
- c. Participation eligibility rules, and rules on the deductibility of retirement savings.
- d. Situations and procedures for revoking your IRA, including the name, address, and telephone number of the person designated to receive notice of revocation. This information must be clearly displayed at the beginning of the disclosure statement.
- e. A discussion of the penalties that may be assessed because of prohibited activities concerning your IRA.
- f. Financial disclosure that provides the following information:
  - (i). Projects value growth rates of your IRA under various contribution and retirement schedules, or describes the method of determining annual earnings and charges that may be assessed.
  - (ii). Describes whether, and for when, the growth projections are guaranteed, or a statement of the earnings rate and the terms on which the projections are based.
  - (iii). States the sales commission for each year expressed as a percentage of \$1,000.

In addition, the financial institution must provide you with a financial statement each year. You may want to keep these statements to evaluate your IRA's investment performance.