RULES AND CONDITIONS APPLICABLE TO INHERITED IRA CONTRIBUTION ELIGIBILITY

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The Inherited Individual Retirement Account (IRA) contribution rules are often complex. Therefore, it is important that you read the general rules and conditions listed below, and also consult your tax and legal advisors for assistance. In addition, you may refer to IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs),* for more information. IRS Publication 590-A is available on the IRS website at www.irs.gov or by calling 800-829-3676 (800-TAX-FORM).

Please note that Inherited IRAs may not accept annual contributions.

TRANSFERS

A transfer is a direct movement of assets from a decedent's IRA or Inherited IRA to the same type of Inherited IRA (e.g., Inherited Traditional IRA transfer to Inherited Traditional IRA).

Transfer Limitation

- Inherited IRA assets cannot be combined with your own IRA assets.
- Inherited IRA assets cannot be combined with assets from another Inherited IRA unless the decedent, the beneficiary, and payment elections and calculation methods are the same.

DIRECT AND INDIRECT ROLLOVERS FROM AN EMPLOYER-SPONSORED RETIREMENT PLAN

You may roll over a distribution from a deceased employee's eligible employer-sponsored retirement plan to your Inherited Traditional IRA or Inherited Roth IRA. If the distribution is made payable to your IRA custodian, and not to you, it is considered to be a "direct rollover." **Direct rollovers are not subject to withholding.** An "indirect rollover" occurs when the funds are made payable directly to you, and then you deposit the funds into an IRA within the allotted 60-day period. **Indirect rollovers are reportable, and are subject to 20% withholding by the employer-sponsored retirement plan as a prepayment of income taxes.**

Indirect rollovers of inherited assets are only available to spousal beneficiaries.

Eligible person. You are the eligible person only if you were, or are: (1) the surviving spouse beneficiary of the deceased participant, or (2) a non-spouse beneficiary of a deceased participant.

Eligible plan. A distribution will not be eligible to be rolled over unless the distribution is made from an eligible employer-sponsored retirement plan. Accordingly, a rollover contribution can only be made from one of the following eligible employer-sponsored retirement plans: (1) a qualified retirement plan established under Internal Revenue Code Section (IRC Sec.) 401(a) (e.g., a 401(k), profit-sharing or money purchase pension plan); (2) an annuity plan established under IRC Sec. 403(a); (3) a tax-sheltered annuity plan established under IRC Sec. 403(b); (4) a governmental deferred compensation plan established under IRC Sec. 457(b); or (5) a federal Thrift Saving Plan.

Ineligible rollover distributions. A deceased employee's Required Minimum Distribution (RMD), and potentially other types of plan assets, are ineligible to be rolled over to an Inherited Traditional IRA or an Inherited Roth IRA.

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