

# Traditional Beneficiary IRA Amendment

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## Dear Traditional Beneficiary IRA Accountholder:

The purpose of this Amendment is to incorporate changes in law and policy that affect your traditional beneficiary IRA agreement. This Amendment replaces the IRS Form 5305-A Agreement and Disclosure Statement that you received at the time your traditional beneficiary IRA was established or amended, whichever is later. Our relationship and your traditional beneficiary IRA will be governed by this Amendment. Please read this Amendment carefully as you would any other legal documents. This Amendment should be kept in a safe place along with your other traditional beneficiary IRA records.

## SUMMARY OF CHANGES

The headings identify the primary changes addressed by this Amendment. The additions and modifications to the Disclosure Statement will depend on when you received your agreement or when it was last amended. The heading is followed by a brief description of the most recent change. For modifications, the heading also identifies the corresponding section in the Traditional Beneficiary IRA Disclosure Statement. Review the identified sections for the modifications.

### November 2023 changes reflected in this Amendment include

#### Traditional Beneficiary IRA Disclosure Statement

##### IRA Distributions.

3. **Qualified Charitable Distributions.** The numbers in this subsection have been revised to reflect the current year's limits.

### January 2023 changes reflected in this Amendment include

#### Traditional Beneficiary IRA Disclosure Statement

##### IRA Restrictions and Approval.

9. **No Prohibited Transactions.** Clarifies that the consequences of a prohibited transaction only apply to this Traditional Beneficiary IRA.
10. **No Pledging.** Removed text stating the 10 percent early-distribution penalty tax might apply to the taxable portion of amounts pledged as security for a loan.
11. **IRS Approval of Form.** Added reference to Article IX (in addition to XIII).

##### IRA Distributions.

5. **Qualified Charitable Distributions (QCD).** Updated this subsection to reflect that the QCD limit is now subject to annual cost-of-living adjustments as well as to add information that you may now be able to elect to make a once in a lifetime QCD of up to \$50,000 to a split-interest entity.

##### Required Minimum Distributions (RMDs)-Generally.

2. **Distributions of Less than the RMD Amount.** Updated to reflect a recent law change reducing the excess accumulation penalty tax from 50 percent to 25 percent and noting that the penalty may be reduced to 10 percent if corrected within the correction window.

9. **Required Beginning Date (RBD).** Due to a recent law change, changed age 72 to age 73 at the end of the first sentence. Also, added a sentence referring to age 72 for the years 2020, 2021, and 2022.

##### RMD Rules for a Death that Occurred in 2019 or Earlier.

3. **IRA Owner's Death Occurred before His or Her RBD.**

##### a. RMD Rules for Designated Beneficiaries.

- ii. **Spouse Beneficiaries.** As a result of recent law changes, the ages listed in this subsection have been replaced by a statement referencing, "the applicable RMD age."

##### RMD Rules for a Death that Occurred in 2020 or Later.

4. **Eligible Designated Beneficiaries.**

- a. **Spouse Beneficiary.** As a result of recent law changes, the age listed in this subsection has been replaced by a statement referencing, "the applicable RMD age."

- Disaster Tax Relief and Repayment of a Qualified Disaster Recovery Distribution.** Updated this section to reflect the rules as modified by a recent law change.

## TRADITIONAL INDIVIDUAL RETIREMENT CUSTODIAL ACCOUNT

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

Form **5305-A** (Rev. April 2017) Department of the Treasury Internal Revenue Service

The depositor and the custodian make the following agreement:

Do Not file with  
Internal Revenue Service

☒ Amendment

**Article I.** Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), 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 2013 through 2017. For years after 2017, these limits will be increased to reflect a cost-of-living adjustment, if any.

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

### 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 depositor'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 thereunder, the provisions of which are herein incorporated by reference.

2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70½. By that date, the depositor 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 depositor or the joint lives of the depositor and his or her designated beneficiary.

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

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

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

(b) If the depositor 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 depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70½. But, in such case, if the depositor'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 depositor's death.
4. If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor'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 depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:
- The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor'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 depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor'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 depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
  - The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if 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).
  - The required minimum distribution for the year the depositor 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 traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

#### Article V.

- The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.
- The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

**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 section 408(a) 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 on the Application that accompanies this agreement.

#### Article VIII.

**8.01 Beneficiary IRA Documents.** This Internal Revenue Service (IRS) Forms 5305 series agreement for traditional IRAs, amendments, application, beneficiary designation, disclosure statement, and other documentation, if any, set forth the terms and conditions governing your beneficiary individual retirement account (IRA) and your or, after your death, your successor beneficiary's relationship with us. Articles I through VII of the IRS 5305 agreement have been reviewed and approved by the IRS. The disclosure statement sets forth various IRA rules in simpler language. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**8.02 Use of These Beneficiary IRA Documents.** IRS Form 5305-A was initially designed by the IRS for use by a depositor to establish his/her own IRA. Beneficiary IRAs are specifically permitted by the IRS; however, they are subject to certain special rules, which are described below and in the disclosure statement. The IRS has not created a form 5305 series agreement specifically designed for a beneficiary IRA. Therefore, the standard IRS Form 5305-A is used as the basis for our agreement with you. However, certain provisions of Articles I through VII and the instructions of this IRS Form 5305-A do not apply to you, as beneficiary of the depositor, or to your Beneficiary IRA. On the other hand, Articles II, III, V, and VII generally apply to you in the same manner as provided for the depositor.

#### 8.03 Definitions.

- (a) "**Application**" means the Traditional Beneficiary IRA Application, as signed by the beneficiary.

(b) "**Beneficiary**" means the individual or entity named as Beneficiary IRA Accountholder on this Application or any successor beneficiary who becomes an owner of this Beneficiary IRA.

(c) "**Eligible Retirement Plan**" (**ERP**) includes qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans. Common names for these plans include 401(k), profit sharing, pension, money purchase, federal thrift savings, and tax-sheltered annuity plans.

(d) "**Depositor**" means the original IRA accountholder who established the traditional (including SEP) or SIMPLE IRA (or plan participant in the ERP) and who has died.

(e) "**Custodian**" means the entity named as Custodian on the Traditional Beneficiary IRA Application, and any successor.

References to "you," "your," and "Beneficiary IRA accountholder" will mean the beneficiary, and "we," "us," and "our" will mean the custodian. The terms "you" and "your" will apply to you. In the event you appoint a third party, or have a third party appointed on your behalf, to handle certain transactions affecting your IRA, such agent will be considered "you" for purposes of this agreement. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

**8.04 Contributions.** Notwithstanding the provisions of Article I, the contributions permitted to this Beneficiary IRA are transfers from the original deceased owner's traditional (including SEP) or SIMPLE IRA, transfers from an existing traditional beneficiary IRA to establish this Beneficiary IRA, direct rollovers by a beneficiary from the original deceased owner's ERP, or any other contributions permitted by law. If this Beneficiary IRA holds amounts previously in the depositor's traditional IRA (and not from an ERP), you may be able to make a trustee-to-trustee transfer from a traditional IRA inherited from the same depositor. Also, other types of contributions by a surviving spouse are deemed to be an election to treat this Beneficiary IRA as his/her own.

**8.05 Successor Beneficiary Designations.** If we allow successor beneficiary designations, the beneficiary of your Beneficiary IRA will be the person or persons listed on the Application as successor beneficiaries (or other beneficiary designation form approved by us) and received by us prior to your death. If no successor beneficiary survives you (or if no valid successor beneficiary designation is on file with us), your successor beneficiary will be your estate.

#### Article IX.

**9.01 Additional Provisions.** Additional provisions may be attached to, and made a part of, this agreement by either party. The provisions must be in writing, agreed to by us, and in a format acceptable to us.

**9.02 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur in establishing and maintaining your Beneficiary IRA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. We may deduct fees directly from your Beneficiary IRA assets or bill you separately. Additionally, we have the right to liquidate your Beneficiary IRA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.03 Amendments.** We may amend your Beneficiary IRA in any respect and at any time, including retroactively, to comply with applicable laws governing retirement plans and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the Beneficiary IRA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the Beneficiary IRA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

**9.04 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, transfers, direct rollovers or change in personal information mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

**9.05 Applicable Laws.** This agreement will be construed and interpreted in accordance with the laws of, and venue in, our state of domicile.

**9.06 Disqualifying Provisions.** Any provision of this agreement that would disqualify the Beneficiary IRA will be disregarded to the extent necessary to maintain the account as a beneficiary IRA.

**9.07 Interpretation.** If any question arises as to the meaning of any provision of this agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.

**9.08 Representations and Indemnity.** You represent that any information you and/or your agents provide to us is accurate and complete, and that your actions comply with this agreement and applicable laws governing retirement plans. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your Beneficiary IRA issues.

We are not responsible for determining whether any contribution or distribution complies with this agreement and/or the federal laws governing retirement plans. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your Beneficiary IRA, or any losses that are a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing successor beneficiary designations or divisions, including separate accounting, available beneficiary distribution options, court orders, penalty exception determinations, required minimum distribution (RMD) calculations, or other similar situations.

**9.09 Investment of IRA Assets.**

(a) **IRA Investment Options.** In our capacity as your Beneficiary IRA custodian, we provide various options concerning types of investments and investment direction. At the time you established or amended your Beneficiary IRA we provided you with either of the following investment options: deposit investments only or self-directed investments. This section describes each of the options. We will provide you with any required disclosures concerning your specific investments.

(1) **Deposit Investments Only.** If your Beneficiary IRA allows for deposit investments only, the deposit investments provided by us will be limited to savings, share, and/or money market accounts, and various certificates of deposit (CDs), and will earn a reasonable rate.

(2) **Self-Directed IRA Investments.** If your Beneficiary IRA is self-directed, you may invest your IRA assets in deposit investments as well as in various nondeposit investments. Nondeposit investments may include investments in property, annuities, mutual funds, stocks, bonds, and government, municipal and U.S. Treasury securities, and other similar investments. Most, if not all, of the nondeposit investments we offer are subject to investment risks, including possible loss of the principal amount invested.

(b) **Investment of Inherited IRA Amounts.** You may invest IRA contributions in any IRA investments we offer. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of IRA income associated with your failure to provide appropriate investment direction.

(c) **Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any IRA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing retirement plans. Your Beneficiary IRA investments will generally be registered in our name or our nominee's name for the benefit of your Beneficiary IRA. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you to delegate the investment responsibility of your Beneficiary IRA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then current policies and procedures.

(d) **Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your Beneficiary IRA, must be charged to your

Beneficiary IRA and cannot be paid by you. We have the right to liquidate your Beneficiary IRA assets to pay fees and expenses, federal tax levies, or other assessments on your Beneficiary IRA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**9.10 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require you, or your successor beneficiary after your death, to elect a distribution reason, provide documentation, and provide a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes and withholding. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

RMDs will be based on Internal Revenue Code Section 401(a)(9)(B), Treasury Regulations, additional IRS guidance, and our then current policies and procedures. The RMD regulations are described within the Disclosure Statement. In the event you, or your successor beneficiary after your death, fail to take an annual RMD or the RMD within the prescribed period we may do nothing, distribute your entire Beneficiary IRA balance, or distribute an amount based on our own calculation.

You are ultimately responsible for determining your beneficiary RMD as well as for the consequences of taking more or less than the required amount or taking it within a prescribed period. We may choose to estimate your annual beneficiary RMD or determine a prescribed time period; however, we are not required to provide you with such an estimate or a deadline. If we provide you with an estimated annual RMD, we will do so based on the divisor we assume to be correct. Because the ultimate responsibility for calculating the RMD is yours, we recommend you seek guidance from your tax or legal professional regarding your RMD calculation and the taxation of distributions.

**9.11 Cash or In-Kind Contributions.** We may accept transfer, rollover, direct rollover, and any similar contributions in cash or in kind from other beneficiary IRAs, ERPs, and as allowed by law. Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.

**9.12 Reports and Records.** We will maintain the records necessary for IRS reporting on this Beneficiary IRA. Required reports will be provided to you, or your successor beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.

**9.13 Termination.** You may terminate this agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.

**9.14 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date, or within five days of our receipt of your written objection to an amendment. In the event you materially breach this agreement, we can terminate this agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your Beneficiary IRA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining IRA fees or expenses. At the time of our resignation we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. We reserve the right to retain IRA assets to pay any remaining fees or expenses. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

**9.15 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your Beneficiary IRA.

Beneficiary IRAs are specifically permitted by the IRS; however, they are subject to certain special rules, which are described above and in the disclosure statement. The IRS has not created a form 5305 series agreement specifically designed for a beneficiary IRA. Therefore, the standard IRS Form 5305-A is used as the basis for our agreement with you. However, certain provisions of Articles I through VII and the instructions of this IRS Form 5305-A do not apply to you, as beneficiary of the depositor, or to your Beneficiary IRA.



# IRS FORM 5305-A INSTRUCTIONS (Rev. 4-2017)

## General Instructions

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

### Purpose of Form

Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a). However, only Articles I through VII have been reviewed by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. To make a regular contribution to a traditional IRA for a year, the IRA must be established no later than the due date of the individual's income tax return for the tax year (excluding extensions). 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-A with the IRS. Instead, keep it with your records.

For more information on 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.

### Traditional IRA for Nonworking Spouse

Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse.

Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse.

## 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 depositor 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 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.

## TRADITIONAL BENEFICIARY IRA DISCLOSURE STATEMENT

**Right to Revoke Your Beneficiary IRA.** You may have the right to revoke this individual retirement account (IRA) within seven days of receiving this Disclosure Statement. If you revoke your Beneficiary IRA, we will return your entire IRA contribution without any adjustment for items such as sales commissions, administrative expenses, or fluctuation in market value. However, you do not have the right to revoke upon amendment of this agreement.

You may revoke your Beneficiary IRA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark. (Note that the amounts you receive from us upon revocation of this Beneficiary IRA will not be eligible to be rolled over or deposited into any other beneficiary IRA, but instead will be reported as a distribution to you and will be subject to taxation.)

If you have any questions or concerns regarding the revocation of your Beneficiary IRA, please call or write to us. Our telephone number, address, and contact name, to be used for communications, can be found on the application that accompanies this Disclosure Statement and Internal Revenue Service (IRS) Forms 5305 series agreement.

**Right to Disclaim.** You may disclaim your interest in this Beneficiary IRA subject to the following requirements. To be eligible to disclaim, you must be a natural person of legal age and under no other legal disability and must not have received a distribution of any part of the Beneficiary IRA at the time the disclaimer is received by us (except for the required minimum distribution (RMD) for the year of the decedent's death).

Alternatively, a disclaimer may be executed by (i) your duly-appointed legal guardian or conservator if you are a minor or under other legal disability or (ii) your duly-appointed personal representative.

The disclaimer must be made in writing and must be executed personally by you (*or a duly-appointed legal guardian, conservator or personal representative acting on your behalf*) and acknowledged before a notary public. The disclaimer must state that your entire interest in the Beneficiary IRA is disclaimed or must specify what portion thereof is disclaimed.

To be effective, the disclaimer must be irrevocable and both executed by you and received by us after the date of the depositor's death but not later than nine (9) months after the depositor's death. If you have any questions regarding disclaiming this Beneficiary IRA, please call or write us. You may also wish to consult with your tax or legal professional regarding the consequences of a disclaimer.

**This Disclosure Statement.** This Disclosure Statement provides you, or your successor beneficiaries after your death, with a summary of the rules and regulations governing this Beneficiary IRA.

**Definitions.** The IRS Form 5305 series agreement for traditional IRAs contains a definitions section. The definitions found in such section apply to this agreement. References to "you," "your," and "Beneficiary IRA account holder" will mean the beneficiary, and "we," "us," and "our" will mean the custodian. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your Beneficiary IRA, such third party will be considered your agent and, therefore, "you" for purposes of this agreement. Additionally, references to "IRA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any beneficiary IRA establishment documents. For more information, you can also refer to IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, instructions to your federal income tax return, or the IRS's website at [www.irs.gov](http://www.irs.gov).

### IRA Restrictions and Approval.

- 1. IRS Form 5305 or 5305-A Agreement.** This Disclosure Statement and the IRS Forms 5305 series agreement, amendments, additional provisions, and the Application, set forth the terms and conditions governing your Beneficiary IRA. Such documents are the agreement.
- 2. Individual/Successor Beneficiary Benefit.** This Beneficiary IRA must be for the exclusive benefit of you, and upon your death, your successor beneficiaries. The Beneficiary IRA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Successor Beneficiary Designation.** If we allow you to name successor beneficiaries, you may complete the appropriate section on the corresponding Beneficiary IRA application (or other beneficiary designation form approved by us) and designate any person(s) as your successor beneficiary to receive your Beneficiary IRA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as we prescribe for this purpose. If there is no successor beneficiary designation on file at the time of your death, your Beneficiary IRA assets will be paid to your estate. We may rely on the latest successor beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the Beneficiary IRA assets under a subsequently filed designation or for any other reason.
- 4. IRA Custodian.** An IRA custodian must be a bank, federally insured credit union, savings and loan association, trust company, or other entity, which is approved by the Secretary of the Treasury to act as an IRA custodian.
- 5. Prohibition Against Life Insurance and Commingling.** None of your Beneficiary IRA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 6. Nonforfeitable.** The assets in your Beneficiary IRA are not forfeitable.
- 7. Collectibles.** Generally, none of your Beneficiary IRA assets may be invested in collectibles, including any work of art, rug, or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property. If we allow, you may invest your Beneficiary IRA assets in the following coins and bullion: certain gold, silver, and platinum coins minted by the United States; a coin issued under the laws of any state; and any gold, silver, platinum, and palladium bullion of a certain fineness, and only if such coins and bullion are held by us. For additional guidance on collectibles, see Section 408(m) of the Internal Revenue Code (IRC).
- 8. RMD Rules.** Your Beneficiary IRA is subject to the RMD rules summarized in this agreement.
- 9. No Prohibited Transactions.** If you engage in a prohibited transaction, this Beneficiary IRA loses its tax exempt status as of the first day of the year. You must include the fair market value of this Beneficiary IRA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 10. No Pledging.** If you pledge all or a portion of your Beneficiary IRA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income.
- 11. IRS Approval of Form.** This agreement includes an IRS Forms 5305 series agreement. Articles I through VII of this IRS agreement have been reviewed and approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us, or the operation of the Beneficiary IRA. Articles VIII and IX of this IRS agreement contains additional contract provisions that have not been reviewed or approved by the IRS.

**12. State Laws.** State laws may affect your Beneficiary IRA in certain situations, including successor beneficiary designations, agency relationships, unclaimed property, spousal consent, taxes, tax withholding, and reporting.

**Eligibility to Establish a Beneficiary IRA.** You may establish a beneficiary IRA with this agreement to hold amounts received as a direct or successor beneficiary from the traditional (including SEP) or SIMPLE IRA of a depositor. You may also establish a beneficiary IRA to hold amounts received as a beneficiary of a participant in an eligible retirement plan (ERP). **Separate Beneficiary IRA Accounts.** You are required to maintain this Beneficiary IRA separate from your own individual IRAs and from any other beneficiary IRAs that you may inherit from other decedents. If you are the surviving spouse of the depositor and the sole beneficiary of the IRA with unlimited rights to withdraw amounts from the IRA, you may elect to treat this IRA as your own IRA or to maintain it as a beneficiary IRA. If you elect to treat it as your own IRA, the rules described in this Disclosure Statement generally will not apply to you and you will be treated as the IRA owner. A surviving spouse will be deemed to have treated the Beneficiary IRA as his/her own if any contributions (including certain rollover contributions) are made to the Beneficiary IRA or if any RMD as a beneficiary for a year is not taken. If you are the surviving spouse of the depositor and you have elected to treat or have been deemed to have treated this Beneficiary IRA as your own, you agree to notify us of such circumstance and we recommend that you execute a new IRA agreement with us. If no such agreement is executed, the provisions of Articles I through VII of this agreement, the relevant provisions of Articles VIII and IX of this agreement, and the provisions of IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, shall govern your IRA.

**Beneficiary IRA Contributions.** The contributions permitted to this Beneficiary IRA include transfers from the original deceased owner's traditional (including SEP) or SIMPLE IRA, transfers from an existing traditional beneficiary IRA to establish this Beneficiary IRA, direct rollovers by a beneficiary from the original deceased owner's ERP, rollovers by a spouse beneficiary from an ERP, or any other contributions permitted by law. If this Beneficiary IRA holds amounts previously in the depositor's traditional (including SEP) or SIMPLE IRA (and not from an ERP), you may be able to make a trustee-to-trustee transfer from a traditional (including SEP) or SIMPLE IRA inherited from the same depositor. Except as allowed by law, no other contributions of any kind may be made to this Beneficiary IRA. Also, any other type of contribution not permitted by a surviving spouse is deemed to be an election to treat this Beneficiary IRA as his/her own.

**Trustee-to-Trustee Transfers.** A trustee-to-trustee transfer is a transfer of assets from one IRA custodian/trustee to another IRA custodian/trustee, without the assets being distributed to you. A trustee-to-trustee transfer means that the IRA assets move from one IRA to another IRA in a manner that prevents you from cashing or liquidating the IRA assets, or even depositing the assets anywhere except in the receiving IRA. Transfers are not taxable or reportable, and the IRS does not impose timing or frequency restrictions on these transfers. You may be required (by us or the other financial organization involved) to complete a transfer authorization form or other documentation prior to transferring your Beneficiary IRA assets. Any trustee-to-trustee transfer will be subject to our policies. We have sole discretion on whether we will accept, and how we will process, movements of assets to and from IRAs.

**Rollovers and Direct Rollovers from an ERP.** If certain requirements are met, you may directly roll to a beneficiary IRA the assets that you inherit as a beneficiary of a deceased plan participant under an ERP. A qualified trust may also complete this direct rollover. A spouse beneficiary may also roll over assets from a deceased plan participant's ERP to a traditional beneficiary IRA or to his/her own IRA.

IRC Section 402(c)(8)(B) defines ERPs and includes employer sponsored retirement plans such as qualified plans, tax-sheltered annuities, and certain governmental IRC Section 457(b) plans.

If the plan assets are distributed to you as a nonspouse beneficiary, you will not be able to roll such amounts to a beneficiary IRA. We have sole discretion on whether we will accept, and how we will process, movements of assets from ERPs to beneficiary IRAs.

Beneficiary IRAs of this type are generally subject to the beneficiary IRA rules described in this Disclosure Statement, including the RMD rules described below. If you inherit amounts in an employer-sponsored ERP that you wish to have transferred to a beneficiary IRA, you should consult with a tax or legal professional to aid you in the determination and calculation of RMDs.

- 1. ERP.** IRC Section 402(c)(8)(B) defines ERPs. Such plans include qualified trusts under IRC Section 401(a), annuity plans under IRC Section 403(a), annuity contracts under IRC Section 403(b), and certain governmental IRC Section 457(b) plans.
- 2. Eligible Distribution "Amounts".** Not all distribution "amounts" from an ERP are eligible for rollover to a beneficiary IRA. The most common amounts which are not eligible for rollover include RMDs. The employer determines which assets may not be rolled over and may provide you with an IRC Section 402(f) notice of taxation which explains the tax issues concerning the distribution.
- 3. Direct Rollover.** A direct rollover moves eligible distribution assets from the deceased plan participant's ERP to your Beneficiary IRA in a manner that prevents you from cashing or liquidating the plan assets, or even depositing the assets anywhere except in the receiving beneficiary IRA. A direct rollover is reported to the IRS. There are no IRS limitations, such as the 60-day period or one rollover per 1-year period (12-month) rule, on direct rollovers.
- 4. Indirect Rollover and Withholding.** An indirect rollover is available to spouse beneficiaries only and begins with a plan distribution made payable to you as spouse beneficiary. In general, the employer is required to withhold 20 percent on the taxable portion of your eligible distribution as a prepayment of federal income taxes on distributions. You may make up the 20 percent withholding from your own funds at the

time you deposit the distribution into this Beneficiary IRA. Your distribution is only eligible to be contributed to this Beneficiary IRA during the 60 days following your receipt of a plan distribution. Your decision to contribute the assets to the Beneficiary IRA as a rollover contribution is irrevocable. The 12-month rule does not apply to rollovers from ERPs. State withholding may apply to eligible distributions. The Secretary of the Treasury may extend the 60-day period for completing rollovers in certain situations such as casualty, disaster, or other events beyond the reasonable control of the individual who is subject to the 60-day period. The IRS also provides for a self-certification procedure (subject to verification by the IRS) that you may use to claim eligibility for an extension with respect to a rollover into an IRA. It provides that we may rely on the certification provided by you in accepting and reporting receipt of a rollover contribution after the 60-day period if we don't have actual knowledge that is contrary to the self-certification.

**Tax Deductions.** You may not deduct your Beneficiary IRA assets on your tax return.

**Traditional IRA to Roth IRA Conversions.** If the depositor was someone other than your spouse, you are not eligible to convert any portion of the Traditional Beneficiary IRA assets to your Roth IRA.

**IRA Distributions.** You or, after your death, your successor beneficiary may take an IRA distribution, in cash or in kind based on our policies, at any time. However, your distribution may be subject to income taxes, depending on the nature of the contributions previously made to the IRA or ERP.

- 1. Distribution of Nondeductible and Nontaxable Contributions.** If your Beneficiary IRA contains nondeductible amounts (such as nondeductible contributions or rollovers of nontaxable distributions from employer-sponsored ERPs as made by the depositor), any distribution you take from your Beneficiary IRA will return to you a proportionate share of the taxable and nontaxable balance in your Beneficiary IRA at the end of the tax year of your distribution. IRS Form 8606, *Nondeductible IRAs*, has been specifically designed to calculate this proportionate return. You must calculate the taxable and nontaxable amount separately for your individual IRAs and for this Beneficiary IRA, as well as any other beneficiary IRAs that you may inherit from other decedents. You must complete IRS Form 8606 each year you take distributions under these circumstances, and attach it to your tax return for that year to validate the nontaxable portion of your Beneficiary IRA distributions reported for that year.
- 2. Qualified Health Savings Account (HSA) Funding Distribution.** If you are an HSA eligible individual, you may elect to take a qualified HSA funding distribution from your Beneficiary IRA to the extent such distribution is contributed to your HSA in a trustee-to-trustee transfer. This amount is aggregated with all other annual HSA contributions and is subject to your annual HSA contribution limit. A qualified HSA funding distribution election is irrevocable and is generally available once in your lifetime. A testing period applies. The testing period for this provision begins with the month of the contribution to your HSA and ends on the last day of the 12th month following such month. If you are not an eligible individual for the entire testing period, unless you die or become disabled, the amount of the distribution made under this provision will be includable in gross income for the tax year of the month you are not an eligible individual, and is subject to a 10 percent penalty tax.
- 3. Qualified Charitable Distributions (QCD).** If you have attained age 70½, you may make tax-free distributions directly from your Beneficiary IRA to a qualified charitable organization. Tax-free distributions are limited to \$105,000 annually. This amount is subject to an annual cost-of-living adjustment, if any.

In addition, you may be able to elect to make a once in a lifetime QCD of up to \$53,000 to a split-interest entity. A "split-interest entity" includes certain charitable remainder annuity trusts, charitable remainder unitrusts, and charitable gift annuities. Some limitations apply. For example, no person can hold an income interest in the split-interest entity other than the individual for whose benefit such account is maintained, the spouse of such individual, or both. In addition, the QCD from your Beneficiary IRA must be made directly to the split-interest entity by the custodian.

Consult with your tax or legal professional regarding tax-free charitable distributions.

**Required Minimum Distributions (RMDs)—Generally.** The law generally requires you to take RMDs from your Beneficiary IRA. The RMD rules that apply to your Beneficiary IRA depend on a number of factors. These factors include whether you are the surviving spouse or a non-spouse beneficiary of an IRA owner or a deceased employer plan participant, the identity of any other beneficiaries, and the age of the IRA owner or plan participant at his/her death. You are responsible for determining which rules apply to your Beneficiary IRA. In addition, the RMD rules are different depending on whether the person you inherited the IRA from died in 2019 or earlier, or whether he/she died in 2020 or later. Importantly, we are not required to calculate your RMD or determine the period within which you are required to withdraw all assets. Regardless of whether we estimate your annual RMD amount, you should always discuss your annual RMD calculation and requirements with your tax professional. You may always take more than your RMD amount.

- 1. Separate Accounting.** Our policies may permit separate accounting rules to be applied. If there are other beneficiaries, the RMD rules may (if the other requirements are satisfied) be applied using your life expectancy if you establish your own Beneficiary IRA by December 31 of the year following the year in which the IRA owner died. If our policy permits separate accounting, we will apply the separate accounting rules in accordance with Treasury Regulations.
- 2. Distributions of Less than the RMD Amount.** Any portion of your RMD that is not distributed to you by its deadline is subject to an excess accumulation penalty tax of up to 25 percent. The IRS may waive this penalty upon your proof of reasonable error and that reasonable steps were taken to correct the error, including remedying the shortfall. You are

responsible for reporting the excess accumulation penalty tax and paying it to the IRS, or requesting a waiver of the tax. You can do either by completing IRS Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*, and attaching the form to your federal income tax return. In addition, the excess accumulation penalty tax may be reduced to 10 percent if the failure to take the RMD is corrected within the correction window.

3. **Distributions of More than the Annual RMD Amount.** If you take an IRA distribution in a year that is more than the RMD amount, you will not receive credit toward an annual RMD due in a subsequent year. The additional amount cannot be rolled over unless you are a surviving spouse beneficiary.
4. **Naming a Successor Beneficiary.** A successor beneficiary named by you, or by default, receives any of your Beneficiary IRA assets that remain after your death. State law or our policy may limit your ability to name a successor beneficiary.
5. **Year of Death RMD.** You must withdraw your share of any RMD amount that the person you inherited the IRA or employer plan benefit from should have received during the year of his/her death and had not already taken.
6. **Designated Beneficiary.** A designated beneficiary is generally any individual beneficiary who is named as of the date of death and has an interest in the Beneficiary IRA on the determination date, which is September 30 of the year following the year in which the IRA owner died.
7. **Beneficiary Determination.** Named beneficiaries who completely distribute their interests in the IRA by the determination date, or who completely disclaim their interests in the IRA under IRC Section 2518, will not be considered when designated beneficiaries are determined. Named beneficiaries who die after the IRA owner's death but before the determination date will still be considered for the sake of determining the distribution period. If any named beneficiary that is not an individual, such as an estate or charity, has an interest in the IRA on the determination date, and separate accounting does not apply, the IRA will be treated as having no designated beneficiary (i.e., not a designated beneficiary).
8. **Qualifying Trust.** A qualified trust is defined in Treasury Regulations. If the IRA owner named a qualified trust as his/her IRA beneficiary, the beneficiaries of the trust are treated as the beneficiaries of the IRA owner for purposes of determining designated beneficiaries as well as for determining any life expectancy or other distribution period available. We may require documentation of qualified trust status. A qualified trust must provide documentation of its beneficiaries to us by October 31 of the year following the year of the grantor's death.
9. **Required Beginning Date (RBD).** For IRA purposes, the RBD is April 1 of the year following the year an IRA owner attains age 73. For tax years 2020, 2021 and 2022, the RBD was April 1 of the year following the year an IRA owner attained age 72. For tax years 2019 and earlier, the RBD was April 1 of the year following the year an IRA owner attained age 70½.

**RMD Rules for a Death that Occurred in 2019 or Earlier.** The following rules apply where the person you inherited the IRA from died in 2019 or earlier. There may be different rules if the person you inherited the IRA from died in 2020 or later. Those rules are described later.

1. **Generally (2019 or Earlier).** Under the rules for a person who died in 2019 or earlier, the available options depend on whether the IRA owner died before, or on or after, his/her RBD.

2. **IRA Owner's Death Occurred on or after His or Her RBD.**

- a. **RMD Rules for Designated Beneficiaries.** If you are a designated beneficiary (as defined below) of the IRA owner, you generally had until December 31 of the year following the IRA owner's year of death to begin RMDs. However, if the year of death was 2019, RMDs must have begun by December 31, 2021.

- i. **Distribution Rules in General.** Beneficiary IRA accountholders must take distributions at least as rapidly as the IRA owner was required to take distributions and generally will use a single life expectancy method to satisfy these RMDs.

This general rule applies if the IRA owner had at least one designated beneficiary. The single life expectancy method uses the age of the designated beneficiary in the year following the IRA owner's death to calculate RMDs and then reduces the divisor by one for each subsequent RMD calculation. However, if the IRA owner was more than one year younger than you, the IRA owner's remaining life expectancy, as determined in his or her year of death and reduced by one in each subsequent year, is used to determine the distribution amount each year. The deceased IRA owner's remaining life expectancy is also used if your IRA was treated as having no designated beneficiary. Your annual RMD is determined by dividing the prior year's ending balance by the applicable life expectancy divisor.

- ii. **Spouse Beneficiaries.** If you are the only beneficiary of the IRA, or if there are multiple beneficiaries and separate accounting applies, and you are the IRA owner's surviving spouse, you may use your age each year to determine the life expectancy divisor for calculating that year's RMD. Also, you may calculate your RMD by using the longer of your single life expectancy, determined each year after the year of death using your attained age, or by using the IRA owner's remaining single life expectancy determined in his/her year of death and reduced by one for each subsequent year.

You can treat your share of the IRA as your own IRA any time after the IRA owner's death. In this case, different RMD rules will apply. However, the option to treat the Beneficiary IRA as your own is not available if a qualified trust is named as beneficiary of the IRA, even if you are the sole beneficiary of the trust. You may always roll over a death distribution less any RMD for that year.

- b. **Named Beneficiary is Not a Designated Beneficiary.** If any beneficiary that has an interest in the IRA on the determination date is not an individual (such as an estate, charity or nonqualified trust), the following RMD rules, for a death on or after the RBD, will apply to your Beneficiary IRA, even if you are an individual. (However, if there are multiple beneficiaries and separate accounting applies, the application of the RMD rules described under this heading may not apply to you as an individual.)

If you are not a designated beneficiary, you will receive an RMD from your Beneficiary IRA based on the IRA owner's remaining single expectancy as determined in the IRA owner's year of death. Once determined, this life expectancy divisor will be reduced by one for each subsequent year of the distribution period.

- c. **Deceased Employer Plan Participant.** Generally, the rules for determining RMDs under an employer plan continue to apply to you under your Beneficiary IRA. An RMD under the employer plan is not eligible for rollover.

3. **IRA Owner's Death Occurred before His or Her RBD.**

- a. **RMD Rules for Designated Beneficiaries.** If you are a designated beneficiary (as defined above) of the IRA, you generally had until December 31 of the year following the IRA owner's year of death to begin RMDs. Exceptions exist for a surviving spouse who was the sole beneficiary of the IRA or for a beneficiary who selected, or defaulted to, the five-year rule. However, if the year of death was 2019, RMDs must have begun by December 31, 2021.

- i. **Distribution Rules in General.** Beneficiary IRA accountholders use a single life expectancy method to satisfy these RMDs as a general rule unless the five-year rule is elected. The election deadline is generally December 31 of the year following death, however there are exceptions for a spouse beneficiary and a 2019 year of death. If the IRA owner died prior to 2020 (generally in 2019) and your election deadline would have been the end of 2020, you could have elected either the five-year rule or the single life expectancy method through December 31, 2021.

The "five-year rule" requires you to completely withdraw your Beneficiary IRA assets by the end of the fifth year following the year in which the IRA owner died. Note that for purposes of determining the five-year period, due to an exception found in the CARES Act, the year 2020 is not counted and you essentially have until the end of the sixth year to withdraw the entire IRA balance.

The general rule applies to you if you are a spouse or nonspouse designated beneficiary. If you are a nonspouse designated beneficiary and selected the life expectancy method, the life expectancy divisor was determined in the year after the IRA owner's death and the number is reduced by one in each subsequent year. If you are a spouse beneficiary, the determination of life expectancy divisors are discussed below. Your annual RMD is determined by dividing the prior year's ending balance by the applicable life expectancy divisor.

- ii. **Spouse Beneficiaries.** If you are the only beneficiary of the IRA, or if there are multiple beneficiaries and separate accounting applies, and you are the IRA owner's surviving spouse, you may use your age each year to determine the life expectancy divisor for calculating that year's RMD. If you are the only beneficiary, or if there are multiple beneficiaries and separate accounting applies, you, as surviving spouse, can postpone commencement of RMDs until the end of the year in which the IRA owner would have attained his or her applicable RMD age.

If you are the only beneficiary of the IRA, or if there are multiple beneficiaries and separate accounting applies, you can treat your share of the IRA as your own IRA any time after the IRA owner's death. After treating the IRA as your own, the RMD rules for an IRA owner will apply. However, the option to treat the Beneficiary IRA as your own is not available if a qualified trust is named as beneficiary of the IRA, even if you are the sole beneficiary of the trust. As a spouse beneficiary, you may take a distribution any time, and rollover amounts in excess of the current year's RMD amount.

- b. **Named Beneficiary is Not a Designated Beneficiary.** If any beneficiary that has an interest in the IRA on the determination date is not an individual (such as an estate, charity or nonqualified trust), the five-year rule will apply to your Beneficiary IRA, even if you are an individual. (However, if there are multiple beneficiaries and separate accounting applies, the application of the five-year rule described under this heading does not apply to you as an individual.)

If the IRA is treated as having no designated beneficiary, you will be required to completely withdraw your Beneficiary IRA assets by the end of the fifth year following the year in which the IRA owner died (or the end of the sixth year due to 2020 being excluded). Annual RMDs are not required.

- c. **Deceased Employer Plan Participant.** Generally, the rules for determining RMDs under an employer plan continue to apply to you under your Beneficiary IRA. Exceptions apply if a plan participant dies before his/her RBD. If you are a designated beneficiary, one such exception allows you to directly roll over the assets in the year of the plan participant's death and then elect by the end of the following year to utilize either the five-year rule or the single life expectancy method. The other exception applies to you if you elected to be, or by default under the employer plan's terms are, subject to the five-year rule. In this situation, during the year following death, if you roll over the plan balance, less an RMD based on the life expectancy rule (and take such amount from the plan), you may use the life expectancy rule in subsequent years to satisfy RMDs from the Beneficiary IRA. Note that for a 2019 year of death, this exception for the year following death was applied to 2021. Also, under an employer plan's five-year rule, you may not directly roll assets to the Beneficiary IRA during the fifth calendar year following the year of the plan participant's death, nor, if you are a spouse, could you roll over the assets to your own IRA. Note that



for purposes of determining the five-year period, the CARES Act does not require the year 2020 to be counted.

**d. Successor Beneficiaries of Deceased Spouse Beneficiary.** You may be treated as a nonspouse designated beneficiary for purposes of determining the method of distribution if the original IRA owner died before his/her RBD, and his/her spouse was the sole designated beneficiary through the determination date, and if the spouse beneficiary died in 2019 or earlier before payments were required to begin.

- 4. Successor Beneficiaries.** In general, if you inherited assets from a beneficiary in 2019 or earlier, you must continue with the same distribution method used by the previous beneficiary. You also should have taken the previous beneficiary's year of death RMD. As a spouse that is a successor beneficiary you do not have the option to treat the account as your own, or the option to complete a rollover to your own personal IRA.
- 5. Separate Accounting (Multiple Beneficiaries).** If separate accounting applies, the rules above apply to you based on whether you are a spouse beneficiary, a designated beneficiary, or a beneficiary that is not a designated beneficiary and also based on whether the IRA owner's death occurred before or on or after his or her RBD.

**RMD Rules for a Death that Occurred in 2020 or Later.** The following rules apply where the person you inherited the IRA from died in 2020 or later. There may be different rules if the person you inherited the IRA from died in 2019 or earlier. Those rules are described above.

- 1. Generally (2020 or Later).** Specific individuals or other entities—including, but not limited to, an estate, a trust, or a charitable organization—can be named as IRA death beneficiaries. The named beneficiaries that survive inherit any assets remaining in the decedent's IRA. Different types of beneficiaries may have different options available.
- 2. Types of Beneficiaries.** Under the rules for a person who died in 2020 or later, the different types of beneficiaries are designated beneficiaries, eligible designated beneficiaries and those that are not designated beneficiaries. Generally, each of these types of beneficiaries can name successor beneficiaries. Designated beneficiaries and eligible designated beneficiaries will each have separate rules. In some cases, different options or elections and distribution periods apply to different beneficiary types.
- 3. Designated Beneficiary.** A designated beneficiary is any individual named by the IRA owner as a beneficiary who has an interest in the IRA on the determination date, which is September 30 of the year following the year of the IRA owner's death. Certain qualifying trusts can also be a designated beneficiary. For a qualifying trust to be a designated beneficiary, the qualifying trust beneficiaries must all be designated beneficiaries.

If you are a designated beneficiary who is not an eligible designated beneficiary, you will have to follow the "ten-year rule" and are required to remove all assets from the IRA by December 31 of the tenth year following the year of the IRA owner's death. Under IRS proposed rules, there may be an expectation for certain 'designated beneficiaries', where the IRA owner died after their RBD, that annual distributions be taken within the ten-year period, even before those proposed rules are finalized. Consult your tax or legal professional as to the application of this annual distribution requirement to your circumstances.

- 4. Eligible Designated Beneficiary.** An eligible designated beneficiary is a designated beneficiary who is: 1) the IRA owner's surviving spouse; 2) an IRA owner's minor child (through the age of majority); 3) disabled (as defined by law); 4) a chronically ill individual (as defined by law); or 5) an individual who is not more than 10 years younger than the IRA owner. Certain qualifying trusts can also be an eligible designated beneficiary. For a qualifying trust to be an eligible designated beneficiary, generally the qualifying trust beneficiaries must all be eligible designated beneficiaries.
- a. Spouse Beneficiary.** As a spouse beneficiary you may have the option of distributing the IRA assets over a single life expectancy period or within ten years (the ten-year rule). The option to elect the ten-year rule is only available if the IRA owner died before his/her RBD. You may alternatively choose to treat the entire interest (all of the account) of the IRA as your own IRA.

Under the single life expectancy, if you are the only designated beneficiary on the determination date, or if there are multiple designated beneficiaries and separate accounting applies, you will use your age each year to determine the life expectancy divisor for calculating that year's RMD. If you are the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, and the IRA owner dies before his/her RBD, you can postpone commencement of your RMDs until the end of the year in which the IRA owner would have attained his or her applicable RMD age. If the IRA owner dies on or after his/her RBD, you will use the longer of your single life expectancy, determined each year after the year of death using your attained age, or the IRA owner's remaining single life expectancy determined in the IRA owner's year of death and reduced by one each subsequent year.

If you choose the ten-year rule, you are required to remove all assets from the IRA by December 31 of the tenth year following the year of the IRA owner's death.

If you are the only designated beneficiary, or if there are multiple designated beneficiaries and separate accounting applies, you can treat the IRA as your own IRA after the IRA owner's death even if you had chosen one of the options above. This generally occurs after any of the remaining RMD amount for the year of the IRA owner's death has been distributed.

As a spouse beneficiary, you can take a distribution of part or all of your share of the IRA and roll it over to an IRA of your own, less any RMD.

- b. Eligible Designated Beneficiary Who is the Traditional IRA Owner's Minor Child.** If you are an eligible designated beneficiary who is a minor child of the deceased IRA owner, you must remove all assets from the IRA by the tenth anniversary of the date you attain the age of majority, even if you initially chose to receive life expectancy payments.

**c. Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child).**

If you are an eligible designated beneficiary who is someone other than a spouse beneficiary or the IRA owner's minor child, you have the option of taking distribution of the IRA assets over a single life expectancy period or within ten years. The option to elect the ten-year rule is only available to you if the IRA owner's death occurred before his/her RBD.

If the IRA owner died before his/her RBD and you chose the life expectancy option you use your age at the end of the year following the year of the IRA owner's death to determine the initial single life expectancy divisor and reduce this number by one for each following year's RMD calculation. For a qualifying trust, you use the age of the oldest trust beneficiary.

If you choose the life expectancy method, your annual RMD is determined by dividing the prior year's ending balance by the applicable life expectancy divisor.

If you choose the ten-year rule, you are required to remove all assets from the IRA by December 31 of the tenth year following the year of the IRA owner's death.

- 5. Not a Designated Beneficiary.** A beneficiary that is not a designated beneficiary includes a nonindividual that is an estate, charitable organization, or nonqualified trust. If you are not a designated beneficiary and the IRA owner dies before his/her RBD, you are required to remove all assets from the IRA by December 31 of the fifth year following the year of the IRA owner's death (the five-year rule). If the IRA owner dies after his/her RBD, you must use the IRA owner's remaining single life expectancy to calculate the RMD. The IRA owner's remaining single life expectancy divisor is determined in the year of the IRA owner's death using the IRA owner's age at the end of that year and then reducing the divisor by one for each subsequent year's RMD calculation.
- 6. Successor Beneficiaries.** Generally, if the original beneficiary died in 2020 or later, as a successor beneficiary you will have to distribute all the remaining IRA assets within a ten-year period. We recommend consulting with your tax or legal professional regarding successor beneficiary distribution requirements.
- 7. Separate Accounting (Multiple Beneficiaries).** If separate accounting applies, the rules above apply to you based on whether you are a designated beneficiary, an eligible designated beneficiary, or not a designated beneficiary.

**Federal Income Tax Status of Distributions.**

- 1. Taxation.** Beneficiary IRA distributions will be taxed as income in the year distributed except for the portion of your Beneficiary IRA distribution that represents the depositor's nondeductible contributions, nontaxable rollover amounts, or other nontaxable basis amounts. You may also be subject to state or local taxes and withholding on your Beneficiary IRA distributions. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your IRA under IRC Section 2518.
- 2. Earnings.** Earnings, including gains and losses, on your Beneficiary IRA will not be subject to federal income taxes until they are considered distributed.
- 3. Ordinary Income Taxation.** Your taxable Beneficiary IRA distribution is usually included in gross income in the distribution year. Beneficiary IRA distributions are not eligible for special tax treatment, such as ten-year averaging, that may apply to other employer-sponsored retirement plan distributions.

**Estate and Gift Tax.** The designation of a successor beneficiary to receive Beneficiary IRA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your Beneficiary IRA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within a beneficiary IRA.

**Federal Income Tax Withholding.** Beneficiary IRA distributions are subject to federal income tax withholding unless you or, upon your death, your successor beneficiary affirmatively elect not to have withholding apply. The required federal income tax withholding rate is 10 percent of the distribution. Upon your request for a distribution, by providing IRS Form W-4R, *Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions*, or an appropriate substitute, we will notify you of your right to waive withholding or elect to have greater than 10 percent withheld.

**Annual Statements.** Each year we will furnish you and the IRS (to the extent required) with statements showing the transactions and balance in your Beneficiary IRA. You and the IRS will receive IRS Forms 5498, *IRA Contribution Information*, and 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.* IRS Form 5498 or an appropriate substitute indicates rollover contributions and the fair market value of the account at year end. IRS Form 1099-R reflects your IRA distributions for the year.

By January 31 of each year, you will receive a report of your fair market value as of the previous calendar year end.

**Disaster Tax Relief and Repayment of a Qualified Disaster Recovery Distribution.** If your principal place of abode is in a qualified disaster area, you may take a qualified disaster recovery distribution. These qualified disaster recovery distributions are subject to any time periods as defined by law and, if multiple distributions are made for the same event, are aggregated with distributions from other IRAs and eligible retirement plans up to \$22,000. A qualified disaster recovery distribution is included ratably in gross income over a three tax year period or, if you elect, all in the year of distribution. In addition, a spouse beneficiary is allowed three years after the date of receipt to repay all or part of the qualified disaster recovery distribution without being subject to the one rollover per 1-year limitation or the 60-day requirement. For additional disaster area information and IRS guidance on associated tax relief, refer to IRS forms, notices and publications, or visit the IRS's website at [www.irs.gov/DisasterTaxRelief](http://www.irs.gov/DisasterTaxRelief).