

# Inherited Roth IRA Adoption Agreement

This Adoption Agreement may only be used by a beneficiary in conjunction with the inheritance of a Roth IRA plan. A New Account Application must accompany this form to establish a new IRA Account.

## ACCOUNT INFORMATION - REQUIRED

Axos Clearing LLC, custodian for the IRA of:

<b>Account Title (Name of this account)</b>				<b>Account Number</b>	
<b>Original Owner's Information: Name:</b>					<b>FOR SPECIFIC BENEFICIARY PROVISIONS, PLEASE REFER TO THE APPLICABLE SECTIONS OF THE PLAN AGREEMENT AND THE DISCLOSURE STATEMENT.</b>
SSN		Date of Birth		Date of Death	
<b>DESIGNATION OF BENEFICIARY</b>					
I designate that upon my death, the assets in this account be paid to the beneficiaries named below. The interest of any beneficiary that predeceases me terminates completely, and the percentage share of any remaining beneficiaries will be increased on a pro rata basis. If no beneficiaries are named, my estate will be my beneficiary.					
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<input type="radio"/> PRIMARY <input type="radio"/> CONTINGENT <input type="radio"/> PER STIRPES	SHARE %	BENEFICIARY'S NAME		SOCIAL SECURITY NUMBER/TAX ID	DATE OF BIRTH
		RELATIONSHIP	ADDRESS		
<b>SPOUSAL CONSENT</b> Spousal consent must be completed if the spouse is not the sole primary beneficiary.					
<b>CURRENT MARITAL STATUS (Required)</b> <input type="radio"/> <b>I Am Not Married</b> – I understand that if I become married in the future, I should review the requirements for spousal consent. <input type="radio"/> <b>I Am Married</b> – I understand that if I choose to designate primary beneficiary other than or in addition to my spouse, my spouse should sign below. <i>I am the spouse of the above-named IRA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Because of the important tax consequences of giving up my interest in this IRA, I have been advised to see a tax professional. I hereby give the IRA owner my interest in the assets or property deposited in this IRA and consent to the beneficiary designation indicated above. I assume full responsibility for any adverse consequences that may result</i>					
Signature of Spouse x			Print Name		Date
<b>SIGNATURES – IMPORTANT PLEASE READ BEFORE SIGNING</b> I understand the eligibility requirement for the type of Inherited Roth IRA contribution I am making, and I state that I do qualify to make the contribution. I have received a copy of the Inherited Roth IRA Application, the 5305-RA Custodial Account Adoption Agreement and Disclosure Statement. I understand that the terms and conditions which apply to this Inherited Roth IRA are contained in this Axos Clearing LLC Individual Retirement Custodial Account Adoption Agreement. I agree to be bound by those terms and conditions. All information provided by me is true and correct and may be relied upon by the Custodian. Within seven days from the date I open this inherited Roth IRA I may revoke it without penalty by mailing or delivering a written notice to the Introducing Broker Dealer and/or Axos Clearing Custodian. I assume full responsibility for <ul style="list-style-type: none"> <li>• Determining that I am eligible to establish an inherited Roth IRA,</li> <li>• Ensuring that all rollover or transfer contributions I make are within the limits set forth by the tax laws, and</li> <li>• The tax consequences of any rollover or transfer contributions and distributions.</li> </ul>					
Signature of Inherited Roth IRA Owner x			Print Name		Date (mm/dd/yyyy)
Signature of Custodian x			Print Name		Date (mm/dd/yyyy)

• THE TOTAL ALLOCATION OF ALL PRIMARY BENEFICIARIES MUST EQUAL 100%  
 • THE TOTAL OF ALL CONTINGENT BENEFICIARIES MUST EQUAL 100%  
 • TO DESIGNATE YOUR ESTATE AS YOUR BENEFICIARY, WRITE IN "ESTATE". "PER WILL" DESIGNATIONS ARE NOT ACCEPTABLE  
 • IF NO BENEFICIARY IS NAMED, THE BENEFICIARY PROVISIONS OUTLINED IN THE PLAN AGREEMENT WILL APPLY.  
 • IF YOU OUTLIVE A BENEFICIARY AND YOU WANT THAT SHARE TO GO TO HIS/HER DESCENDANTS, CHECK PER STIRPES

# ROTH INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT AGREEMENT

Form 5305-RA under section 408A of the Internal Revenue Code.

FORM (Rev. April 2017)

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

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

The depositor has assigned the custodial account the sum indicated on the application.

The depositor and the custodian make the following agreement:

## ARTICLE I

Except in the case of a qualified rollover contribution described in section 408A(e) or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$5,500 per year for 2013 through 2017. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 per year for tax years 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

## ARTICLE II

1. The annual contribution limit described in Article I is gradually reduced to \$0 for higher income levels. For a depositor who is single or treated as a single, the annual contribution is phased out between adjusted gross income (AGI) of \$118,000 and \$133,000; for a married depositor filing jointly, between AGI of \$186,000 and \$196,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. These phase-out ranges are for 2017. For years after 2017, the phase-out ranges, except for the \$0 to \$10,000 range, will be increased to reflect a cost-of-living adjustment, if any. Adjusted gross income is defined in section 408A(c)(3).
2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

## ARTICLE III

The depositor's interest in the balance in the custodial account is nonforfeitable.

## ARTICLE IV

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 V

1. If the depositor dies before his or her entire interest is distributed to him or her and the depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with paragraph (a) below or, if elected or there is no designated beneficiary, in accordance with paragraph (b) below:
  - (a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the depositor.
  - (b) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

2. The minimum amount that must be distributed each year under paragraph 1(a) above 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 designated beneficiary using the attained age of the beneficiary in the year following the year of the depositor's death and subtracting one from the divisor for each subsequent year.
3. If the depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the depositor.

## ARTICLE VI

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).
2. The custodian agrees to submit to the IRS and depositor the reports prescribed by the IRS.

## ARTICLE VII

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

## ARTICLE VIII

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

## ARTICLE IX

- 9.01 **Definitions** – In this part of this agreement (Article IX), the words “you” and “your” mean the inherited Roth IRA owner. The words “we,” “us,” and “our” mean the custodian. The words “inherited Roth IRA owner” mean the individual establishing this inherited Roth IRA with either a direct rollover contribution from an eligible inherited employer-sponsored retirement plan or a transfer from an inherited Roth IRA. The word “Code” means the Internal Revenue Code, and “regulations” means the Treasury regulations.
- 9.02 **Notices and Change of Address** – Any required notice regarding this inherited Roth IRA will be considered effective when we send it to the intended recipient at the last address that we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.
- 9.03 **Representations and Responsibilities** – You represent and warrant to us that any information you have given or will give us with respect to this agreement is complete and accurate. Further, you agree that any directions you give us or action you take will be proper under this agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, if we receive ambiguous directions regarding any transaction, or if we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We will not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act. We will not be responsible for

any penalties, taxes, judgments, or expenses you incur in connection with your inherited Roth IRA. We have no duty to determine whether your contributions or distributions comply with the Code, regulations, rulings, or this agreement.

We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this agreement (e.g., attorney-in-fact, executor, administrator, investment manager), but we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. We will not be responsible for losses of any kind that may result from directions, actions, or failures to act by your authorized agent, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act by your authorized agent.

You will have 60 days after you receive any documents, statements, or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If you do not notify us within 60 days, the documents, statements, or other information will be deemed correct and accurate, and we will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this agreement we are acting as your agent. You acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon us. We will not be required to perform any additional services unless specifically agreed to under the terms and conditions of this agreement, or as required under the Code and the regulations promulgated thereunder with respect to Roth IRAs. You agree to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this agreement.

To the extent written instructions or notices are required under this agreement, we may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.

**9.04 Disclosure of Account Information** – We may use agents and/or subcontractors to assist in administering your inherited Roth IRA. We may release nonpublic personal information regarding your inherited Roth IRA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate our business operations and analyze potential product, service, or process improvements.

**9.05 Service Fees** – We have the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining your inherited Roth IRA. In addition, we have the right to be reimbursed for all reasonable expenses, including legal expenses, we incur in connection with the administration of your inherited Roth IRA. We may charge you separately for any fees or expenses, or we may deduct the amount of the fees or expenses from the assets in your inherited Roth IRA at our discretion. We reserve the right to charge any additional fee after giving you 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to us by third parties for assistance in performing certain transactions with respect to this inherited Roth IRA.

Any brokerage commissions attributable to the assets in your inherited Roth IRA will be charged to your inherited Roth IRA. You cannot reimburse your inherited Roth IRA for those commissions.

**9.06 Restrictions on Contributions to the Inherited Roth IRA** – Your inherited Roth IRA may receive multiple rollover contributions from inherited qualified retirement plans, 403(a) annuity plans, 403(b) tax-sheltered annuity plans, or 457(b) governmental

deferred compensation plans, or multiple transfers from inherited Roth IRAs. In order to combine these inherited retirement assets in the same inherited Roth IRA, you must have inherited the assets from the same owner and they must have been subject to the same beneficiary payment elections and calculation methods as under the receiving inherited Roth IRA. You may not make regular contributions to this inherited Roth IRA.

**9.07 Investment of Amounts in the Inherited Roth IRA** – You have exclusive responsibility for and control over the investment of the assets of your inherited Roth IRA. All transactions will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearing house where the transaction is executed; our policies and practices; and this agreement. After your death, your successor beneficiaries will have the right to direct the investment of your inherited Roth IRA assets, subject to the same conditions that applied to you during your lifetime under this agreement (including, without limitation, Section 9.03 of this article). We will have no discretion to direct any investment in your inherited Roth IRA. We assume no responsibility for rendering investment advice with respect to your inherited Roth IRA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your inherited Roth IRA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we will have the right to hold any uninvested amounts in cash, and we will have no responsibility to invest uninvested cash unless and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your inherited Roth IRA unless you provide timely written directions acceptable to us.

You will select the investment for your inherited Roth IRA assets from those investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and do in fact offer for investment in inherited Roth IRAs (e.g., term share accounts, passbook accounts, certificates of deposit, money market accounts). We may in our sole discretion make available to you additional investment offerings, which will be limited to publicly traded securities, mutual funds, money market instruments, and other investments that are obtainable by us and that we are capable of holding in the ordinary course of our business.

**9.08 Successor Beneficiaries** – We may allow you, if permitted by state law, to name successor beneficiaries for your inherited Roth IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Each inherited Roth IRA beneficiary designation form that you file with us will cancel all previous designations. The consent of a successor beneficiary will not be required for you to revoke a successor beneficiary designation. If you do not designate a successor beneficiary, your estate will be the successor beneficiary. In no event will the successor beneficiary be able to extend the distribution period beyond that required for you.

If we so choose, for any reason (e.g., due to limitations of our charter or bylaws), we may require that a successor beneficiary take total distribution of all inherited Roth IRA assets by December 31 of the year following the year of death.

**9.09 Required Minimum Distributions** – You are required to take minimum distributions from your inherited Roth IRA. The options available to you as a beneficiary of a deceased plan participant or deceased Roth IRA owner are determined according to the type of plan you have inherited. Any payment elections you either made or defaulted to under the plan you inherited generally carry over to the inherited Roth IRA.

**9.10 Termination of Agreement, Resignation, or Removal of Custodian** – Either party may terminate this agreement at any time by giving written notice to the other. We can resign as custodian at any time effective 30 days after we send written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your inherited Roth IRA to another financial organization. If you do not complete a transfer of your inherited Roth IRA within 30 days from the date we send the notice to you, we have the right to transfer your inherited Roth IRA assets to a successor inherited Roth IRA trustee or custodian that we choose in our sole discretion, or we may pay your inherited Roth IRA to you in a single sum. We will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this agreement is terminated, we may charge to your inherited Roth IRA a reasonable amount of money that we believe is necessary to cover any associated costs, including but not limited to one or more of the following.

- Any fees, expenses, or taxes chargeable against your inherited Roth IRA
- Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your inherited Roth IRA

If we are a nonbank custodian required to comply with Regulations section 1.408-2(e) and we fail to do so or we are not keeping the records, making the returns, or sending the statements as are required by forms or regulations, the IRS may require us to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your inherited Roth IRA to you in cash or property if the balance of your inherited Roth IRA drops below the minimum balance required under the applicable investment or policy established.

**9.11 Successor Custodian** – If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion that includes your inherited Roth IRA) is bought by another organization, that organization (or agency) will automatically become the trustee or custodian of your inherited Roth IRA, but only if it is the type of organization authorized to serve as a inherited Roth IRA trustee or custodian.

**9.12 Amendments** – We have the right to amend this agreement at any time. Any amendment we make to comply with the Code and related regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date we send the amendment, you notify us in writing that you do not consent.

**9.13 Withdrawals or Transfers** – All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to us. The method of distribution must be specified in writing or in any other method acceptable to us. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations, including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.

**9.14 Transfers From Other Plans** – We can receive amounts transferred to this inherited Roth IRA from the trustee or custodian of another inherited Roth IRA. In addition, we can accept rollovers of eligible rollover distributions from inherited employer-sponsored retirement plans as permitted by the Code. We reserve the right not to accept any transfer or rollover.

**9.15 Liquidation of Assets** – We have the right to liquidate assets in your inherited Roth IRA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against your inherited Roth IRA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree to not hold us liable for any adverse consequences that result from our decision.

**9.16 Restrictions on the Fund** – Neither you nor any successor beneficiary may sell, transfer, or pledge any interest in your inherited Roth IRA in any manner whatsoever, except as provided by law or this agreement.

The assets in your inherited Roth IRA will not be responsible for the debts, contracts, or torts of any person entitled to distributions under this agreement.

**9.17 What Law Applies** – This agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this agreement, the law of our domicile will govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts will not be affected. Neither your nor our failure to enforce at any time or for any period of time any of the provisions of this agreement will be construed as a waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.

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## GENERAL INSTRUCTIONS

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

### PURPOSE OF FORM

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A. However, only Articles I through VIII have been reviewed by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

Unlike contributions to Traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after five years that are made when the depositor is 59½ years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see Pub. 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, and Pub. 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

### DEFINITIONS

**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.

**Depositor** – The depositor is the person who establishes the custodial account.

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## SPECIFIC INSTRUCTIONS

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**Article I** – The depositor may be subject to a six percent tax on excess contributions if (1) contributions to other individual retirement arrangements of the depositor have been made for the same tax year, (2) the depositor’s adjusted gross income exceeds the applicable limits in Article II for the tax year, or (3) the depositor’s and spouse’s compensation is less than the amount contributed by or on behalf of them for the tax year.

**Article V** – This article describes how distributions will be made from the Roth IRA after the depositor’s death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the depositor’s intent. Under paragraph three of Article V, the depositor’s spouse is treated as the owner of the Roth IRA upon the death of the depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary and not the owner, an overriding provision should be added to Article IX.

**Article IX** – Article IX and any that follow it may incorporate additional provisions that are agreed to by the depositor 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 depositor, etc. Attach additional pages if necessary.

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## DISCLOSURE STATEMENT

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### RIGHT TO REVOKE YOUR INHERITED ROTH IRA

You have the right to revoke your inherited Roth IRA within seven days of the receipt of the disclosure statement. If revoked, you are entitled to a full return of the contribution you made to your inherited Roth IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the custodian at the address listed on the application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

If you have any questions about the procedure for revoking your inherited Roth IRA, please call the custodian at the telephone number listed on the application.

### REQUIREMENTS OF AN INHERITED ROTH IRA

- A. **Form of Contribution** – Your contribution must be either a rollover contribution from an eligible inherited employer-sponsored retirement plan or a transfer contribution from an inherited Roth IRA. Your rollover or transfer contribution may be in cash and/or property.
- B. **Contribution Restrictions** – You may not make regular contributions to your inherited Roth IRA.
- C. **Nonforfeitable** – Your interest in your inherited Roth IRA is nonforfeitable.
- D. **Eligible Custodians** – The custodian of your inherited Roth IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- E. **Commingling Assets** – The assets of your inherited Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- F. **Life Insurance** – No portion of your inherited Roth IRA may be invested in life insurance contracts.

G. **Collectibles** – You may not invest the assets of your inherited Roth IRA in collectibles (within the meaning of IRC Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum, or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as inherited Roth IRA investments.

H. **Required Minimum Distributions** – You are required to take minimum distributions from your inherited Roth IRA at certain times in accordance with Treasury Regulation 1.408-8. The calculation of the required minimum distribution is based, in part, on determining the original owner’s designated beneficiary. A designated beneficiary is determined based on the beneficiaries designated as of the date of the original owner’s death, who remain beneficiaries as of September 30 of the year following the year of the original owner’s death. Any payment elections you either made or defaulted to under an inherited retirement plan or Roth IRA generally carry over to this inherited Roth IRA. Below is a summary of the inherited Roth IRA distribution rules.

If you fail to remove a required minimum distribution, an additional penalty tax of 50 percent is imposed on the amount of the required minimum distribution that should have been taken but was not. You must file IRS Form 5329 along with your income tax return to report and remit any additional taxes to the IRS.

#### Death of Original Owner Before January 1, 2020

- 1. If you are the beneficiary of a deceased employer-sponsored retirement plan participant, and the original participant died
  - (a) on or after his or her required beginning date, distributions must be made to you over the longer of your single life expectancy, or the original participant’s remaining life expectancy. If the original participant’s designated beneficiary

was not an individual or qualified trust as defined in the Treasury Regulations, the original employer-sponsored retirement plan will be treated as having no designated beneficiary for purposes of determining the distribution period. If there is no designated beneficiary of the original employer-sponsored retirement plan, distributions will commence using the original participant's single life expectancy, reduced by one in each subsequent year.

- (b) before his or her required beginning date, the entire amount remaining in the account will, at your election, either
- (i) be distributed by December 31 of the year containing the fifth anniversary of the original participant's death, or
  - (ii) be distributed over your remaining life expectancy.

If the original participant's spouse is the sole designated beneficiary, he or she must elect either option (i) or (ii) by the earlier of December 31 of the year containing the fifth anniversary of the original participant's death, or December 31 of the year life expectancy payments would be required to begin. A designated beneficiary of the original participant, other than a spouse who is the sole designated beneficiary, must elect either option (i) or (ii) by December 31 of the year following the year of the original participant's death. If no election is made, the distribution will be calculated in accordance with option (ii). In the case of distributions under option (ii), distributions must commence by December 31 of the year following the year of the original participant's death. Generally, if the original participant's spouse is the designated beneficiary, distributions need not commence until December 31 of the year the original participant would have attained age 72 (70½ if the original participant would have attained 70½ before 2020), if later.

If the original participant's designated beneficiary is not an individual or qualified trust as defined in the Treasury Regulations, the original retirement plan will be treated as having no designated beneficiaries for purposes of determining the distribution period. If there is no designated beneficiary of the original retirement plan, the entire inherited Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the original participant's death.

If you have inherited a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan and have either elected or defaulted to payments under the five-year rule, you may change to a life expectancy payment election if, by December 31 of the year following the year of the original owner's death, you remove a life expectancy-based payment before rolling over the remaining assets to your inherited Roth IRA.

2. If you are the beneficiary of a deceased Roth IRA owner, the entire amount remaining in the inherited account will, at your election, either
- (a) be distributed by December 31 of the year containing the fifth anniversary of the original Roth IRA owner's death, or
  - (b) be distributed over your remaining life expectancy.

If you are a spouse who is the sole designated beneficiary of a Roth IRA owner, you must elect either option (a) or (b) by the earlier of December 31 of the year containing the fifth anniversary of the original owner's death, or December 31 of the year life expectancy payments would be required to begin. If you are a designated beneficiary of the original Roth IRA owner, other than a spouse who is the sole designated beneficiary, you must elect either

option (a) or (b) by December 31 of the year following the year of the original Roth IRA owner's death. If no election is made, the distribution will be calculated in accordance with option (b). In the case of distributions under option (b), distributions must commence by December 31 of the year following the year of the original Roth IRA owner's death. Generally, if the original Roth IRA owner's spouse is the designated beneficiary, distributions need not commence until December 31 of the year the original Roth IRA owner would have attained age 72 (70½ if the original Roth IRA owner would have attained 70½ before 2020), if later.

If the original Roth IRA owner's designated beneficiary is not an individual or qualified trust as defined in the Treasury Regulations, the original Roth IRA will be treated as having no designated beneficiaries for purposes of determining the distribution period. If there is no designated beneficiary of the original Roth IRA, the entire inherited Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the original Roth IRA owner's death.

3. If you have elected to take life expectancy payments and fail to request your required minimum distribution by December 31, we reserve the right to do any one of the following.
- (a) Make no distribution until you give us a proper withdrawal request
  - (b) Distribute your entire inherited Roth IRA to you in a single sum payment
  - (c) Determine your required minimum distribution each year based on your life expectancy calculated using the Single Life Expectancy Table, and pay those distributions to you until you direct otherwise

#### **Death of Original Owner On or After January 1, 2020**

The entire amount remaining in your account will generally be distributed by December 31 of the year containing the tenth anniversary of the original owner's death unless you are an eligible designated beneficiary or the account has no designated beneficiary for purposes of determining a distribution period.

If you are an eligible designated beneficiary, the entire amount remaining in your account may be distributed (in accordance with the Treasury Regulations) over your remaining life expectancy (or over a period not extending beyond your life expectancy).

An eligible designated beneficiary is any designated beneficiary who is

- the original owner's surviving spouse,
- the original owner's child who has not reached the age of majority,
- disabled (A physician must determine that your impairment can be expected to result in death or to be of long, continued, and indefinite duration.),
- an individual who is not more than 10 years younger than the original owner, or
- chronically ill (A chronically ill individual is someone who (1) is unable to perform (without substantial assistance from another individual) at least two activities of daily living for an indefinite period due to a loss of functional capacity, (2) has a level of disability similar to the level of disability described above requiring assistance with daily living based on loss of functional capacity, or (3) requires substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment.)

Note that certain trust beneficiaries (e.g., certain trusts for disabled and chronically ill individuals) may take distribution of the entire amount remaining in the account over the remaining life expectancy of the trust beneficiary.

Generally, life expectancy distributions to an eligible designated beneficiary must commence by December 31 of the year following the year of the original owner's death. However, if the original owner's spouse is the eligible designated beneficiary, distributions need not commence until December 31 of the year the original owner would have attained age 72, if later. If the eligible designated beneficiary is the original owner's minor child, life expectancy payments must begin by December 31 of the year following the year of the original owner's death and continue until the child reaches the age of majority. Once the age of majority is reached, the beneficiary will have 10 years to deplete the account.

If a beneficiary other than a person (e.g., the original owner's estate, a charity, or a certain type of trust) is named, the original owner will be treated as having no designated beneficiary of the Roth IRA for purposes of determining the distribution period. If there is no designated beneficiary of the Roth IRA, the entire Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the original owner's death.

- I. **Waiver of 2020 RMD** – In spite of the general rules described above, you are not required to take a life expectancy payment from your inherited Roth IRA for calendar year 2020. In addition, if the five-year rule applies to your inherited Roth IRA, the five-year period is determined without regard to calendar year 2020. For example, if the original Roth IRA owner died in 2017, your five-year period will end in 2023 instead of 2022.

## INCOME TAX CONSEQUENCES OF ESTABLISHING AN INHERITED ROTH IRA

- A. **Tax-Deferred Earnings** – The investment earnings of your inherited Roth IRA are not subject to federal income tax as they accumulate in your inherited Roth IRA. In addition, distributions of your inherited Roth IRA earnings will be free from federal income tax if you take a qualified distribution, as described below.
- B. **Taxation of Distributions** – The taxation of inherited Roth IRA distributions depends on whether the distribution is a qualified distribution or a nonqualified distribution.
1. **Qualified Distribution.** A qualified distribution is a distribution that is made after the expiration of a five-year period. Qualified distributions from your inherited Roth IRA are not included in your income.
  2. **Nonqualified Distribution.** If you have not satisfied the five-year period for a qualified distribution, any earnings you withdraw from your inherited Roth IRA will be included in your gross income. When you take a distribution from the inherited Roth IRA, the amounts the original owner contributed to a Roth IRA, Roth 401(k), Roth 403(b), or governmental Roth 457(b) as Roth elective deferrals or Roth IRA contributions, will be deemed to be removed first, followed by conversion and employer-sponsored retirement plan rollover contributions the original owner made to a Roth IRA on a first-in, first-out basis. Therefore, your nonqualified distributions will not be taxable to you until your withdrawals exceed the amount of the regular contributions, conversion, and employer-sponsored retirement plan rollovers. These "ordering rules" are complex. If you have any questions regarding the taxation of distributions from your inherited Roth IRA, see a competent tax advisor.
- C. **Income Tax Withholding** – Any nonqualified withdrawal of earnings from your inherited Roth IRA may be subject to federal income tax withholding. You may, however, elect not to have withholding apply to your inherited Roth IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.

D. **Early Distribution Penalty Tax** – No 10 percent early distribution penalty tax will apply to the inherited Roth IRA distribution because the distribution is due to the death of the original owner.

E. **Rollovers and Transfers** – Your inherited Roth IRA may receive multiple rollover contributions from inherited qualified retirement plans, 403(a) annuity plans, 403(b) tax-sheltered annuity plans, or 457(b) governmental deferred compensation plans, or multiple transfers from inherited Roth IRAs. In order to combine these inherited retirement assets in the same inherited Roth IRA, you must have inherited the assets from the same owner and they must have been subject to the same beneficiary payment elections and calculation methods as under the receiving inherited Roth IRA. Rollover is a term used to describe a direct movement of cash or other property to your inherited Roth IRA from an eligible retirement plan that you have inherited as an eligible beneficiary. The rollover and transfer rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or transfer, please see a competent tax advisor.

1. **Roth IRA-to-Inherited Roth IRA Transfers.** Assets you have inherited from a deceased Roth IRA owner may be directly transferred to an inherited Roth IRA.
2. **Rollovers from 401(k) or 403(b) Plans Containing Roth Elective Deferrals to an Inherited Roth IRA.** If you are a nonspouse beneficiary or the trustee of an eligible type of trust named as beneficiary of a deceased 401(k), 403(b), or governmental 457(b) plan participant who had made Roth elective deferrals to the plan, you may directly roll over the Roth elective deferrals, and their earnings, to an inherited Roth IRA, as permitted by the IRS. If you are a spouse beneficiary, you may either directly or indirectly roll over assets from an eligible inherited employer-sponsored retirement plan to an inherited Roth IRA. Regardless of the method of rollover, the Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements. Roth elective deferrals may not be rolled over to an inherited Traditional IRA.
3. **Rollovers from Eligible Retirement Plans Without Roth Elective Deferrals to an Inherited Roth IRA.** If you are a nonspouse beneficiary or the trustee of an eligible type of trust named as beneficiary of a deceased employer-sponsored retirement plan participant, you may directly roll over any inherited assets eligible for rollover from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan to an inherited Roth IRA, as permitted by the IRS. If you are a spouse beneficiary, you may either directly or indirectly roll over assets from an eligible inherited employer-sponsored retirement plan to an inherited Roth IRA, as permitted by the IRS. The amount of the rollover from the retirement plan will be treated as a distribution for income tax purposes, and is includible in your gross income (except for any after-tax contributions). Although the rollover amount generally is included in income, the 10 percent early distribution penalty tax will not apply to rollovers from an eligible retirement plan to an inherited Roth IRA.
4. **Written Election.** At the time you make a rollover to an inherited Roth IRA, you must designate in writing to the custodian your election to treat that contribution as a rollover. Once made, the election is irrevocable.

## LIMITATIONS AND RESTRICTIONS

- A. **Gift Tax** – Transfers of your inherited Roth IRA assets to a successor beneficiary made during your life and at your request may be subject to federal gift tax under IRC Sec. 2501.
- B. **Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by IRC Sec. 402 do not apply to inherited Roth IRA distributions.
- C. **Prohibited Transactions** – If you or any successor beneficiary engage in a prohibited transaction with your inherited Roth IRA, as described in IRC Sec. 4975, your inherited Roth IRA will lose its tax-deferred or tax-exempt status, and you generally must include the value of the earnings in your account in your gross income for that taxable year. The following transactions are examples of prohibited transactions with your inherited Roth IRA. (1) Taking a loan from your inherited Roth IRA (2) Buying property for personal use (present or future) with inherited Roth IRA assets (3) Receiving certain bonuses or premiums because of your inherited Roth IRA.
- D. **Pledging** – If you pledge any portion of your inherited Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in your gross income for that year.

## OTHER

- A. **IRS Plan Approval** – Articles I through VIII of the agreement used to establish this inherited Roth IRA have been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.
- B. **Additional Information** – For further information on Roth IRAs, you may wish to obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, or Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 800-TAX-FORM, or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.
- C. **Important Information About Procedures for Opening a New Account** – To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. Therefore, when you open an inherited Roth IRA, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- D. **Qualified Charitable Distributions** – If you are age 70½ or older, you may be eligible to take tax-free inherited Roth IRA distributions of up to \$100,000 per year and have these distributions paid directly to certain charitable organizations. Special tax rules may apply. For further detailed information you may obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at [www.irs.gov](http://www.irs.gov).

- E. **Coronavirus-Related Distributions (CRDs)**. If you qualify, you may withdraw up to \$100,000 in aggregate from your IRAs and eligible retirement plans as a CRD, without paying the 10 percent early distribution penalty tax. You are a qualified individual if you (or your spouse or dependent) is diagnosed with the COVID-19 disease or the SARS-CoV-2 virus in an approved test; or if you have experienced adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reduced hours of a business owned or operated by you due to such virus or disease, or other factors as determined by the IRS. A CRD must be made on or after January 1, 2020, and before December 31, 2020.

CRDs will be taxed ratably over a three-year period, unless you elect otherwise. If you are a spouse beneficiary, you may repay these distributions over three years beginning with the day following the day a CRD is made. Repayments may be made to your eligible retirement plan or IRA.

An eligible retirement plan is defined as a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, 457(b) eligible governmental deferred compensation plan, or an IRA.



# IRA INHERITED IRA FINANCIAL DISCLOSURE

The term IRA will be used below to mean Traditional IRA or Roth IRA, unless otherwise specified.

The financial organization should complete the financial disclosure using Method I, Method II, or Method III. If the growth of the inherited IRA can reasonably be projected, use either Method I or Method II. The account values projected using Method I or Method II must be reduced by all applicable fees and penalties. If annual fees are assessed, such as an annual service fee, use Method II. If no projection of growth of the inherited IRA can reasonably be shown, use Method III.

## METHOD I Growth can be projected (Do not use Method I if an annual fee is charged. Instead, use Method II for financial projections.)

Your Age on Your Birth Date This Year \_\_\_\_\_ Length of Time Deposit (If applicable) \_\_\_\_\_

The charts below give projections of the value of your inherited IRA by showing the amount available at the end of each year. These projections assume an interest rate of .25%, compounded annually. If you have invested your inherited IRA in a time deposit, a loss-of-earnings penalty may be charged against a withdrawal before maturity. A transaction fee may also apply to your inherited IRA.

The Rollover or Transfer chart assumes that a one-time deposit of \$1,000 is made on the first day of the first year.

Indicate the projected account value for each of the years, taking into consideration any applicable loss of earnings penalty or other fees assessed if the inherited IRA owner received a distribution at the end of the year for which the projection is being made. First, circle the year-end projected inherited IRA value that is applicable for each of the first five years. Next, circle the applicable inherited IRA value for the years in which the inherited IRA owner will attain ages 60, 65, and 70. Subtract the inherited IRA owner's age indicated above from 60, 65, and 70 to locate the appropriate number of years (NO. YRS) rows.

### ROLLOVER OR TRANSFER

#### FINANCIAL PROJECTIONS WITH .25% RATE OF INTEREST

NUMBER OF YEARS	ACCOUNT VALUE	1 MONTH PENALTY	3 MONTH PENALTY	6 MONTH PENALTY	AMOUNT AFTER FEES AND PENALTIES
1	\$1,002.50	\$1,002.29	\$1,001.87	\$1,001.25	
2	1,005.01	1,004.80	1,004.38	1,003.75	
3	1,007.52	1,007.31	1,006.89	1,006.26	
4	1,010.04	1,009.83	1,009.41	1,008.78	
5	1,012.56	1,012.35	1,011.93	1,011.30	
6	1,015.09	1,014.88	1,014.46	1,013.83	
7	1,017.63	1,017.42	1,017.00	1,016.36	
8	1,020.18	1,019.96	1,019.54	1,018.90	
9	1,022.73	1,022.51	1,022.09	1,021.45	
10	1,025.28	1,025.07	1,024.64	1,024.00	
11	1,027.85	1,027.63	1,027.20	1,026.56	
12	1,030.42	1,030.20	1,029.77	1,029.13	
13	1,032.99	1,032.78	1,032.35	1,031.70	
14	1,035.57	1,035.36	1,034.93	1,034.28	
15	1,038.16	1,037.95	1,037.51	1,036.87	
16	1,040.76	1,040.54	1,040.11	1,039.46	
17	1,043.36	1,043.14	1,042.71	1,042.06	
18	1,045.97	1,045.75	1,045.32	1,044.66	
19	1,048.58	1,048.37	1,047.93	1,047.27	
20	1,051.21	1,050.99	1,050.55	1,049.89	
21	1,053.83	1,053.61	1,053.17	1,052.52	
22	1,056.47	1,056.25	1,055.81	1,055.15	
23	1,059.11	1,058.89	1,058.45	1,057.79	
24	1,061.76	1,061.54	1,061.09	1,060.43	
25	1,064.41	1,064.19	1,063.75	1,063.08	
26	1,067.07	1,066.85	1,066.41	1,065.74	
27	1,069.74	1,069.52	1,069.07	1,068.40	
28	1,072.41	1,072.19	1,071.74	1,071.07	
29	1,075.10	1,074.87	1,074.42	1,073.75	
30	1,077.78	1,077.56	1,077.11	1,076.44	
31	1,080.48	1,080.25	1,079.80	1,079.13	
32	1,083.18	1,082.95	1,082.50	1,081.82	
33	1,085.89	1,085.66	1,085.21	1,084.53	
34	1,088.60	1,088.37	1,087.92	1,087.24	
35	1,091.32	1,091.10	1,090.64	1,089.96	
36	1,094.05	1,093.82	1,093.37	1,092.68	
37	1,096.79	1,096.56	1,096.10	1,095.42	
38	1,099.53	1,099.30	1,098.84	1,098.15	
39	1,102.28	1,102.05	1,101.59	1,100.90	
40	1,105.03	1,104.80	1,104.34	1,103.65	
41	1,107.80	1,107.56	1,107.10	1,106.41	
42	1,110.57	1,110.33	1,109.87	1,109.18	
43	1,113.34	1,113.11	1,112.65	1,111.95	
44	1,116.12	1,115.89	1,115.43	1,114.73	
45	1,118.92	1,118.68	1,118.22	1,117.52	
46	1,121.71	1,121.48	1,121.01	1,120.31	
47	1,124.52	1,124.28	1,123.81	1,123.11	
48	1,127.33	1,127.09	1,126.62	1,125.92	
49	1,130.15	1,129.91	1,129.44	1,128.73	
50	1,132.97	1,132.74	1,132.26	1,131.56	
51	1,135.80	1,135.57	1,135.09	1,134.38	
52	1,138.64	1,138.41	1,137.93	1,137.22	
53	1,141.49	1,141.25	1,140.78	1,140.06	
54	1,144.34	1,144.11	1,143.63	1,142.91	
55	1,147.20	1,146.97	1,146.49	1,145.77	
56	1,150.07	1,149.83	1,149.35	1,148.64	
57	1,152.95	1,152.71	1,152.23	1,151.51	
58	1,155.83	1,155.59	1,155.11	1,154.39	
59	1,158.72	1,158.48	1,158.00	1,157.27	
60	1,161.62	1,161.37	1,160.89	1,160.16	
61	1,164.52	1,164.28	1,163.79	1,163.07	
62	1,167.43	1,167.19	1,166.70	1,165.97	

### ADDITIONAL FINANCIAL DISCLOSURE INFORMATION

The account values shown are projections based on many assumptions. They are not guaranteed, but depend upon many factors, including the interest rates and terms of future funding instruments.

We may charge you fees in connection with your inherited IRA. If we do not charge these fees now, we may do so in the future after giving you notice. If you do not pay these fees separately, they may be paid from the assets of your inherited IRA.

### CURRENT FEES

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

**METHOD II Growth can be projected**

The financial projections below show the amount that would be available if you were to withdraw your inherited IRA assets at the indicated times. These projections are based on the following assumptions.

**ROLLOVER OR TRANSFER**

This projection assumes a one-time \$1,000 deposit is made on the first day of the first year.

Your Age on Your Birth Date in Contribution Year \_\_\_\_\_  
Investment Instrument \_\_\_\_\_  
Length of Time Deposit \_\_\_\_\_  
Rate of Interest \_\_\_\_\_ %  
Compounding Method \_\_\_\_\_

**FINANCIAL PROJECTIONS**

Number of Years in Inherited IRA Program	Total Accumulation of Inherited IRA Dollars	Amount After Fees and Penalties
1 Year	\$ _____	\$ _____
2 Years	\$ _____	\$ _____
3 Years	\$ _____	\$ _____
4 Years	\$ _____	\$ _____
5 Years	\$ _____	\$ _____

End of the Year You Reach Age	Total Accumulation of Inherited IRA Dollars	Amount After Fees and Penalties
60	\$ _____	\$ _____
65	\$ _____	\$ _____
70	\$ _____	\$ _____

**ADDITIONAL FINANCIAL DISCLOSURE INFORMATION**

The account values shown are projections based on many assumptions. These projections have been reduced by any applicable fees. They are not guaranteed, but depend upon many factors, including the interest rates and terms of future funding instruments.

We may charge you an annual service fee or other fees in connection with your inherited IRA. If we do not charge these fees now, we may do so in the future after giving you notice. If you do not pay these fees separately, they may be paid from the assets of your inherited IRA.

**CURRENT FEES**

\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_ \$ \_\_\_\_\_

**METHOD III Growth cannot be projected**

The value of your inherited IRA will be dependent solely upon the performance of any investment instrument used to fund your inherited IRA. Therefore, no projection of the growth of your inherited IRA can reasonably be shown or guaranteed.

Terms and conditions of the inherited IRA that affect your investment are listed below.

**INVESTMENT OPTIONS**

You may direct the investment of your funds within this inherited IRA into any investment instrument offered by or through the Custodian. The Custodian will not exercise any investment discretion regarding your inherited IRA, as this is solely your responsibility.

**FEES**

There are certain fees and charges connected with your inherited IRA investments. These fees and charges may include the following.

- Sales Commissions
- Investment Management Fees
- Distribution Fees
- Set Up Fees
- Annual Maintenance Fees
- Surrender or Termination Fees

To find out what fees apply, refer to the investment prospectus or contract.

There may be certain fees and charges connected with the inherited IRA itself. *(Select and complete as applicable.)*

- Annual Service Fee \$ \_\_\_\_\_
- Transfer Fee \$ \_\_\_\_\_
- Rollover Fee \$ \_\_\_\_\_
- Termination Fee \$ \_\_\_\_\_
- Other *(Explain)* \_\_\_\_\_

We reserve the right to change any of the above fees after notice to you, as provided in your inherited IRA agreement.

**EARNINGS**

The method for computing and allocating annual earnings (e.g., interest, dividends) on your inherited IRA will differ based on the nature and issuer of the investments chosen. Refer to the investment prospectus or contract for the methods used for computing and allocating annual earnings.

**OTHER**

Other terms or conditions that apply to your inherited IRA include the following.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# IRS Approval Letter



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

JUN 26 2019

Axos Clearing, LLC  
Attn.: Mr. Jeffrey N. Sime, President  
1200 Landmark Center, Suite 800  
Omaha, NE 68102

Re: Axos Clearing, LLC; EIN: 77-0616239  
Nonbank Trustee or Custodian Status

Dear Mr. Sime:

This letter responds to your letter dated March 25, 2019, concerning a change to your nonbank custodian application. Your nonbank custodian application was approved, pursuant to section 1.408-2(e) of the Income Tax Regulations (Regulations) on December 15, 2014. Our approval letter authorized COR Clearing, LLC (Applicant) to act as a passive or non-passive trustee or custodian of Archer MSAs established under section 220 of the Internal Revenue Code; health savings accounts described in section 223; plans qualified under section 401; section 403(b)(7) custodial accounts; individual retirement accounts (IRAs) established under sections 408, 408A, and 530; and eligible deferred compensation plans described in section 457(b).

Your March 25, 2019, letter and attached correspondence informed this office that the Applicant changed its name from COR Clearing, LLC to Axos Clearing, LLC. Your letter did not notify of us any other changes that would affect the continuing accuracy of your application.

We have updated our files and no further action will be taken. Please note that this letter does not constitute a determination as to whether the Applicant satisfies the requirements of section 1.408-2(e) of the Regulations.

Thank you for writing to us about this matter. If you have any questions, please contact Roz Ferber (Badge No. 1000221499) at (202) 317-8724.

Sincerely yours,

  
Ada M. Perry, Acting Manager  
Employee Plans Technical Group 1

# IRS Approval Letter



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D. C. 20224

DEC 15 2014

COR Clearing, LLC  
1200 Landmark, Suite 400  
Omaha, NE 68102

EIN: 77-0616239

Ladies and Gentlemen:

In a letter dated December 9, 2013, your authorized representative requested a written notice of approval that COR Clearing, LLC (Applicant) may act as a passive or non-passive nonbank trustee or nonbank custodian for medical savings accounts established under section 220 of the Internal Revenue Code (Code), nonbank trustee or custodian for health savings accounts established under section 223, a nonbank trustee or custodian for plans qualified under section 401 and accounts described in section 403(b)(7), nonbank trustee or custodian of individual retirement arrangements (IRAs) established under sections 408, 408A, and 530, and as a nonbank custodian of eligible deferred compensation plans described in section 457(b).

Section 220(d)(1)(B) of the Code (dealing with Archer MSA (medical savings accounts)) provides, in pertinent part, that the trustee of a medical savings account must be a bank (as defined in section 408(n)), an insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section. Q&A-10 of Notice 96-53, 1996-2 C.B. 219 provides, in pertinent part, that persons other than banks, insurance companies, or previously approved IRA trustees or custodians may request approval to be a trustee or custodian in accordance with the procedures set forth in section 1.408-2(e) of the Income Tax Regulations (Regulations).

Section 223(d)(1)(B) of the Code provides, in pertinent part, that the trustee of a health savings account must be a bank (as defined in section 408(n)), an insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section. Section 223(d)(4)(E) provides, in general, that rules similar to section 408(h) (dealing with custodial accounts) also apply to health savings accounts.

Section 401(f)(1) of the Code provides that a custodial account shall be treated as a qualified trust under this section if such custodial account would, except for the fact it is not a trust, constitute a qualified trust under this section. Section 401(f)(2) provides that

# IRS Approval Letter

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COR Clearing, LLC  
EIN: 77-0616239

the custodian must be a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will hold the assets will be consistent with the requirements of section 401 of the Code. Section 401(f) also provides that in the case of a custodial account treated as a qualified trust, the person holding the assets of such account shall be treated as the trustee thereof.

Section 403(b)(7)(A) of the Code requires, in part, that for amounts paid by an employer to a custodial account to be treated as amounts contributed to an annuity contract for his employee, the custodial account must satisfy the requirements of section 401(f)(2). That section also requires, in order for the amounts paid by an employer to be treated as amounts contributed to an annuity contract for his employee, that the amounts are to be invested in regulated investment company stock to be held in the custodial account, and under the custodial account no such amounts may be paid or made available to any distributee before the employee dies, attains age 59 ½, has a severance from employment, becomes disabled (within the meaning of section 72(m)(7)), or in the case of contributions made pursuant to a salary reduction agreement (within the meaning of section 3121(a)(5)(D)), encounters financial hardship.

Section 408(a)(2) of the Code requires that the trustee of an IRA be a bank (as defined in section 408(n)) or such other person who demonstrates to the satisfaction of the Secretary that the manner in which such other person will administer the trust will be consistent with the requirements of section 408.

Section 408(h) of the Code provides that a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which the person will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an IRA described in section 408(a). Section 408(h) also provides that, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

Section 408A of the Code provides, in general, that a Roth IRA shall be treated in the same manner as an individual retirement plan. Section 7701(a)(37)(A) defines an individual retirement plan as an individual retirement account described in section 408(a).

Section 530(b)(1)(B) of the Code (dealing with Coverdell education savings accounts) requires that the trustee of such an account be a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which that person will administer the trust will be consistent with the requirements of this section or who has so demonstrated with respect to any individual retirement plan.

# IRS Approval Letter

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COR Clearing, LLC  
EIN: 77-0616239

Section 530(g) of the Code (dealing with Coverdell education savings accounts) provides that a custodial account shall be treated as a trust if the assets of such account are held by a bank (as defined in section 408(n)) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which he will administer the account will be consistent with the requirements of this section, and if the custodial account would, except for the fact that it is not a trust, constitute an account described in section 530(b)(1). For purposes of title 26, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of such account shall be treated as the trustee thereof.

Section 457(g) of the Code (dealing with eligible deferred compensation plans) provides, in relevant part, that plan assets and income must be held in trust. Section 457(g)(3) provides that custodial accounts and contracts described in section 401(f) shall be treated as trusts under rules similar to the rules under section 401(f). Section 1.457-8(a)(3) provides, in pertinent part, that for purposes of the trust requirements of section 457(g)(1), a custodial account will be treated as a trust if the custodian is a bank, as described in section 408(n), or a person who meets the nonbank trustee requirements of paragraph (a)(3)(ii)(B) of this section, and the account meets the requirements of paragraphs (a)(1) and (2) of this section, other than the requirement that it be a trust. Paragraph (a)(3)(ii)(B) provides that the custodian of a custodial account may be a person other than a bank only if the person demonstrates to the satisfaction of the Commissioner that the manner in which the person will administer the custodial account will be consistent with the requirements of sections 457(g)(1) and (3). To do so, the person must demonstrate that the requirements of section 1.408-2(e)(2)-(6) of the Regulations, relating to nonbank trustees, are met.

The Regulations at section 1.408-2(e) contain the requirements with which one must comply in order to act as a custodian, for purposes of sections 220, 223, 401(f), 403(b)(7), 408(a)(2), 408(h), 408A, 457(b) and 530 of the Code. Section 1.408-2(e)(1) requires a person to file a written application with the Commissioner demonstrating that it meets sections 1.408-2(e)(2) through (6) of the Regulations.

Based on all the information submitted to this office and all the representations made in the application, we have concluded that the Applicant meets the requirements of section 1.408-2(e) of the Regulations, and therefore, it is approved to act as a passive or non-passive nonbank trustee or nonbank custodian for medical savings accounts established under section 220 of the Code, nonbank trustee or custodian for health savings accounts established under section 223, a nonbank trustee or custodian for plans qualified under section 401 and accounts described in section 403(b)(7), nonbank trustee or custodian of individual retirement arrangements (IRAs) established under sections 408, 408A, and 530, and as a nonbank custodian of eligible deferred compensation plans described in section 457(b).

# IRS Approval Letter

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This notice of approval authorizes the Applicant to act as a passive or non-passive custodian. When the Applicant acts as a passive nonbank custodian within the meaning of section 1.408-2(e)(6)(i) of the Regulations, that is, it is authorized only to acquire and hold particular investments specified by the custodial agreement. It may only act as a passive custodian if under the written custodial agreement/trust instrument, it has no discretion to direct investments of the trust (or custodial) funds or any other aspect of the business administration of the trust.

This notice of approval, while authorizing the Applicant to act as a passive or non-passive custodian, does not authorize it to pool accounts in a common investment fund (other than a mutual fund) within the meaning of section 1.408-2(e)(5)(vi) of the Regulations. Section 1.408-2(e)(6)(v) of the Regulations provides that the Applicant may only act as a custodian if it undertakes to act only under trust instruments or custodial agreements that contain a provision to the effect that the grantor is to substitute another trustee or custodian upon notification by the Commissioner that such substitution is required, because the Applicant has failed to comply with the requirements of section 1.408-2(e) of the Regulations or is not keeping such records, or making such returns or rendering such statements as are required by forms or Regulations. For example, one such form is Form 990-T for IRAs that have \$1000 or more of unrelated business taxable income that is subject to tax by section 511(b)(1) of the Code.

Section 1.408-2(e)(6)(iv) of the Regulations requires the Applicant to notify the Commissioner in writing of any change that affects the continuing accuracy of any representation made in its application. Further, the continued approval of the Applicant to act as a nonbank trustee as provided herein depends upon its continued satisfaction of the criteria set forth in section 1.408-2(e) of the Regulations.

This notice of approval is not transferable to any other entity. An entity that is a member of a controlled group of corporations, within the meaning of section 1563(a) of the Code, may not rely on an approval letter issued to another member of the same controlled group. Furthermore, any entity that goes through an acquisition, merger, consolidation or other type of reorganization may not necessarily be able to rely on the approval letter issued to such entity prior to the acquisition, merger, consolidation or other type of reorganization. Such entity may have to apply for a new notice of approval in accordance with section 1.408-2(e) of the Regulations.

This notice of approval constitutes a determination that the Applicant may act as a passive or non-passive custodian as described herein and does not bear upon its capacity to act as a trustee or custodian under any other applicable law. This is not an endorsement of any investment. The Internal Revenue Service does not review or approve investments.

# IRS Approval Letter

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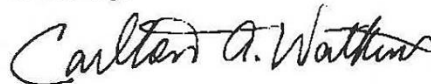
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This notice of approval is effective as of the date of this letter and will remain in effect until withdrawn by the Applicant or revoked by the Service. Section 1.408-2(e)(7)(i) of the Regulations prohibits the acceptance of any fiduciary account prior to the effective date.

In accordance with the power of attorney on file in this office, a copy of this notice of approval is being sent to your authorized representative.

If you have any questions, please contact Ms. Danielle Norris (Badge No. 1002853909) at 202-317-8726. Please address all correspondence to SE:T:EP:RA:T1.

Sincerely,



Carlton A. Watkins, Manager  
Employee Plans Technical Group 1

cc: Barbara R. Van Zomeren, Esq.  
Ascensus  
415 8<sup>th</sup> Avenue, NE  
Brainerd, MN 56401