

RULES AND CONDITIONS APPLICABLE TO ROTH IRA CONTRIBUTION ELIGIBILITY

The Roth Individual Retirement Account (Roth 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).

■ REGULAR CONTRIBUTIONS

You may make a “regular” annual contribution to a Roth IRA if you have earned income or other eligible compensation, and your modified adjusted gross income (MAGI) is within the published annual limits.

Contribution limit. The total amount you may contribute as a regular annual contribution to a Roth IRA for any tax year cannot exceed the lesser of the published annual limit, or 100% of your earned income and other eligible compensation. Your contribution may be further limited if your income exceeds specified amounts. If you also maintain a Traditional/SEP IRA, the maximum regular annual contribution to your Roth IRA is reduced by any regular annual contribution that you made to your Traditional/SEP IRA.

Contribution timing. You may make a regular annual contribution for the prior year up until your tax filing deadline for that year, not including extensions. Designating a contribution for the prior year is irrevocable.

Catch-up contribution. If you are age 50 or older by the end of the year, you may be eligible to make an additional “catch-up” contribution to your Roth IRA for the year.

■ REGULAR CONTRIBUTION SOURCED FROM A 529 ACCOUNT

Although we will accept a contribution sourced from a 529 account, we are not responsible for and will not review or determine whether it meets applicable legal requirements. You should consult with your tax professional for additional guidance.

Contribution limit. You understand that the total amount contributed from a 529 account cannot exceed the lesser of the published annual limit, or 100% of your earned income and other eligible compensation. If you also maintain a Traditional/SEP IRA, the maximum annual contribution to your Roth IRA is reduced by any regular annual contribution that you made to your Traditional/SEP IRA. It is our current understanding that the income limits that typically apply to Roth contribution eligibility may not apply.

Contribution timing. You may make a regular annual contribution for the prior year up until your tax filing deadline for that year, not including extensions. Designating a contribution for the prior year is irrevocable.

■ TRANSFERS

A transfer is a direct trustee-to-trustee movement of assets to your Roth IRA from any of your other Roth IRAs.

Unlimited number. You may perform an unlimited number of trustee-to-trustee transfers to your Roth IRA from any of your other Roth IRAs.

Traditional/SEP or SIMPLE IRA transfer restriction. You may not make a transfer from your Traditional/SEP IRA or a Savings Incentive Match Plan for Employees (SIMPLE) IRA to your Roth IRA.

■ ROLLOVERS FROM A ROTH IRA

A rollover is a distribution, and a subsequent tax-free movement of assets, from any of your Roth IRAs to your Roth IRA.

Timing. If payable to you, the assets you receive from the distributing Roth IRA generally must be deposited into another eligible Roth IRA within 60 calendar days.

Twelve-month restriction. You generally cannot make an IRA rollover if you have made such a rollover involving any of your IRAs in the preceding 12-month period. The 12 months start when you receive the IRA distribution, not when the distribution is actually rolled over.

■ ROLLOVERS FROM AN EMPLOYER-SPONSORED RETIREMENT PLAN

You may roll over a distribution from an eligible employer-sponsored retirement plan to your Roth IRA. If the distribution is made payable to your Roth IRA custodian, and not to you, it is considered to be a “direct rollover.” **A direct rollover from an employer-sponsored retirement plan may be a taxable transaction.** An “indirect rollover” occurs when the distribution is made payable directly to you, and then you deposit the funds into a Roth IRA within the allotted 60-day period. **Indirect rollovers are reportable for income tax purposes, may be taxable, and are subject to 20% withholding by the employer-sponsored retirement plan as a**

prepayment of income taxes.

Since a rollover from an employer-sponsored retirement plan may be a taxable transaction, you should consult your tax and legal advisors for assistance.

Eligible person. You are an eligible person only if you were, or are:

- (1) a participant in an eligible employer-sponsored retirement plan,
- (2) the surviving spouse beneficiary of a deceased participant, or
- (3) an alternate payee (a spouse or former spouse of a plan participant) identified in a qualified domestic relations order (QDRO). A non-spouse beneficiary of a deceased participant may only directly roll over employer-sponsored retirement plan assets to an Inherited Roth IRA.

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 Savings Plan.

Ineligible rollover distributions. The following types of distributions from an employer-sponsored retirement plan are ineligible to be rolled over to a Roth IRA:

- Required Minimum Distributions (RMDs)
- Distributions that are part of a series of substantially equal periodic payments (made over a single or joint life expectancy, or for a specified period of 10 years or more)
- Hardship distributions
- Returns of 401(k) elective deferrals because of the IRC Sec. 415 allocation limitations
- Returns of excess contributions and excess aggregate contributions from a 401(k) plan
- Returns of excess deferrals (i.e., amounts that exceed the deferral limit)
- Plan loan amounts that are treated as distributions because of a default, or because the loan does not meet the IRC Sec. 72(p) requirements
- Dividends paid on employer securities as described in IRC Sec. 404(k)
- PS 58 costs (associated with life insurance coverage)
- Permissible withdrawals from eligible automatic contribution arrangements (generally, within 90 days of the first automatic contribution)
- Other types of distributions may also be ineligible for rollover. Please contact the plan administrator for the distributing plan and/or your tax and legal advisors with questions about a particular distribution

Timing. If payable to you, the distribution you receive from the employer-sponsored retirement plan generally must be deposited into an eligible Roth IRA within 60 calendar days.

■ CONVERSION

A conversion is a taxable movement of assets from any of your Traditional/SEP IRAs or SIMPLE IRAs into your Roth IRA.

RMD restriction. Distributions that represent RMDs paid to you may not be converted to a Roth IRA.

Timing. If payable to you, the distribution you receive from the distributing Traditional/SEP IRA or SIMPLE IRA generally must be deposited into your Roth IRA within 60 calendar days.

SIMPLE IRA conversion restriction. You may not convert SIMPLE IRA assets into a Roth IRA within two years of the first contribution to your SIMPLE IRA.

■ RECHARACTERIZATION

Recharacterization is a procedure to treat all, or a portion, of a regular annual contribution to a Traditional/SEP IRA as if it had been made to a Roth IRA.

Earnings and losses adjustment requirement. A regular annual contribution that is recharacterized must be adjusted for earnings and losses.

Timing. The recharacterization deadline is your tax filing deadline for the year of the original transaction, including extensions.