



# **IRA APPLICATION KIT**

## **SIMPLE - 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.**

## REVOCATION 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

# 5305-SA SIMPLE Individual Retirement Custodial Account

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

The participant is establishing a savings incentive match plan for employees of small employers individual retirement account (SIMPLE IRA) under sections 408(a) and 408(p) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The custodian named above has given the participant the disclosure statement required by Regulations section 1.408-6.

The participant and the custodian make the following agreement:

## Article I

The custodian will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE IRA plan described in section 408(p). In addition, the custodian will accept transfers or rollovers from other SIMPLE IRAs of the participant. No other contributions will be accepted by the custodian.

## Article II

The participant's interest in the balance in the custodial account is non-forfeitable.

## Article III

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

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

## Article IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations there under, the provisions of which are herein incorporated by reference.

2. The participant's entire interest in the custodial account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70 ½. By that date, the participant may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

- (a) A single sum or
- (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.

3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

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

(i) the designated beneficiary is the participant'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 participant'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 participant 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 participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.

(b) If the participant 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 participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70 ½. But, in such case, if the participant'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 participant's death.

4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant'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 participant'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 participant reaches age 70 ½, is the participant'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 participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant'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 participant's (or, if applicable, the participant 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 participant's death (or the year the participant would have reached age 70 ½ 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 participant 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 IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

## Article V

1. The participant agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and participant the reports prescribed by the IRS.
3. The custodian also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

## 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 sections 408(a) and 408(p) 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

This account must be created in the USA for the exclusive benefit of the Participant or his/her beneficiaries. Do not file Form 5305-A with the IRS. Instead keep it for record purposes

**Yearly Custodian fee \$8.00.**

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## General Instructions Specific Instructions

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

### Purpose of Form

Form 5305-SA is a model custodial account agreement that meets the requirements of sections 408(a) and 408(p) and has been pre-approved by the IRS. A SIMPLE individual retirement account (SIMPLE IRA) is established after the form is fully executed by both the individual (participant) and the custodian. This account must be created in the United States for the exclusive benefit of the participant and his or her beneficiaries.

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

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

### Definitions

**Participant.** The participant is the person who establishes the custodial account, savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian.

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

### Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE IRA plan.

The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

### Specific instructions

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

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

# SIMPLE IRA - Disclosure Statement

## **A. INTRODUCTIONS**

This Disclosure Statement explains what you should know about your savings incentive match plan for employees of small employers individual retirement account ("SIMPLE IRA") and is a general review of the federal income tax law applicable to it. SIMPLE IRAs are intended to help individuals in preparing for their retirement. Therefore, SIMPLE IRAs may not be used like normal investments and are subject to many restrictions imposed by the Internal Revenue Code.

For the 1997 tax year, Congress introduced the savings incentive will match plan for employees ("SIMPLE IRA plans") funded through an employee's SIMPLE IRA to encourage small employers to provide retirement benefits for their employees. Together a SIMPLE IRA plan and SIMPLE IRA form a tax-favored savings plan that lets you and your employer set aside money for your retirement. Contributions made by your employer on your behalf under the SIMPLE IRA plan to your SIMPLE IRA and the earnings from your SIMPLE IRA are not taxed until they are distributed to you. (Certain investments, however, may generate "unrelated business income" that may be taxable in the year earned.)

The custodian of your SIMPLE IRA is referred to in this Disclosure Statement as "we", "us," or "our." The custodian of a SIMPLE IRA must be a bank or an entity meeting standards established by the Secretary of the Treasury.

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

### **A.1 How do I open a SIMPLE IRA?**

Complete an Application and return it as indicated on the application. If you need help in completing the form or have any questions, please call the number shown on the application page. You must sign and complete the Application in order to establish a SIMPLE IRA.

### **A.2 May I cancel my SIMPLE 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 SIMPLE IRA Disclosure Statement. To cancel your SIMPLE IRA, either deliver a written notice of cancellation or mail one to the address shown on the top of the application form before the end of the seven-day period. If the Disclosure Statement is mailed to you, you will be deemed to have received it seven days after the postmark date absent evidence to the contrary. If an important change is made to the Disclosure Statement or your SIMPLE 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 SIMPLE IRA.

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 SIMPLE IRA has lapsed, contributions may be accepted, but investment instructions for your SIMPLE IRA may be restricted.

If you revoke your SIMPLE IRA within the seven-day period, the Mutual Fund will return to you the entire amount of the contributions or the actual property contributed before your revocation. You will not earn interest on the contribution if you revoke. There will be no adjustments for administrative expenses, or changes in the market value. When you revoke your SIMPLE IRA, the initial contribution and return of the contribution are reported to the IRS. You should consult your financial or tax advisor if you have any questions about taxes.

### **A.3 Is my SIMPLE IRA non-forfeitable?**

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

### **A.4 Is my SIMPLE IRA approved by the Internal Revenue Service?**

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

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

You may obtain further information on SIMPLE IRAs and SIMPLE IRA plans from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590 *Individual Retirement Arrangements (IRAs)* for more information on SIMPLE IRAs and IRS Publication 560 *Retirement Plans for Small Business (SEP, SIMPLE and Qualified Plans)* for information on SIMPLE IRA plans. These publications are also available at [www.irs.gov](http://www.irs.gov).

## **B. CONTRIBUTIONS TO YOUR SIMPLE IRA**

### **B.1 What is a SIMPLE IRA contribution?**

There are two types of SIMPLE IRA contributions. "Annual contributions" are cash deposits of pre-tax deferrals and employer contributions made to your SIMPLE IRA on your behalf by your employer under your employer's SIMPLE IRA plan. Individuals who are age 50 and older can contribute an additional "catch up" amount beginning in the taxable year in which the individual turns age 50.

"Rollover contributions" are deposits to your SIMPLE IRA of funds that you receive from another SIMPLE IRA. A rollover contribution is subject to special rules as discussed in Section D: Rollover Contributions.

## **C. ANNUAL CONTRIBUTIONS**

### **C.1 May I contribute to my SIMPLE IRA?**

**No.** Only your employer can make contributions to your SIMPLE IRA on your behalf under your employer's SIMPLE IRA plan. In addition, you may not make any Traditional IRA, SEP IRA, Roth IRA or Coverdell Education Savings Account contributions to your SIMPLE IRA.

### **C.2 How much may my employer contribute to my SIMPLE IRA on my behalf under my employer's SIMPLE IRA plan?**

Your employer will make payments to your SIMPLE IRA equal to the amount of pre-tax salary reduction contributions that you have elected to make under your employer's SIMPLE IRA plan. Your pre-tax salary reduction contributions are limited to \$11,500 for 2010 (subject to cost-of-living adjustments by the IRS from time to time).

If you are a participant in any other employer retirement plan during the year and have elective salary reduction contributions or deferred compensation under those plans, the salary reduction contributions under your employer's SIMPLE IRA plan count toward the overall annual limit (\$16,500 for 2010) on salary reduction contributions and other elective deferrals.

If you are age 50 or over as of the end of the applicable year and no other pre-tax salary reduction contributions can be made for you under the SIMPLE IRA plan because you have reached the annual contribution limit, then you may make additional "catch-up" contributions to your SIMPLE IRA.

The amount of "catch-up" contributions you may make in a year is limited to the lesser of (1) \$2,500 for 2010 (subject to cost-of-living adjustments by the IRS from time to time) or (2) the amount by which your compensation for the year exceeds any other pre-tax salary reduction contributions you have made for the year.

In addition, your employer will either contribute 2% of your compensation or match your pre-tax contributions dollar for dollar from 1% to 3% of your compensation. For purposes of the 2% limit on SIMPLE IRA employer contributions your "compensation" is limited to \$245,000 in 2010 (subject to cost-of-living adjustments by the IRS from time to time). SIMPLE IRA contributions are excluded from your income rather than deducted by you on your tax return.

### **C.3 Am I eligible for a tax credit for pre-tax contributions made on my behalf under my employer's SIMPLE IRA plan?**

You may be eligible for a nonrefundable tax credit of up to 50% of the first \$2,000 of "qualified retirement savings contributions," provided your adjusted gross income ("AGI") is within specified limits. "Qualified retirement savings contributions" include contributions to a Traditional IRA, Roth IRA, SIMPLE IRA, elective deferrals to a qualified retirement plan, elective deferrals under an eligible deferred compensation plan maintained by a state or local government, and voluntary employee contributions to a qualified retirement plan.

The amount of the tax credit is calculated by multiplying the first \$2,000 of your "qualified retirement savings contributions" by the applicable percentage, which is determined in accordance with the following table for 2010:

#### **2010 TAX CREDIT TABLE**

<b>Joint Return</b>		<b>Head of Household</b>		<b>Credit %</b>
Over	Not Over	Over	Not Over	
	\$33,550		\$24,125	50%
\$33,500	\$36,000	\$25,125	\$27,000	20%
\$36,000	\$55,500	\$27,000	\$41,625	10%
\$55,500		\$41,625		0%

<b>All Other Filers</b>		<b>Credit %</b>
Over	Not Over	
	\$16,750	50%
\$16,750	\$18,000	20%
\$18,000	\$27,750	10%
\$27,750		0%

For example, if you are single and have AGI of \$16,750 in 2010 and you make a contribution of \$3,000 to your SIMPLE IRA and make no other "qualified retirement savings contributions," you will be eligible for a nonrefundable tax credit equal to \$1,500 (50% x \$3,000).

For purposes of calculating the tax credit, your "qualified retirement savings contributions" may be reduced by certain distributions from certain retirement plans and IRAs made in the same tax year, the two previous tax years and the period after the tax year and before the due date for filing your return for the tax year. Distributions received by your spouse are treated as distributions to you for purposes of reducing your "qualified retirement contributions" if you file a joint return for the tax year in which your spouse received the contribution. If you believe that you may be eligible for the tax credit, contact your tax advisor.

The AGI limits for this tax credit will be increased by the IRS from time to time to reflect cost-of-living adjustments.

## **D. ROLLOVER CONTRIBUTIONS**

### **D.1 What is a rollover contribution?**

A rollover contribution is a deposit to your SIMPLE IRA of funds you receive as a qualified distribution from another SIMPLE IRA. To be a qualified distribution, amounts rolled over from one SIMPLE IRA to another SIMPLE IRA must not have been rolled over in the previous twelve months. A rollover contribution allows you to continue deferring income tax on the amount you roll over and its subsequent earnings. A rollover is often complex and we suggest you seek professional tax advice before receiving and rolling over a distribution.

## **D.2 Must I roll over the entire amount of a distribution?**

**No.** You may keep some of the funds and “roll” the remaining amount into your SIMPLE IRA. The amount rolled into a SIMPLE IRA will not be taxed until withdrawn and will continue earning income on a tax-deferred basis. The amount not rolled over will be taxed under the regular rules for taxing distributions from SIMPLE IRAs. Again, we suggest that you seek professional tax advice before you receive your distribution.

## **D.3 May I roll over distributions from an employer’s retirement plan or another type of IRA into my SIMPLE IRA?**

**No.** You may not roll over to your SIMPLE IRA amounts distributed from an employer’s retirement plan or a Traditional IRA, SEP IRA, Roth IRA, or Coverdell Education Savings Account.

## **D.4 Is there a deadline for making a rollover contribution?**

**Yes.** You must complete a rollover contribution within 60 days after you receive a qualified distribution. If you do not complete the rollover within the 60-day period, the amount of the distribution will be taxable as ordinary income for the year in which it was received and may be subject to penalties as explained in Question E.2. The IRS may waive the 60-day limitation in some very limited situations, such as in the case of a disaster, casualty, or other events beyond your reasonable control. You should contact your tax advisor if you believe that you qualify for a waiver.

## **D.5 May I make a rollover from my SIMPLE IRA to another type of IRA or to my employer’s retirement plan?**

You may make a rollover from your SIMPLE IRA if you have participated in the SIMPLE IRA for at least two years and have not rolled over those amounts in the previous twelve months. The two-year requirement does not apply, if you are otherwise not subject to the 25% early withdrawal penalty described in Question E.2. If you are permitted to make a rollover from your SIMPLE IRA, you may roll it into a Traditional IRA or your employer’s retirement plan (if your employer’s plan permits). The receiving employer plan may place restrictions on the type of distributions it accepts as rollovers. Only the taxable amount of a distribution may be rolled over from a SIMPLE IRA into a qualified plan. The rules regarding the taxable amount of a distribution from a SIMPLE IRA that is rolled over to a workplace retirement plan are different from the rules described in Question E.3. In general, the taxable amount permitted to be rolled over is all of your employer contributions and earnings. You may not make a rollover from your SIMPLE IRA into a Coverdell Education Savings Account or a Health Savings Account (HSA) at any time. You should seek professional tax advice if you plan on making a rollover contribution from your SIMPLE IRA.

## **D.6 May a deceased spouse’s distribution from a SIMPLEIRA be rolled over? May I roll over a distribution from the SIMPLE IRA that I inherit from anyone other than my spouse?**

If you receive a partial or total distribution from a SIMPLE IRA that could have been rolled over by your spouse before death, you may roll the distribution over in the same manner your spouse could have done. You may not roll over to your SIMPLE IRA any part of a distribution you receive from another SIMPLE IRA due to the death of anyone other than your spouse.

## **D.7 May I transfer funds directly from one SIMPLE IRA to another SIMPLE IRA or to another tax-favored account?**

Instead of making a rollover contribution, you may transfer funds held in a previously established SIMPLE IRA to a new SIMPLE IRA by giving directions for the transfer to the Trustee/ Custodian of each SIMPLE IRA. Transfers are not subject to the “once in twelve months rule” of rollover contributions.

You may also transfer funds directly from one SIMPLE IRA to the tax-favored accounts described in Question D.5, if you have participated in your employer’s SIMPLE IRA plan for at least two years. The two-year requirement does not apply if you otherwise satisfy an exception to the 25% early withdrawal penalty described in Question E.2.

## **D.8 May I repay a distribution I took in connection with Hurricanes Katrina, Rita and/or Wilma?**

If you took a “qualified hurricane distribution” from your IRA or another eligible retirement plan under the tax relief provided for Hurricanes Katrina, Rita and/or Wilma, you may be able to repay the distribution to your SIMPLE IRA as a rollover contribution and avoid taxes on the distribution. The repayment must be made within three years after the “qualified hurricane distribution.” Please consult your tax advisor for more information if you think that you may be eligible for this special repayment opportunity.

## **E. WITHDRAWALS FROM YOUR SIMPLE IRA**

### **E.1 When may I make a withdrawal from my SIMPLE IRA?**

You may withdraw funds from your SIMPLE IRA at any time before or after you retire. If, however, you make withdrawals before age 59½, you may be subject to tax penalties on the amounts withdrawn as explained in Question E.2.

### **E.2 What is the early withdrawal penalty?**

If you make a withdrawal from your SIMPLE IRA before age 59½ and do not roll over the amount withdrawn, you will have to pay a federal early withdrawal tax penalty on the taxable amount withdrawn, unless you qualify for one of the exceptions to the penalty tax. The early withdrawal penalty tax is 25% of any taxable amount withdrawn from your SIMPLE IRA during the first two years of your participation in your employer’s SIMPLE IRA plan. The penalty tax is reduced to 10% for taxable amounts withdrawn after the two-year period. Exceptions to the early withdrawal penalty tax include:

- (a) Distributions on account of your permanent disability;
- (b) Distributions made to your designated beneficiary after your death;
- (c) Distributions made as a series of substantially equal periodic payments (not less frequently than annually) made for your life or life expectancy, or for the joint lives or life expectancies of you and your beneficiary;
- (d) Distributions for medical expenses to the extent that the distributions do not exceed your unreimbursed, deductible medical expenses in excess of 7.5% of your adjusted gross income;

(e) Distributions used to pay health insurance premiums while you are unemployed. This exception only applies if you receive unemployment compensation for 12 consecutive weeks under federal or state law, and the distributions are made during the tax year in which the unemployment compensation is paid or during the next tax year. This exception does not apply to distributions made after your reemployment, if you have been employed for at least 60 days after your initial separation from service;

(f) Distributions used to pay qualified higher education expenses. Qualified higher education expenses are post-secondary education expenses (tuition, fees, books, supplies & equipment, and certain room and board costs if the student is at least half-time) furnished to you, your spouse, or your spouse's child or grandchild. The amount of qualified higher education expenses is reduced for certain scholarships;

(g) Distributions used within 120 days by a "first-time homebuyer" to pay certain costs of acquiring a principal residence. Permissible acquisition costs include the costs of acquiring, constructing, or reconstructing a residence, including reasonable settlement, financing, or other closing costs. A "first time homebuyer" can be you or your spouse, or a child, grandchild, or ancestor of you or your spouse. The first-time homebuyer and his or her spouse cannot have owned a home for two years prior to receiving the distribution and there is a lifetime dollar limitation of \$10,000;

(h) Distributions made after 1999 on account of a federal tax levy on your SIMPLE IRA; and

(i) Distributions that are "qualified reservist distributions." You are eligible for a "qualified reservist distribution" from your SIMPLE IRA if you were ordered or called to active duty after 179 days (or for an indefinite period) because you are a member of a "reserve component" and the distribution was made no earlier than the date of the order or call to active duty and no later than the end of the active duty period. A "reserve component" is any of the following units: Army National Guard of the U.S., Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard of the U.S., Air Force Reserve, Coast Guard Reserve, or the Reserve Corps of the Public Health Service.

The early withdrawal penalty tax is in addition to the income taxes which are payable on the amount withdrawn. Please consult your tax advisor to determine if these exceptions apply to your particular situation.

### **E.3 How are withdrawals taxed?**

Generally, any withdrawal from your SIMPLE IRA will be includible in your gross income as ordinary income for federal income tax purposes for the tax year in which you receive it. You may avoid taxation if the withdrawal is a qualified distribution and you roll over the withdrawal by following the rules described in Section D: Rollover Contributions. Please note that the special tax rules relating to lump sum distributions from tax-qualified employer plans do not apply to SIMPLE IRAs.

If you have ever made nondeductible contributions to a Traditional IRA, or rolled over after-tax amounts from an employer retirement plan, each distribution from your SIMPLE IRA may consist of a nontaxable portion (return of nondeductible contributions/after-tax amounts) and a taxable portion (payment of employer contributions made under your employer's SIMPLE IRA plan and account earnings). You should consult with a professional tax advisor prior to making withdrawals from your SIMPLE IRA and when determining the tax consequences of any withdrawal, especially if you have ever made nondeductible contributions to a Traditional IRA or rolled over after-tax amounts from an employer retirement plan.

### **E.4 How about income tax withholding?**

Federal tax laws require us to generally withhold 10% of each withdrawal by you for payment of your federal income taxes, unless you instruct us not to withhold. Additionally, certain states require us to withhold from your distribution. Please consult your state tax authority to determine if your state requires withholding.

### **E.5 What are the methods of withdrawal from my SIMPLE IRA?**

You may make a withdrawal from your Custodial SIMPLE IRA at any time, although any restrictions and penalties applicable to the investments you have chosen for your SIMPLE IRA will apply.

Please note that the special tax rules relating to lump sum distributions from tax-qualified employer plans do not apply to SIMPLE IRAs.

### **E.6 When must I start making withdrawals?**

You may incur a federal tax penalty if you do not start making withdrawals on or before April 1 of the year following the year in which you become age 70½. Before that date, you must either withdraw the balance from your account or begin making periodic withdrawals that are equal to or greater than the minimum amount you are required to withdraw for that year under federal laws.

You may elect to receive the minimum amount that applies to your Custodian SIMPLE IRA from another SIMPLE IRA or Traditional IRA. The federal tax penalty is 50% of the difference between the amount you are required to withdraw and the amount you actually withdrew in that year. If you have a good reason for failing to make a minimum withdrawal, explain your reason to the IRS and they may waive the penalty.

If you do not begin taking the required withdrawals from your Custodian SIMPLE IRA (or notify Custodian that you have elected to make the required withdrawals from another SIMPLE IRA or Traditional IRA), Custodian may (but is not required to) distribute the required minimum withdrawals to you based on the Uniform Life Expectancy table published by the IRS.

### **E.7 What is the minimum amount I must withdraw after age 70½?**

Generally, after age 70½, the minimum amount you must withdraw from your SIMPLE IRA each year to avoid the 50% federal tax penalty is based on the account balance of your SIMPLE IRA on December 31 from the prior year divided by a factor tied to your age published by the IRS on the Uniform Life Expectancy table. If you name your spouse as the sole primary beneficiary of your SIMPLE IRA for the entire year and your spouse is more than ten years younger than you, the appropriate factor is found in the IRS's Joint Life and Last Survivor Expectancy table, which will further reduce the amount of your required distribution.

IRS Publication 590 explains the rules for determining the minimum amounts you must withdraw.

It is your responsibility to notify us of the dollar amount that you wish to receive as a required minimum distribution and when you wish to receive it. If the balance in your SIMPLE IRA at the time set for distribution is less than the distribution amount you have specified, we will distribute only that balance. Except as provided below, we are not responsible for determining the required minimum distribution amount. We will provide you with a notice by January 31 of each year that either:

(a) Indicates the required minimum distribution and deadline for distribution; or

(b) Notifies you that a required minimum distribution is due and the deadline for such distribution and offer to calculate the required minimum distribution upon your written request.

Also, if a required minimum distribution is due, you will be advised by January 31 of that year. The IRS will be advised on IRS Form 5498 if a required minimum distribution is due from your SIMPLE IRA. These reporting requirements only apply to you (or to your eligible spouse who elects to treat the SIMPLE IRA as his or her own). We may, but are not required to provide such reports to your beneficiary.

### **E.8 What happens to my SIMPLE IRA when I die?**

Your account balance will be paid to your beneficiary. Your beneficiary is the person or persons you designate when you open your SIMPLE IRA. You may change your beneficiary designation at any time by contacting us and submitting a beneficiary change form before your death. Each beneficiary designation you file with us will cancel all previous designations. A beneficiary is subject to and bound by all the terms and conditions of the SIMPLE IRA Custodial Agreement and Disclosure Statement. A beneficiary is required to be the Custodian in order to process a transaction such as a distribution or transfer.

If you invest all or a portion of your IRA account in an annuity, the annuity is an investment within the IRA. If you invest all or a portion of your IRA in an annuity, then the account balance will be paid in accordance with either the beneficiaries you designate on your IRA or the default beneficiary provisions of this Agreement. When an annuity is held in your IRA, a spouse beneficiary may have spousal rights (i.e. spousal continuation) that he or she may be able to exercise upon your death. If you designate a non-spouse beneficiary (someone other than your spouse) upon your death any annuity will be liquidated. The annuity carrier will transfer the proceeds to your IRA to be distributed in accordance with the beneficiary designation on file with Custodian.

If a designated beneficiary (including any contingent beneficiary) does not survive you, such beneficiary's interest shall lapse, and the percentage interest of any remaining beneficiary (including any contingent beneficiary) shall be increased on a pro rata basis unless your beneficiary designation provides otherwise.

If a designated beneficiary (including any contingent beneficiary) does not survive you or if there is no record of a designated beneficiary, your SIMPLE IRA balance will be paid to your spouse. If your spouse does not survive you, your account will be paid to your surviving children a representative is required to provide us with a written certification listing the names of your surviving children as representative, a court order may be required. If you are not survived by a spouse or by any of your children, as certified by your legal or personal representative or by a court order, then your SIMPLE IRA will be paid to your estate.

If you are divorced at the time of your death and your former spouse is named as beneficiary of your SIMPLE IRA, your former spouse will be treated as having predeceased

Custodian may pay to your surviving spouse such amount of your SIMPLE IRA to which he or she demonstrates to the satisfaction of The Custodian that he or she is entitled under marital or community property laws to the extent that you have not designated your surviving spouse to receive such amount as a beneficiary, unless your spouse has properly consented in writing otherwise. You understand that Custodian may reasonably delay payment to your beneficiaries to the extent necessary for Custodian to determine whom to pay and the proper amounts. It is your responsibility to determine whether such laws apply and to request your spouse to consent to your beneficiary designation if appropriate. You understand that Custodian is not responsible if Custodian has made payment in good faith to a party other than your surviving spouse and that your surviving spouse may not recover such amount paid from Custodian.

If you die after you are required to begin minimum distributions, the minimum distribution for the year of your death may be paid to your beneficiary under the method of payment in effect at the time of your death. In the year following your death, your beneficiary is required to receive at least minimum distributions based on the longer of the beneficiary's or your remaining life expectancy. If your beneficiary is not an individual (such as an estate), required minimum payments will be based on your remaining life expectancy determined in the year of your death and reduced by one each subsequent year. If you name a trust that meets certain requirements, the beneficiaries of the trust will be treated as the beneficiaries of your SIMPLE IRA for purposes of determining the appropriate life expectancy under the required minimum distributions rules. Your beneficiary may always accelerate payments.

If you die before you are required to begin minimum distributions from your SIMPLE IRA, your account balance must be paid to your beneficiary over a period not extending beyond his/her life expectancy. These withdrawals must begin in the year following your death. If your spouse is your sole beneficiary, he or she may defer making withdrawals until the date you would have become age 70½. For the separate account rules to apply, your beneficiary designation must create separate interests for the beneficiaries as of your death and separate inherited SIMPLE IRAs must be established by December 31 of the year after your death to use each beneficiary's life expectancy to calculate the required minimum distributions for the following year. The separate account rule does not apply if your beneficiary is a trust. A spouse beneficiary may roll funds over into his or her own IRA. If your spouse is your sole beneficiary, he or she may also elect to treat the SIMPLE IRA as his or her own. If you name a beneficiary that is not an individual (such as an estate or non-qualifying trust), the balance of your SIMPLE IRA must be distributed by December 31 of the fifth full year after your death. Your beneficiary for purposes of calculating required minimum distributions after your death is determined on September 30 of the year following your death. Generally, if you have more than one beneficiary, the oldest beneficiary's life expectancy is used to calculate the required minimum distributions described above. However, it may be possible for each of your beneficiaries to use his or her own life expectancy to calculate the required minimum distributions if the separate account rules are satisfied.

If you have more than one beneficiary who is entitled to benefits from your account after you die, each beneficiary's interest in your SIMPLE IRA will be considered to be a subaccount for purposes of determining required minimum distributions. The distribution rules will then be applied to each beneficiary's benefit.

If a minimum distribution is required in the year in which the separate inherited SIMPLE IRAs are established, or if the separate SIMPLE IRAs are established after December 31 of the year after the year of your death, your oldest beneficiary's life expectancy will be used to calculate the required minimum distribution to your beneficiaries. For example, if your death occurs on May 1, 2007, and separate accounts are properly established by December 31, 2008, each beneficiary's life expectancy will be used to calculate the required minimum distribution for 2009 and later years. In the example above, if separate accounts are established on January 1, 2009, your beneficiaries will have missed the opportunity to calculate required minimum distributions based on the life expectancy of each beneficiary and the oldest beneficiary's life expectancy must be used.

For the period from the date of your death until the establishment of the separate inherited SIMPLE IRAs, all post death investment interest will be allocated to the separate inherited SIMPLE IRAs on a pro rata basis in a reasonable and consistent manner among the separate IRAs. Any post-death distributions must be allocated to the separate inherited SIMPLE IRA of the beneficiary receiving that distribution.

In all cases, withdrawals will be subject to the required minimum distribution rules published by the IRS. Withdrawals of less than required minimums may result in federal tax penalties.

If your beneficiary does not begin withdrawals within the required period and after The Custodian receives notice of your death, Custodian may, but is not required to, distribute the assets of your Custodian SIMPLE IRA to your beneficiary in a single sum.

Your beneficiaries may further designate beneficiaries of their portion of your SIMPLE IRA after your death (subject to any restriction under state law) by contacting us, and we will provide the necessary forms. For instance, if you designated your children Sue and Tom as equal beneficiaries, they each could designate subsequent beneficiaries upon inheriting their portion of your SIMPLE IRA. Sue could designate could designate his estate to receive payments after his death.

If no subsequent beneficiary designation is filed with us at the time of your beneficiary's death or there is no surviving beneficiary, the subsequent beneficiary will be your beneficiary's spouse. If your beneficiary does not have a surviving spouse, the subsequent beneficiary will be the beneficiary's children, as determined under state law. In such case, a legal or personal representative is required to provide us with a written certification listing the names of your beneficiary's surviving children as determined under state law. If there is no legal or personal representative, a court order may be required. If your beneficiary's estate. Any subsequent beneficiary who inherits your SIMPLE IRA must continue to receive payments under the same schedule established by the original beneficiary. However, a subsequent beneficiary may choose to receive payments greater than the minimum payment amount.

If you are the beneficiary or subsequent beneficiary of a SIMPLE IRA, you should seek professional tax advice prior to making withdrawals.

### **E.9 Will my beneficiary have to pay income tax on my SIMPLE IRA?**

**Yes.** Payments from your SIMPLE IRA will be taxable to your beneficiary as income received. However, most beneficiaries will have the ability to take distributions over a number of years to lessen the impact of taxation. By seeking professional tax advice regarding how to choose and designate your primary and contingent beneficiaries, you can give them the flexibility to take the entire amount in one distribution or spread the distributions out in order to lower the amount of taxable income recognized each year.

Special rules also allow your spouse to roll your SIMPLE IRA into his or her own Traditional IRA and defer taking distributions until his or her required beginning date. Alternatively, if your spouse is your sole beneficiary, he or she may continue to treat the SIMPLE IRA as yours and defer the starting date for taking distributions until the date on which you would have been required to start taking minimum distributions.

### **E.10 How about estate and gift taxes?**

Your entire account balance would be subject to federal estate tax. If your spouse is your beneficiary, the amount of your account balance may be a deduction for federal estate tax purposes. Your entire account balance may also be subject to any applicable state death taxes.

A transfer by you to your beneficiary of the right to receive distributions from your SIMPLE IRA may be subject to federal gift tax. If a federal estate tax is paid by your estate upon your death, then the beneficiary of your SIMPLE IRA may be entitled to an income tax deduction for part of the estate tax paid. A qualified tax professional can help your beneficiary determine the amount of this deduction.

The federal estate tax will not apply to the estate of individuals who die after December 31, 2009. However, unless congressional action is taken, the estate tax will apply to the estates of individuals who die on or after January 1, 2011. For more detailed information concerning estate and gift tax treatment, consult your tax advisor.

## **F. CONVERSIONS OF A SIMPLE IRA TO A Roth IRA.**

### **F.1 May I convert all or part of my SIMPLE IRA to a Roth IRA?**

**Yes.** If you have participated in your employer's SIMPLE IRA plan for at least two years, your adjusted gross income (for both single and joint filers) for the tax year is \$100,000 or less and you are not a married individual filing a separate return, you may convert all or part of your SIMPLE IRA account balance to a Roth IRA. The \$100,000 limit and the joint filing requirement for married persons apply to the year that the funds are paid from the SIMPLE IRA, rather than the year they are contributed to the Roth IRA (if different). In addition, the \$100,000 limit does not include any taxable income related to the conversion or required minimum distributions for 2005 and later years. For tax years after 2009, the \$100,000 limit and married filing separately prohibition are eliminated.

Any SIMPLE IRA amount converted to a Roth IRA must also satisfy the SIMPLE IRA rollover requirements discussed in Section D: Rollover Contributions, except that the one rollover-per-year limitation does not apply. Once an amount is converted to a Roth IRA, it is treated as a Roth IRA for all purposes. Future contributions under your employer's SIMPLE IRA plan may not be made to the Roth IRA.

Because of the strict rules that apply to conversions and distributions taken from Roth IRAs within five years after a conversion, you should seek professional tax advice before converting your SIMPLE IRA to a Roth IRA.

### **F.2 How do I convert my SIMPLE IRA to a Roth IRA?**

You may convert all or part of your SIMPLE IRA to a Roth IRA. One of the following methods may be used to perform the conversion: (1) take a distribution from your SIMPLE IRA and contribute (roll over) the distribution to a Roth IRA within 60 days after the distribution; (2) transfer an amount in your SIMPLE IRA to your Roth IRA (including a Roth IRA maintained by the same trustee or custodian) in a trustee-to-trustee transfer; or (3) transfer an amount in your SIMPLE IRA to your Roth IRA maintained by the same trustee. All conversions (no matter the method used) are treated as a taxable distribution and a rollover contribution.

### **F.3 Will I be taxed on the conversion?**

**Yes.** The amount converted from your SIMPLE IRA will be included in your gross income (except for the portion of the converted amount, if any, which represents a tax-free return of n The distribution (or amount converted), however, will not be subject to the 10% additional tax on early distributions, regardless of whether you are under age 59½.

### **F.4 When will I be taxed on the conversion?**

Generally, conversions will be taxed in the year of distribution from the SIMPLE IRA. However, the amount included in your gross income for any taxable year beginning in 2010 as a result of a conversion contribution will be included ratably over the two-year period beginning with the first taxable year beginning in 2011, unless you elect to include the entire taxable amount in your income for 2010. This election must be made in accordance with federal tax law instructions prior to the due date (including extensions) for filing your 2010 federal income tax. Once made, this election cannot be changed.

If you are spreading income from a 2010 conversion over the two-year tax period and you die before the full taxable amount has been included in your income, the balance of the tax will be taken into account in the year of your death. If your spouse survives you and is the sole beneficiary of all of your Roth IRAs, your spouse may irrevocably elect to recognize the income over the remainder of the two-year tax period. This election cannot be made or changed after the due date (including extensions) for filing the federal income tax return for your spouse's tax year that includes your date of death.

If you (or your surviving spouse) are spreading income from a 2010 conversion over the two-year tax period and you (or your surviving spouse) take a distribution in 2010 or 2011 of amounts allocable to the 2010 conversion, any income deferred is accelerated so that it is includible in income in the year of the distributions, up to the amount of the distribution allocable to the 2010 conversion. This amount is in addition to the amount otherwise includible in your income for that tax year as a result of the conversion, and cannot be more than the total amount of income required to be included over the two-year tax period.

### **F.5 What if I convert all or part of my SIMPLE IRA to a Roth IRA and later discover that I have adjusted gross income of more than \$100,000? Can I "undo" the conversion? What happens if I do not "undo" the conversion?**

If certain requirements are met, you may re-characterize a "failed" conversion and "undo" the conversion. Re-characterizations are explained in more detail in Section G: Re-characterization of IRA Contributions.

If you do not re-characterize a failed conversion, the conversion amount will be treated as an annual contribution to the Roth IRA and will be treated as an excess contribution subject to the 6% excise tax to the extent that it exceeds your Roth IRA contribution limit. In addition, if you do not re-characterize a failed conversion, distributions (or the amount converted) from the SIMPLE IRA will be subject to the additional 10% federal tax on early distributions (unless an exception applies).

### **F.6 If I convert my SIMPLE IRA to a Roth IRA and later "undo" the conversion by re-characterizing, it may later reconvert the re-characterized contribution back to a Roth IRA? You should seek professional tax advice before reconverting any conversion contributions that have been re-characterized.**

You cannot convert an amount during the same taxable year, or if later, during the 30-day period following a re-characterization. If you reconvert during either of these periods, your attempted conversion will fail.

If you reconvert amounts in violation of the rules, the "failed" reconversion is treated as a distribution from your SIMPLE IRA and an annual contribution to your Roth IRA (unless, after the impermissible reconversion, the amount is transferred back to a Traditional IRA by means of a re-characterization). An impermissible reconversion will otherwise be treated as a valid reconversion.

### **F.7 If I am age 70½ or older, may I convert an amount from my SIMPLE IRA to a Roth IRA? May the conversion occur before I receive my required minimum distribution for the year of the conversion?**

If you are age 70½ or older, you may still convert all or part of your SIMPLE IRA to a Roth IRA, provided you otherwise satisfy the two-year holding requirement. Because conversion amounts must satisfy the rollover rules (even if the conversion is in the form of a trustee-to-trustee transfer), you may not, however, convert amounts required to be distributed to satisfy the required minimum distribution rules. Since the first dollars distributed from an IRA are treated as consisting of the required minimum distribution for the year, you may not convert any amount in your SIMPLE IRA to a Roth IRA until the required minimum distribution for the SIMPLE IRA has been distributed for the year. This prohibition applies beginning with the year in which you reach age 70½ and all later years. See Section E: Withdrawals From Your SIMPLE IRA for more information about required minimum distributions.

However, if a required minimum distribution is contributed to a Roth IRA, it is treated as having been distributed and taxed under the normal SIMPLE IRA rules, and then contributed as an annual contribution to a Roth IRA. The amount of the required minimum distribution is not a conversion contribution.

## **G. RE-CHARACTERIZATION OF IRA CONTRIBUTIONS**

### **G.1 May I re-characterize amounts contributed by my employer on my behalf to my SIMPLE IRA under my employer's SIMPLE IRA plan as contributions to another type of IRA?**

**No.** Employer contributions (including pre-tax salary reduction contributions) made under a SIMPLE IRA plan may not be re-characterized as contributions to another type of IRA. However, amounts converted from a SIMPLE IRA to a Roth IRA may be re-characterized as a contribution to a SIMPLE IRA, including the original SIMPLE IRA. You may re-characterize amounts converted from your SIMPLE IRA to your Roth IRA for a tax year by transferring (in a trustee-to-trustee transfer) the conversion contribution (or a portion of the conversion contribution) and the related earnings or loss back to a SIMPLE IRA. The re-characterization must be completed before the due date for filing your federal income tax return (including extensions) for the tax year for which the conversion contribution was made or any other time permitted by the IRS.

The conversion contribution will be treated as having been made to the SIMPLE IRA on the same date and for the same taxable year as the contribution was originally made to the Roth IRA for federal tax purposes. Once a re-characterization is made it may not be revoked.

To calculate the net income or loss that is required to be transferred as part of the re-characterization, you multiply the re-characterized amount by a fraction, the numerator of which is the difference between the "adjusted closing balance" and the "adjusted opening balance" and, the denominator of which is the "adjusted opening balance." The "adjusted opening balance" is the fair market value of the SIMPLE IRA at the beginning of the "computation period" plus the amount of any contributions or transfers (including the contribution that is distributed as a returned contribution and re-characterizations

of contributions) made to the SIMPLE IRA during the “computation period.” The “adjusted closing balance” is the fair market value of the SIMPLE IRA at the end of the “computation period” plus the amount of any distributions or transfers (including re-characterizations) made from the SIMPLE IRA during the “computation period.” The “computation period” is the period beginning immediately before the particular contribution is made to the SIMPLE IRA and ending immediately before the removal of the contribution being returned. If more than one contribution was made as an annual contribution and is being returned from the SIMPLE IRA, the “computation period” begins immediately before the first contribution being returned was contributed. For more information about the calculation of net income, see your tax advisor.

Because of the strict rules that apply to re-characterizations, you should seek competent tax advice before re-characterizing your SIMPLE IRA contributions.

### **G.2 May I re-characterize an amount contributed to my SIMPLE IRA in a tax-free transfer or tax-free rollover?**

**No.** Amounts contributed to a SIMPLE IRA in a tax free transfer (including a tax-free rollover) may not be Re-characterized as contributions to another type of IRA. However, if you roll over or transfer an amount from a traditional IRA to a SIMPLE IRA by mistake, the contribution may be subsequently re-characterized as a contribution to another Traditional IRA.

### **G.3 How do I make an election to re-characterize a contribution to an IRA for a tax year?**

On or before the date a transfer is made to re-characterize a contribution, you must notify both the trustee of the original IRA and the second IRA that you are electing to treat the contribution as having been made to the second IRA instead of the first IRA, for federal tax purposes. The notification must include the type and amount of the contribution to the first IRA that is to be re-characterized, the date on which the contribution was made to the first IRA and the year for which it was allocable to the contribution to the trustee of the second IRA, the names of the trustee of the first IRA and the second IRA, and any other information needed or requested by the trustees to make the transfer.

You must report the re-characterization on Form 8606 and treat the contribution as being made to the second IRA, instead of the first IRA on your federal income tax return for the applicable tax year in accordance with the federal tax forms and instructions.

### **G.4 If I initially make a conversion contribution from my SIMPLE IRA to a Roth IRA for a tax year, then move the contribution (with related earnings) in a tax-free transfer to another Roth IRA, can the tax-free transfer be disregarded so that the original contribution that was transferred may be re-characterized?**

**Yes.** If a conversion contribution is made from a SIMPLE IRA to a Roth IRA for a taxable year and then is moved (with related earnings) in a tax-free transfer to another Roth IRA, the tax-free transfer is disregarded and the initial contribution to the first Roth IRA may be re-characterized, if done in a timely manner.

### **G.5 Is a re-characterization treated as a rollover for purposes of the one-rollover-per-year limitation?**

**No.** Re-characterizing a contribution is not treated as a rollover for purposes of the one-rollover-per-year limit.

## **H. EXCESS CONTRIBUTIONS AND PROHIBITED TRANSACTIONS**

### **H.1 What is an excess contribution?**

An excess contribution is any amount contributed to your SIMPLE IRA for a tax year that exceeds allowable limits for that tax year. There is a 6% federal tax penalty on an excess contribution for each year that it remains in your SIMPLE IRA.

### **H.2 How may I avoid the 6% penalty?**

If you withdraw the excess contribution for a year and any earnings or loss on it before the filing date of your income tax return for that year, including extensions or any other time permitted by the IRS, you will not have to pay the 6% tax penalty. The earnings or loss on an excess contribution are calculated in the same manner as net income or loss on re-characterized contributions described in Question G1. If you do not withdraw the excess contribution by that date, you will be charged the 6% penalty tax for that year and may incur additional adverse tax consequences. Withdrawals of the excess contributions may be subject to the early withdrawal tax penalty. For more information about excess contributions, including taxation, penalties and alternative correction methods, consult your tax advisor.

### **H.3 What is a prohibited transaction?**

Generally, a prohibited transaction is any improper use of your SIMPLE IRA by you, your beneficiary or any disqualified person. Prohibited transactions include such actions as you selling property to your SIMPLE IRA or buying property from it. To learn more about prohibited transactions and who are disqualified persons, refer to IRS Publication 590.

### **H.4 What happens if I engage in a prohibited transaction?**

If you or your beneficiary engages in a prohibited transaction, your SIMPLE IRA will lose its tax-exempt status and you will have to include the entire balance (subject to any applicable basis therein) in your taxable income for that year. Furthermore, you will be subject to the federal early withdrawal tax penalty on the entire balance unless you are over age 59½ or meet one of the other exceptions to the tax penalty. If someone other than you or your beneficiary engages in a prohibited transaction with respect to your SIMPLE IRA, that person may be liable for certain excise taxes.

### **H.5 May I use my SIMPLE IRA as security for a loan?**

You should not. If you use all or part of your SIMPLE IRA as security for a loan, the amount used would be considered a withdrawal made by you in that year. You would have to include that amount in your taxable income for that year. You will be subject to the federal early withdrawal tax penalty on that amount unless you are over age 59½ or meet one of the other exceptions to the tax penalty.

## **I. INVESTMENTS**

### **I.1 Who is responsible for investing my SIMPLE IRA assets?**

You are solely responsible for making any investment decision regarding your SIMPLE IRA assets. You may designate someone other than yourself to direct the investment of the assets in your SIMPLE IRA by executing a valid third party trading authorization or power of attorney on a form acceptable to Custodian and by naming a person or entity acceptable to Custodian.

Custodian will forward to you (or pursuant to your directions, to your duly authorized representative) all available notices, prospectuses, financial statements, annual and other reports to shareholders, tender and rights offerings, proxy and proxy solicitation materials that Custodian receives on account of investments in your SIMPLE IRA. Custodian will follow your instructions (or the instructions of your duly authorized representative) for voting shares and exercising other shareholder rights, provided such direction is in written form satisfactory to Custodian and delivered to Custodian in a timely manner. In the absence of such written instructions, Custodian will not vote or exercise any rights with respect to the investments in the SIMPLE IRA and will not be responsible for the consequences of failing to take action.

### **I.2 What assets may not be held in my SIMPLE IRA?**

The Custodian, in its sole discretion, may refuse to hold any investment. Your SIMPLE IRA may not be invested in life insurance contracts and, except for investments pooled in a common trust fund or common investment fund, may not be commingled with other property. Further, assets in your SIMPLE IRA may not be invested in commodities, "collectibles," alcoholic beverages, or any other tangible personal property. The term "collectibles" includes works of art, rugs, antiques, metals, gems, stamps, coins (other than certain gold, silver or platinum coins of the United States or a state and certain bullion, if on Custodian's approved list of investments). You also may not invest the assets of your SIMPLE IRA in any investment that The Custodian determines is in its sole discretion, is administratively or operationally burdensome.

The Custodian has no responsibility for monitoring your representative engage in any non-qualifying or prohibited transaction or investment with respect to your SIMPLE IRA, neither The Custodian nor any of its employees will be liable for any adverse investment, tax, or other legal consequences that may result from such purchase. Also, if your investment direction results in a prohibited transaction, the tax-favored status of your SIMPLE IRA will be affected. See Section H: Excess Contributions and Prohibited Transactions for more information.

### **I.3 Is any interest earned on amounts awaiting investment or disbursement?**

The Custodian, or an affiliate of The Custodian, may retain any interest earned on assets awaiting investment or disbursement. You understand and agree that this interest (generally referred to as "float") will be retained by The Custodian as additional compensation for The Custodian's provision of services with respect to your SIMPLE IRA. Such interest shall generally be a prevailing interest rate.

Assets awaiting investment include (a) new deposits to the SIMPLE IRA, including interest and dividends, and (b) any un-invested assets held by the SIMPLE IRA caused by an instruction to The Custodian to purchase or sell securities where investment instructions are received too late in the day to be completed. The Custodian may also earn float on distributions from the time the funds are distributed from your SIMPLE IRA until you cash the check or other payment method is completed.

Assets awaiting disbursement include checks written on an omnibus account. The float period for such pending checks commences on the payable date and ends when the check is presented for payment. Checks issued by The Custodian on behalf of the SIMPLE IRA are generally mailed on the business day, where a business day is a day on which the New York Stock Exchange is open, following the payable date.

## **J. OTHER QUESTIONS AND ANSWERS**

### **J.1 Am I required to file any tax forms for my SIMPLE IRA?**

Generally, you will not be required to file any special forms for your SIMPLE IRA. However, you must file a Form 5329 Additional Taxes on Qualified Plans (including IRAs) and Other Tax Favored Accounts with the IRS for any year for which: (1) you are subject to the 6% penalty for excess contributions; (2) you are subject to the federal early withdrawal tax penalty for withdrawals before age 59 ½ and the proper distribution code is not shown on your Form 1099-R *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*; (3) you meet an exception to the federal early withdrawal tax penalty, but the proper distribution code is not shown on your Form 1099-R, (4) or you or your beneficiary are subject to the 50% penalty for failing to take a minimum distribution after you reach age 70½. Also, you must file a Form 8606 Nondeductible IRAs for any year in which you received distributions from your SIMPLE IRA and your basis is more than zero or you convert all or any portion of your SIMPLE IRA into a Roth IRA.

If you took a "qualified hurricane distribution" from your SIMPLE IRA and/or repaid it to an eligible IRA or employer retirement plan, you must file Form 8915 with your federal income tax return. If you are not required to file a federal income tax return, sign Form 8915 and send it to the IRS at the same place you would otherwise file your federal income tax return.

### **J.2 Does the custodian report any information about my SIMPLE IRA to the Internal Revenue Service?**

All IRA custodians are required to report various IRA transactions to the IRS, Social Security Administration, and the state revenue department.

Form 5498 reports both annual, rollover, and re-characterized contributions, plus the December 31 fair market value of your account. Form 5498 also reports if a required minimum distribution is required to be made to you for the following year.

Partial withdrawals, periodic distributions, and total distributions are reported on Form 1099-R. Unrelated business taxable income is reported on Form 990-T.

### **J.3 How is a conversion of my SIMPLE IRA to a Roth IRA reported?**

A conversion of your SIMPLE IRA to a Roth IRA will be treated as a distribution from the SIMPLE IRA and a conversion contribution to the Roth IRA. We will report the distribution to the IRS and to you on Form 1099-R and the conversion contribution on Form 5498. You must report the conversion to the IRS by completing and filing Form 8606.

#### **J.4 How are re-characterizations reported?**

If you re-characterize contributions made to an IRA, the trustee or custodian of the first IRA will report the contribution on Form 5498 as originally contributed. The trustee or custodian of the first IRA will also report the re-characterization as a distribution on Form 1099-R. For re-characterized amounts received by the second IRA, the trustee or custodian of the second IRA will report the contribution as a re-characterized contribution on Form 5498.

#### **J.5 Are state tax laws the same as federal tax laws for SIMPLE IRAs?**

You should consult your professional tax advisor about the tax treatment of SIMPLE IRAs in your state. This is especially important if you are subject to taxation by a state that does not automatically conform to the provisions found in the federal tax code.

#### **J.6 Can my SIMPLE IRA be changed?**

**Yes.** We may amend your SIMPLE IRA Custodial Agreement by mailing you a copy of the change. You will be deemed to have automatically consented to any amendment, unless we receive written notice to the contrary within 30 days we send you will be mailed or delivered to the last address that we have for you in our records. Although other amendments may be made, generally amendments will be made only to comply with changes in tax law. No amendment can take any part of your SIMPLE IRA away from you or your beneficiary.

#### **J.7 How much will my account be worth when I'm ready to retire?**

The future value of your account will depend on your future contributions and the rate of return on your investments in your SIMPLE IRA. The assets in your SIMPLE IRA generally are not limited to any particular type of investment, and therefore it is impossible to project what your investment return will be or what your SIMPLE IRA assets will look like in future years.

#### **J.8 Will my SIMPLE IRA be charged any fees?**

**Yes.** All of the fees that may apply to your account are outlined in your new account documents. The schedule of fees may be changed from time to time, upon 30 days' written notice to you. Please see the schedule of fees for more details.

Please review your relevant account opening documents for descriptions of these fees. If you do not pay The Custodian's fees by their due date, The Custodian may deduct these fees from your SIMPLE IRA.

#### **J.9 What other rules apply to my SIMPLE IRA?**

If The Custodian receives any process, summaries, levy, or similar order, you authorize The Custodian either to comply with the order or to refuse to honor the order, at The Custodian's sole discretion. The Custodian has no obligation to contest the order. Any controversy regarding your SIMPLE IRA is subject to arbitration.