



## ROTH Individual Retirement Account Custodial Agreement & Disclosure Statement

The attached agreement has not been updated to reflect changes in the law due to the SECURE 2.0 Act of 2022, which was signed into law on December 29, 2022, with respect to death distributions.

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25-21-3438300\_2106 (09/25)

# Roth Individual Retirement Custodial Account

(Under Section 408A of the Internal Revenue Code)

Form 5305-RA

(Rev. April 2017)

Department of the Treasury | Internal Revenue Service

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## ARTICLE I

1.01 Except in the case of a qualified rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, 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.

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## ARTICLE II

2.01 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 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).

2.02 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.

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## ARTICLE III

3.01 The Depositor's interest in the balance in the Custodial Account is nonforfeitable.

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## ARTICLE IV

4.01 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)).

4.02 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.

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## ARTICLE V

5.01 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 (a) below or, if elected or there is no designated beneficiary, in accordance with (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.

5.02 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 31st 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 1 from the divisor for each subsequent year.

5.03 If the Depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the Depositor.

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## ARTICLE VI

- 6.01 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).
- 6.02 The Custodian agrees to submit to the Internal Revenue Service (IRS) and Depositor the reports prescribed by the IRS.

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## ARTICLE VII

- 7.01 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.

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## ARTICLE VIII

- 8.01 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 Roth IRA Adoption Agreement.

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## ARTICLE IX

### 9.01 Definitions:

- (a) **Beneficiary** — shall mean any person so designated by a Depositor or a Beneficiary eligible to receive distributions, in a written notice to the Custodian made pursuant to this Custodial Agreement.
- (b) **Custodial Account** — shall mean the individual retirement account held by the Custodian on behalf of the Depositor pursuant to this Custodial Agreement.
- (c) **Custodial Agreement** — shall mean this custodial individual retirement account agreement between Custodian and Depositor.
- (d) **Custodian** — shall mean RBC Capital Markets, LLC (“RBC CM”) and any successor custodian under this Custodial Agreement.
- (e) **Depositor** — an individual who has established a traditional individual retirement account with the Custodian pursuant to this Custodial Agreement. Unless the context clearly requires otherwise, “Depositor” will also refer to the Beneficiary of a deceased Depositor or deceased Beneficiary.
- (f) **IRA Conversion Contributions** — IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a non-Roth IRA to a Roth IRA. A non-Roth IRA is an individual retirement account or annuity described in section 408(a) or 408(b), other than a Roth IRA.
- (g) **Minor** — an individual who has not yet attained the legal age in the state of their residence have the legal capacity of an adult, due to having not reached the age of majority or not being emancipated, under the applicable law of his or her domicile.
- (h) **Guardian** — an individual who is the legal guardian of a Minor, by applicable law or legal appointment or by the effect of a written law, is given custody of the property of a Minor.

9.02 **Applicable Law:** This Custodial Agreement shall be governed by the laws of the State of Minnesota.

9.03 **Annual Accounting:** The Custodian shall, at least annually, provide the Depositor or Beneficiary (in the case of death) with an accounting of such Depositor’s account. Such accounting shall be deemed to be accepted by the Depositor or the Beneficiary, if the Depositor or Beneficiary does not object in writing within 60 days after the mailing of such accounting statement. No person other than the Depositor or Beneficiary (in case of death), or their legal representative, may require an accounting or bring any action against the Custodian with respect to the Custodial Account or its actions as Custodian.

9.04 **Amendment:** The Depositor irrevocably delegates to the Custodian the right and power to amend this Custodial Agreement. Except as hereafter provided, the Custodian will give the Depositor 30 days’ prior written notice of any amendment. In the case of a retroactive amendment required by law, the Custodian will provide written notice to the Depositor of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Depositor shall be deemed to have consented to any such amendment not objected to in writing by the Depositor within 30 days of receipt of the notice, provided that no amendment shall cause or permit

any part of the assets of the Custodial Account to be diverted to purposes other than for the exclusive benefit of the Depositor or his or her Beneficiaries.

**9.05 Resignation and Removal of Custodian:**

- (a) The Custodian may resign and appoint a successor trustee or custodian to serve under this agreement or under another governing agreement selected by the successor trustee or custodian by giving the Depositor written notice at least 30 days prior to the effective date of such resignation and appointment, which notice shall also include or be provided under separate cover a copy of such other governing instrument, if applicable, and the related disclosure statement. The Depositor shall then have 30 days from the date of such notice to either request a distribution of the entire account balance or designate a different successor trustee or custodian and notify the Custodian of such designation. If the Depositor does not request distribution of the account balance or notify the Custodian of the designation of a different successor trustee or custodian within such 30-day period, the Depositor shall be deemed to have consented to the appointment of the successor trustee or custodian and the terms of any new governing instrument, and neither the Depositor nor the successor shall be required to execute any written document to complete the transfer of the account to the successor trustee or custodian. The successor trustee or custodian may rely on any information, including beneficiary designations, previously provided by the Depositor to the Custodian.
- (b) The Depositor may at any time remove the Custodian and replace the Custodian with a successor trustee or custodian of the Depositor's choice by giving 30 days' notice of such removal and replacement. The Custodian shall then deliver the assets of the account as directed by the Depositor. However, the Custodian may retain a portion of the assets of the IRA as a reserve for payment of any anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor trustee or custodian upon satisfaction of such fees and expenses.
- (c) The Custodian may resign and demand that the Depositor appoint a successor trustee or custodian of this IRA by giving the Depositor written notice at least 30 days' prior to the effective date of such resignation. The Depositor shall then have 30 days from the date of such notice to designate a successor trustee or custodian, notify the Custodian of the name and address of the successor trustee or custodian, and provide the Custodian with appropriate evidence that such successor has accepted the appointment and is qualified to serve as trustee or custodian of an individual retirement account.
  - (i) If the Depositor designates a successor trustee or custodian and provides the Custodian evidence of the successor's acceptance of appointment and qualification within such 30-day period, the Custodian shall then deliver all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the successor trustee or custodian.
  - (ii) If the Depositor does not notify the Custodian of the appointment of a successor trustee or custodian within such 30-day period, then the Custodian may distribute all of the assets held by the Custodian in the account (whether in cash or personal or real property, wherever located, and regardless of value) to the Depositor, outright and free of trust, and the Depositor shall be wholly responsible for the tax consequences of such distribution.

In either case, the Custodian may expend any assets in the account to pay expenses of transfer (including re-registering the assets and preparation of deeds, assignments, and other instruments of transfer or conveyance) to the successor trustee or custodian or the Depositor, as the case may be. In addition, the Custodian may retain a portion of the assets as a reserve for payment of any anticipated remaining fees and expenses. Upon satisfaction of such fees and expenses, the Custodian shall pay over any remainder of the reserve to the successor trustee or custodian or to the Depositor, as the case may be.

**9.06 Custodian's Fees and Expenses:**

- (a) The Depositor agrees to pay the Custodian any and all fees specified in the Custodian's current published fee schedule for establishing and maintaining this Roth IRA, including but not limited to any fees for distribution from, transfers from, and terminations of this Roth IRA. A portion of the foregoing fees may be shared with the financial institution that introduced your account. The Custodian may change its fee schedule at any time by giving the Depositor 30 days' prior written notice.
- (b) The Depositor agrees to pay any expenses incurred by the Custodian in the performance of its duties in connection with the account. Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, a valuation fee from a qualified independent third party appraiser pursuant to section 9.03 and any taxes of any kind whatsoever that may be levied or assessed with respect to such account.

- (c) All such fees, taxes, and other administrative expenses charged to the account shall be collected only from either the assets in the account or from any contributions to or distributions from such account if not paid by the Depositor. Notwithstanding any provision in this Custodial Agreement to the contrary, the Depositor hereby acknowledges that the Custodian is authorized, with or without advance direction from the Depositor, to liquidate such investments as are necessary to deduct from and charge against the Custodial Account all such fees, taxes and other administrative expenses not paid by the Depositor.
- (d) In the event that for any reason the Custodian is not certain as to who is entitled to receive all or part of the Custodial Funds, the Custodian reserves the right to withhold any payment from the Custodial account, to request a court ruling to determine the disposition of the Custodial assets, and to charge the Custodial account for any expenses incurred in obtaining such legal determination.

9.07 **Withdrawal Requests:** All requests for withdrawal shall be in writing on a form provided by the Custodian. Such written notice must also contain the reason for the withdrawal and the method of distribution being requested. The Custodian reserves the right to reject any withdrawal request it may deem appropriate and to apply to a court of competent jurisdiction to make a determination with respect to the proper party eligible to receive a distribution from the account.

9.08 **Responsibilities:** Depositor agrees that all information and instructions given to the Custodian by the Depositor are complete and accurate and that the Custodian shall not be responsible for any incomplete or inaccurate information provided by the Depositor or Depositor's Beneficiary(ies). Depositor and Depositor's Beneficiaries agree to be responsible for all tax consequences arising from contributions to and distributions from this Trust Account and acknowledges that no tax advice has been provided by the Custodian.

Neither RBC Wealth Management, a division of RBC Capital Markets, LLC, nor its affiliates or employees provide legal, accounting or tax advice. All legal, accounting or tax decisions regarding your accounts and any transactions or investments entered into in relation to such accounts, should be made in consultation with your independent advisors. No information, including but not limited to written materials, provided by RBC WM or its affiliates or employees should be construed as legal, accounting or tax advice.

9.09 **Designation of Beneficiary:**

- (a) Except as may be otherwise required by State law, in the event of the Depositor's death, the balance in the account shall be paid to the beneficiary or beneficiaries designated by the Depositor on a beneficiary designation form acceptable to and filed with the Custodian. The Depositor may change the Depositor's beneficiary or beneficiaries at any time by filing a new beneficiary designation with the Custodian. If no beneficiary designation is in effect, if none of the named beneficiaries survive the Depositor, or if the Custodian cannot locate any of the named beneficiaries after reasonable search, any balance in the account will be payable to the Depositor's surviving spouse; or if no spouse survives the Depositor, the Depositor's estate.
- (b) If the Custodian permits, in the event of the Depositor's death, any Beneficiary may name a subsequent beneficiary(ies) to receive the balance of the Custodial Account to which such Beneficiary is entitled to upon the death of the original beneficiary by executing a Subsequent Beneficiary Designation Form acceptable to and filed with the Custodian. Payments to such subsequent Beneficiary(ies) shall be distributed in accordance with the payment schedule applicable to the Beneficiary named by the Depositor or more rapidly if the subsequent Beneficiary requests. In no event can any subsequent Beneficiary be treated as a Beneficiary of the Depositor. The preceding sentence shall not apply with respect to the subsequent Beneficiary(ies), if any, designated by the spouse of the Depositor, as the Depositor's Beneficiary, where the Depositor dies before his or her required beginning date. In this case, such spouse Beneficiary is treated as the Depositor. The Depositor's Beneficiary may change Beneficiary or Beneficiaries at any time by filing a new Beneficiary designation with the Custodian. If the balance of the account has not been completely distributed to the original Beneficiary and such Beneficiary has not named a subsequent Beneficiary or no named subsequent Beneficiary is living on the date of the original Beneficiary's death, such balance shall be payable to the estate of the original Beneficiary.
- (c) If the Depositor is a Minor, the Beneficiary of the Minor's Roth IRA must be the Minor's estate.

9.10 **Identity of Beneficiary in Dispute:** If two or more persons make a bona fide claim to the same Custodial Account, then the Custodian shall not make any distribution until the dispute is resolved. In the interim, the Custodian shall only follow directions, including investment directions, given by a person appointed by court order or applicable law, or given by the unanimous directions of all persons claiming an interest in the Custodial Account. The Custodian shall not be liable or responsible for any error in payment resulting from any misstatement of fact made by the Depositor or the provision of inaccurate, incomplete or outdated information, which is used by the Custodian in determining the identity of one or more primary, contingent

or automatic Beneficiaries. The Depositor (or the Depositor's estate) shall indemnify and hold the Custodian harmless for following the terms of any Beneficiary designation, interpreting any such designation, following the written instructions given by a person appointed by court order or applicable law regarding the interpretation of such designation, or ascertaining the identity of any primary, contingent or automatic Beneficiary.

9.11 **Rules of Interpretation:** The following rules will govern the interpretation of beneficiary designations:

- (a) Unless the Depositor otherwise specifies, the Custodial Account will be paid in equal shares to the primary Beneficiary or Beneficiaries who survive the Depositor. If the Depositor specifies percentage (or fractional) shares for the primary Beneficiaries and if some but not all such Beneficiaries survive the Depositor, the Custodial Account will be divided among the surviving primary Beneficiaries in proportion to the relative percentage (or fractional) shares of each; provided, however, that in lieu of such division, the Depositor may elect, on the applicable beneficiary designation form, to have the Custodial Account divided per stirpes among the primary Beneficiaries and their respective issue.
- (b) **Contingent Beneficiaries:** If no primary Beneficiary survives the Depositor, the Custodial Account will be paid in equal shares (unless otherwise specified in the beneficiary designation) to the Contingent Beneficiary or Beneficiaries who survive the Depositor, following the rule in paragraph (a) above.
- (c) **Designation by Relationship Only:** Any designation of a Beneficiary only by statement of relationship to the Depositor will be effective only to designate the person or persons standing in such relationship at the Depositor's death.
- (d) **Death Before Full Distribution:** If a Beneficiary is eligible to receive distributions but dies before the receipt of all amounts due such Beneficiary, the remaining amounts will be payable, in the manner described in paragraphs (a) and (b) above, to subsequent Beneficiaries designated by such Beneficiary on a form acceptable to the Custodian, or to the Beneficiary's estate if no such designation has been made. The required minimum distributions for such remaining amounts shall be determined using the payment period established for the Beneficiary first succeeding the Depositor.

9.12 **Spousal Beneficiary Provisions:** Notwithstanding the provisions of Article 5.03, if the Depositor's only primary beneficiary is the surviving spouse, such spouse may elect to be treated as a non-spouse beneficiary for purposes of the provisions of Articles 5.01 and 5.02, but including the special rule provided under section 401(a)(9)(B)(iv) of the Code. Thus, a surviving spouse beneficiary may remain the beneficiary of the deceased spouse's Roth IRA and be able to take death distributions under the five year rule or the exception to the five year rule, including the ability to wait to begin receiving distributions over his or her single life expectancy by December 31 of the year the deceased spouse would have attained the age of 70½ had he or she lived, if this date is later than the December 31 immediately following the year of death. In addition, if the surviving spouse is not the sole beneficiary of the Roth IRA, in addition to the provisions of Articles 5.01 and 5.02, the surviving spouse beneficiary may elect to treat his or her beneficial portion of the deceased spouse's Roth IRA as his or her own Roth IRA.

9.13 **Spousal Consent:** If the Custodial Account contains any community property, the Depositor represents and warrants that the Depositor's spouse has consented to any beneficiary designation the Depositor provides to the Custodian, where such consent is required under applicable community property laws. A Depositor may use the beneficiary designation form offered by the Custodian to capture the consent of the Depositor's spouse, but the Custodian does not require it and the Custodian does not represent or warrant that using such form for such purpose meets the requirements of any law requiring such consent. The Depositor should direct any questions the Depositor has in connection with the impact of community property laws on beneficiary designations to the Depositor's attorney or tax advisor.

9.14 **Separate Accounts for Beneficiary:** Upon receipt of appropriate proof of the Depositor's death, and when the identity of all Beneficiaries has been determined, the Custodian will establish a separate Custodial Account for each Beneficiary's share of the deceased Depositor's Custodial Account. Each Beneficiary will be bound by the provisions of this Custodial Agreement. No additional contribution (other than rollovers from like-kind accounts) will be permitted to the Custodial Account unless the Beneficiary is the surviving spouse. If the Beneficiary is a Minor, the Custodian will require a parent or legal guardian of the Minor to establish an IRA for the benefit of the Minor ("Minor IRA"). Each Beneficiary of legal age may name subsequent Beneficiaries for his or her separate Custodial Account. If there are multiple beneficiaries, Custodian may liquidate securities in the deceased Depositor's Custodial Account as Custodian deems advisable to facilitate transfer of such securities to the Custodial Accounts of the Beneficiaries.

9.15 **Minor IRAs:** If Depositor is a Minor, the Guardian of such Minor hereby agrees to indemnify and hold harmless Custodian, its officers, directors, employees and agents, and each of them, from any liability, loss, damage or

expense, of any nature whatsoever, that they might have, incur or sustain because of (i) the establishment or maintenance of this IRA, (ii) any distribution to or for the benefit of the Minor at the direction of the Guardian, (iii) and other disbursement from the IRA as authorized, directly or indirectly, by the Guardian, and (iv) the sale or purchase at the discretion of the Guardian of any investment for the IRA and the retention of any IRA investment. Upon the Minor achieving the legal capacity of an adult, by attaining the legal age of majority in the state of the Minor's domicile or by emancipation, the Minor, upon completion and execution of an IRA application, shall assume control of the IRA. In all events it shall be the duty and responsibility of the Guardian and the Minor to notify Custodian that the Minor has attained the legal capacity of an adult and, until such notification is received, Custodian shall continue to acknowledge the Guardian as controlling the IRA on behalf of the Minor.

9.16 **Death Benefit Default Provisions:** If the Depositor dies and the beneficiary does not select a method of distribution described in Article V, Section 5.01(a) or (b) by the December 31st following the year of the Depositor's death, then distributions will be made pursuant to the single life expectancy of the Designated Beneficiary determined in accordance with IRS regulations. However, no payment will be made until the beneficiary provides the Custodian with a proper distribution request acceptable to the Custodian and other documentation that may be required by the Custodian. A beneficiary may at any time request a complete distribution of his or her remaining interest in the Custodial Account. The Custodian reserves the right to require a minimum balance in the account in order to make periodic payments from the account. The Beneficiary is solely responsible for compliance with the minimum required distribution rules under section 401(a)(9) of the Code.

9.17 **Transitional Rule for Determining Required Minimum Distributions for Calendar Year 2002:** Unless the Custodian provides otherwise, if a beneficiary is subject to required minimum distributions for calendar year 2002, such individual may elect to apply the 1987 proposed regulations, the 2001 proposed regulations, or the 2002 final regulations in determining the amount of the 2002 required minimum. However, the Custodian, in its sole discretion, reserves the right to perform any required minimum distribution calculations through its data systems or otherwise based upon any of the three sets of regulations delineated in the previous sentence.

9.18 **Responsibility for Determining Eligibility for Conversion Contributions:** Notwithstanding the provisions of the third sentence of Article II, the Depositor agrees to be solely responsible for determining eligibility to convert any of the Depositor's traditional IRAs or an employer's plan to a Roth IRA.

9.19 **Combining Regular Roth IRA Contributions with Roth Conversion Contributions:** The Depositor may combine regular Roth IRA contributions in the same Roth IRA account as Roth IRA conversion contributions. The Depositor agrees to designate each deposit as either a regular Roth IRA contribution (and the tax year to which it relates) or a Roth IRA conversion contribution. The Depositor further agrees that he/she will be solely responsible for any recordkeeping of such deposits as determined or required by the Internal Revenue Service, including but not limited to, the timing, ordering and taxation of any distributions.

9.20 **Investment of Uninvested Cash Balances:** The following terms, conditions and disclosures apply to investments of uninvested cash balances directed by the Depositor and made by the Custodian on behalf of the Depositor:

The Depositor directs the Custodian to automatically invest all uninvested cash balances in the Custodial Account in accordance with the terms and conditions set forth in the Client Account Agreement, and Advisory Master Services Agreement Terms & Conditions, if applicable.

9.21 **Attorneys-in-Fact:** The Custodian is authorized to recognize the authority of an attorney-in-fact appointed by the Depositor only if:

- The Custodian believes that the power of attorney is valid under applicable law.
- An original or certified copy of the power of attorney is presented to the Custodian.
- The power of attorney expressly authorizes the specific action the attorney-in-fact wishes to take.
- The attorney-in-fact is authorized under the power of attorney to take the action. The Depositor does not authorize the Custodian to recognize the authority of an attorney-in-fact under general language authorizing the attorney-in-fact to "do all things the Depositor could do" or words of similar import.

9.22 **Authenticity of Instruments:** The Custodian shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Custodian shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

9.23 **Spendthrift Provision:** No Depositor or Beneficiary shall have any transmissible interest in any Custodial Account nor shall any Depositor or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of the Custodian, nor shall the Custodian recognize any assignment of the Custodial Account, either in whole or in part, nor shall any Custodial Account be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of the Custodian, provided that the Custodian shall comply with the specific and explicit order of any court of competent jurisdiction.

9.24 **Custody:** All contributions so received together with the income therefrom and any other increment thereon shall be held, managed and administered by RBC CM as Custodian pursuant to the terms of this Custodial Agreement without distinction between principal and income and without liability for the payment of interest thereon. The Custodian shall not be responsible for the computation and collection of any contributions under this Custodial Agreement and shall be under no duty to determine whether the amount of any contribution is in accordance with this Custodial Agreement. The Custodian may leave any securities or cash for safekeeping or on deposit with or without interest, with such banks, brokers and other custodians as the Custodian may select, and hold any securities in bearer form or in the name of the banks, brokers and other custodians or in the name of the Custodian without qualification or description or in the name of any nominee.

9.25 **Worthless Securities:** The Custodian may, but is under no obligation to, remove from any Custodial Accounts any securities that have no known transfer agent or administrator or otherwise where information available to the Custodian indicates that the security has no value. Such removal will not be reported as a distribution or sale and will not change the registered or beneficial ownership of such securities in physical form or on the books of any issuer. Affected Clients may request from the Custodian a letter stating that there is no known current market for the removed security; however, the letter should not be considered to be conclusive evidence of a security's worthlessness.

9.26 **This agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:**

- All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration in some cases, a claim that is ineligible for arbitration may be brought in court.

The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

The Depositor agrees that any controversy arising out of or relating directly or indirectly to this Custodial Agreement, or any investment by the Depositor hereunder, or with respect to transactions of any kind executed by or with RBC CM, its officers, directors, agents, employees or affiliate, or with respect to this Custodial Agreement or any other agreements entered into with RBC CM relating to the accounts with RBC CM or the breach thereof, shall be settled by arbitration pursuant to the Federal Arbitration Act and in accordance with the rules, then in effect, of the Financial Industry Regulatory Authority. Notice preliminary to, in conjunction with or incident to arbitration, may be sent to the Depositor by mail and personal service is hereby waived. Judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

No person shall bring a punitive or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration against any person who has initiated in court a punitive class action; or who is a member of a punitive class who has not opted out of the class with respect to any claims encompassed by the punitive class action until:

- The request for class certification is denied;
- The class is decertified; or

- The customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Custodial Agreement except to the extent stated herein.

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## ARTICLE X

### SELF-DIRECTED IRA PROVISIONS

10.01 **Investment of Contributions:** At the direction of the Depositor (or the direction of the Beneficiary upon the Depositor's death), the Custodian shall invest all contributions to the account and earnings thereon in investments acceptable to the Custodian, which may include marketable securities traded on a recognized exchange or "over the counter" (excluding any securities issued by the Custodian), covered call options, certificates of deposit, and other investments to which the Custodian consents, in such amounts as are specifically selected and specified by the Depositor in orders to the Custodian in such form as may be acceptable to the Custodian, without any duty to diversify and without regard to whether such property is authorized by the laws of any jurisdiction as a trust investment. The Custodian shall be responsible for the execution of such orders and for maintaining adequate records thereof. However, if any such orders are not received as required, or, if received, are unclear in the opinion of the Custodian, all or a portion of the contribution may be held uninvested without liability for loss of income or appreciation, and without liability for interest pending receipt of such orders or clarification, or the contribution may be returned. The Custodian may, but need not, establish programs under which cash deposits in excess of a minimum set by it will be periodically and automatically invested in interest-bearing investment funds. The Custodian shall have no duty other than to follow the written investment directions of the Depositor, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor.

10.02 **Registration:** All assets of the account shall be registered in the name of the Custodian or of a suitable nominee. The same nominee may be used with respect to assets of other investors whether or not held under agreements similar to this one or in any capacity whatsoever. However, each Depositor's account shall be separate and distinct; a separate account therefore shall be maintained by the Custodian, and the assets thereof shall be held by the Custodian in individual or bulk segregation either in the Custodian's vaults or in depositories approved by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

10.03 **Investment Advisor:** The Depositor may appoint an Investment Advisor, qualified under Section 3(38) of the Employee Retirement Income Security Act of 1974, to direct the investment of his IRA. The Depositor shall notify the Custodian in writing of any such appointment by providing the Custodian a copy of the instruments appointing the Investment Advisor and evidencing the Investment Advisor's acceptance of such appointment, an acknowledgment by the Investment Advisor that it is a fiduciary of the account, and a certificate evidencing the Investment Advisor's current registration under the Investment Advisor's Act of 1940. The Custodian shall comply with any investment directions furnished to it by the Investment Advisor, unless and until it receives written notification from the Depositor that the Investment Advisor's appointment has been terminated. The Custodian shall have no duty other than to follow the written investment directions of such Investment Advisor and shall be under no duty to question said instructions, and the Custodian shall not be liable for any investment losses sustained by the Depositor.

10.04 **No Investment Advice:** The Custodian does not assume any responsibility for rendering advice with respect to the investment and reinvestment of Depositor's account and shall not be liable for any loss which results from Depositor's exercise of control over his account. The Custodian and Depositor may specifically agree in writing that the Custodian shall render such advice, but the Depositor shall still have and exercise exclusive responsibility for control over the investment of the assets of his account, and the Custodian shall not have any duty to question his investment directives.

10.05 **Prohibited Transactions:** Notwithstanding anything contained herein to the contrary, the Custodian shall not lend any part of the corpus or income of the account to; pay any compensation for personal services rendered to the account to; make any part of its services available on a preferential basis to; acquire for the account any property, other than cash, from; or sell any property to, any Depositor, any member of a Depositor's family, or a corporation controlled by any Depositor through the ownership, directly or indirectly, of 50 percent or more of the total combined voting power of all classes of stock entitled to vote, or of 50 percent or more of the total value of shares of all classes of stock of such corporation.

10.06 **Unrelated Business Income Tax:** If the Depositor directs investment of the account in any investment which results in unrelated business taxable income, it shall be the responsibility of the Depositor to so advise the Custodian and to provide the Custodian with all information necessary to prepare and file any required returns or reports for the account. As the Custodian may deem necessary, and at the Depositor's expense,

the Custodian may request a taxpayer identification number for the account, file any returns, reports, and applications for extension, and pay any taxes or estimated taxes owed with respect to the account. The Custodian may retain suitable accountants, attorneys, or other agents to assist it in performing such responsibilities.

10.07 **Disclosures and Voting:** The Custodian shall deliver, or cause to be executed and delivered, to Depositor all notices, prospectuses, financial statements, proxies and proxy soliciting materials relating to assets credited to the account. The Custodian shall not vote any shares of stock or take any other action, pursuant to such documents, with respect to such assets except upon receipt by the Custodian of adequate written instructions from Depositor.

10.08 **Miscellaneous Expenses:** In addition to those expenses set out in Section 9.06 of this plan, the Depositor agrees to pay any and all expenses incurred by the Custodian in connection with the investment of the account, including expenses of preparation and filing any returns and reports with regard to unrelated business income, including taxes and estimated taxes, as well as any transfer taxes incurred in connection with the investment or reinvestment of the assets of the account.

10.09 **Nonbank Trustee Provision:** If the Custodian is a nonbank Trustee, the Depositor shall substitute another custodian or trustee in place of the Custodian upon receipt of notice from the Commissioner of the Internal Revenue Service or his delegate that such substitution is required because the Custodian has failed to comply with the requirements of Income Tax Regulations Section 1.408-2(e), or is not keeping such records, making such returns, or rendering such statements as are required by applicable law, regulations, or other rulings. The successor trustee or custodian shall be a bank, insured credit union, or other person satisfactory to the Secretary of the Treasury pursuant to Section 408(a)(2) of the Code. Upon receipt by the Custodian of written acceptance by its successor of such successor's appointment, Custodian shall transfer and pay over to such successor the assets of the account (less amounts retained pursuant to Section 9.06 of the Custodial Agreement) and all records (or copies thereof) of the Custodian pertaining thereto, provided that the successor trustee or custodian agrees not to dispose of any such records without the Custodian's consent.

**General Instructions** — 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 trustee. 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 5 years that are made when the Depositor is 59 1/2 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 includable in gross income. For more information on Roth IRAs, including the required disclosures the trustee must give the Depositor, see Pub. 590-A, Contributions to, Individual Retirement Arrangements (IRA), and 590-B, Distributions from Individual Retirement Arrangements (IRAs).

### **Specific Instructions**

**Article I.** The Depositor may be subject to a 6% 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. The Depositor should see the disclosure statement or Pub. 590 for more information.

**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 3 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.

# Roth IRA Disclosure Statement

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## RIGHT TO REVOKE YOUR ROTH IRA ACCOUNT

You may revoke your Roth IRA within 7 days after you sign the Roth IRA Adoption Agreement by hand delivering or mailing a written notice to the name and address indicated below. If you revoke your account by mailing a written notice, such notice must be postmarked by the 7th day after you sign the Adoption Agreement. If you revoke your Roth IRA within the 7-day period you will receive a refund of the entire amount of your contributions to the Roth IRA without any adjustment for market performance, earnings or any administrative expenses. If you exercise this revocation, we are still required to report the contribution on Form 5498 (except transfers) and the revoked distribution on Form 1099-R.

If you wish to revoke this IRA, your written notice should be mailed or delivered to: RBC Wealth Management, Retirement Plan Operations, 250 Nicollet Mall; Suite 1400; Minneapolis, MN 55401.

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## GENERAL REQUIREMENTS OF A ROTH IRA

- Your contributions must be made in cash, unless you are making a qualified rollover or transfer contribution and the Custodian accepts non-cash rollover or transfer contributions.
- The annual contributions you make on your behalf to all of your Roth IRAs and traditional IRAs may not exceed the lesser of 100% of your compensation or the "applicable annual dollar limitation" (defined below), unless you are making a rollover or transfer contribution from a traditional IRA or another Roth IRA.
- Your regular annual Roth IRA contributions for any taxable year may be deposited at any time during that taxable year and up to the due date for the filing of your Federal income tax return for that taxable year, no extensions. This generally means April 15th of the following year.
- The Custodian of your Roth IRA must be a bank, savings and loan association, credit union or a person who is approved to act in such a capacity by the Secretary of the Treasury.
- No portion of your Roth IRA funds may be invested in life insurance contracts.
- Your interest in your Roth IRA is nonforfeitable at all times.
- The assets in your Roth IRA may not be commingled with other property except in a common trust fund or common investment fund.
- You may not invest the assets of your Roth IRA in collectibles (as described in Section 408(m) of the Internal Revenue Code.) A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially-minted US gold, silver, and platinum coins and certain state-issued coins are permissible Roth IRA investments. Beginning on January 1, 1998, you may also invest in certain gold, silver, platinum or palladium bullion, if the trustee or custodian permits. Such bullion must be in the physical possession of the Roth IRA trustee or custodian.

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## WHO IS ELIGIBLE TO MAKE A REGULAR, ROTH IRA CONTRIBUTION?

You are permitted to make regular contributions to your Roth IRA for any taxable year if you receive compensation for such taxable year. Compensation includes salaries, wages, tips, commissions, bonuses, alimony, royalties from creative efforts and "earned income" in the case of self-employed. Members of the Armed Forces who serve in combat zones who receive compensation that is otherwise non-taxable, are considered to have taxable compensation for purposes of making regular Roth IRA contributions. The amount which is permitted to be contributed depends upon your modified adjusted gross income (Modified AGI); your marital status; and your tax filing status discussed below.

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## CONTRIBUTIONS TO A ROTH IRA

**Regular Roth IRA Contributions** — The maximum amount you may contribute for any one year is the lesser of 100% of your compensation or the “applicable annual dollar limitation” described below. This is your contribution limit. Your actual contribution limit depends upon your marital status, tax filing status, and your Modified AGI.

### Applicable Annual Dollar Limitation

Tax Year	Contribution Limit
2019 through 2022	\$6,000
2023	\$6,500
2024 through 2025	\$7,000

All regular contributions (including catch-up contributions) to a Roth IRA are nondeductible. The maximum amount you may contribute to a Roth IRA is reduced by any contributions you make to all of your traditional IRAs for the same tax year.

**Catch-up Contributions** — If an individual has attained the age of 50 before the close of the taxable year for which an annual contribution is being made and meets the other eligibility requirements for making regular Roth IRA contributions, the annual IRA contribution limit for that individual would be increased as follows:

Tax Year	Normal Limit	Additional Catch-up	Total Contribution
2019 through 2022	\$6,000	\$1,000	\$7,000
2023	\$6,500	\$1,000	\$7,500
2024 through 2025	\$7,000	\$1,000	\$8,000

The additional catch-up amount for traditional IRAs is not subject to COLAs.

**Modified Adjusted Gross Income** — The amount of your regular annual Roth IRA contribution depends upon your Modified Adjusted Gross Income (MAGI) for the taxable year and your marital status. If your MAGI is below a certain amount, you can contribute the entire contribution subject to the dollar limit. If your MAGI is above a certain amount, you cannot make any regular contribution to a Roth IRA. If your MAGI is between certain amounts, you are entitled to making a partial Roth IRA contribution. You are responsible for keeping track of your Roth IRA contributions so that you can report Roth IRA distributions on IRS Form 8606. Refer to the chart below for the MAGI ranges. Also refer to IRS Publication 590A for additional information.

	Married Participants Filing Jointly	Unmarried Participants	Married Participants Filing Separately
2019	\$193,000–\$203,000	\$122,000–\$137,000	\$0–\$10,000
2020	\$196,000–\$206,000	\$124,000–\$139,000	\$0–\$10,000
2021	\$198,000–\$208,000	\$125,000–\$140,000	\$0–\$10,000
2022	\$204,000–\$214,000	\$129,000–\$144,000	\$0–\$10,000
2023	\$218,000–\$228,000	\$138,000–\$153,000	\$0–\$10,000
2024	\$230,000–\$240,000	\$146,000–\$161,000	\$0–\$10,000
2025	\$236,000–\$246,000	\$150,000–\$165,000	\$0–\$10,000

**Spousal Roth IRAs** — If you and your spouse file a joint tax return and have unequal compensation (including no compensation for one spouse or one spouse who chooses to be treated as receiving no compensation) you may establish separate Roth IRAs for each spouse. The total annual contribution limit for both Roth IRAs may not exceed 100% of the combined compensation for both spouses, but neither Roth IRA may accept more than the Applicable Annual Dollar Limitation per spouse, plus the additional catch-up amount, if applicable.

The maximum Roth IRA contribution for the spouse is then reduced by:

- (1) Regular traditional IRA contributions made on behalf of such spouse; and
- (2) Roth IRA contributions made on behalf of such spouse.

This annual limit may be further reduced if the Modified AGI exceeds the levels discussed above.

**\$200 Minimum Roth IRA Contribution** — If you fall into any of the categories listed above, your minimum allowable Roth IRA contribution will be \$200 until phased out under the appropriate marital status. In other words, if your Roth IRA contribution amount calculated under the appropriate dollar amounts discussed above results in a contribution between \$0 and \$200, your permitted contribution is \$200 instead of the calculated amount. If the result is not a multiple of \$10, round up to the nearest \$10.

**Modified AGI** — Modified AGI does not include any distributions from a traditional IRA that are converted to a Roth IRA and included in income. Modified AGI is determined before deductible traditional IRA contributions. Effective for distributions after December 31, 2004, Modified AGI does not include any amounts that are required minimum distributions pursuant to section 408(a)(6) only for purposes of determining eligibility for conversion contributions.

**Other Contributions** — Your Roth IRA may not accept rollovers from an employer-sponsored plan (other than from a Designated Roth Account), employer contributions made under a SEP or SIMPLE plan and traditional IRA contributions. However, certain rollovers and transfers as described below may be made.

**Miscellaneous Contribution Rules** — Contributions are permitted after you attain age 73, so long as you have compensation and meet the AGI limits described above. Contributions are permitted regardless of whether you are an active participant in an employer-sponsored plan.

**Special Rules for Qualified Reservist Distributions** — Qualified Reservist Distributions withdrawn from a Roth IRA are eligible to be repaid to a Roth IRA within a 2-year period after the end of active duty. A Qualified Reservist Distribution is a distribution received from a Roth IRA by members of the National Guard or reservists who are called to active duty for a period of at least 180 days and such distribution is taken during the period of such active duty. This provision is retroactively effective with respect to distributions after September 11, 2001, for individuals called to active duty after September 11, 2001. The repayments are not treated as tax-free rollovers. Instead, the repayments become basis in the ROTH IRA.

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## EXCESS CONTRIBUTIONS TO A ROTH IRA

Generally, an excess Roth IRA contribution is any contribution which exceeds the contribution limits. Such excess amount is subject to a 6% excise tax on the principal remaining amount of the excess each year until the excess is corrected.

**Method of Withdrawing Excess in a Timely Manner** — This 6% excise tax may be avoided, if the excess amount plus the earnings attributable to the excess are distributed to you by your tax filing deadline including extensions for the year for which the excess contribution was made. If you decide to correct your excess in this manner, the principal amount of the excess returned to you is not taxable; however, the earnings attributable to the excess are taxable to you in the year in which the contribution was made. In addition, if you are under age 59½, the earnings attributable to the excess amount are subject to a 10% additional income tax. This is the only method of correcting an excess contribution that will avoid the 6% excise tax. The earnings attributable to an excess contribution will always be taxable, even if you would otherwise meet the definition of a “qualified distribution” discussed later.

**Undercontribution Method** — If an excess is not corrected by the tax filing deadline, including extensions, for the year during which the excess contribution was made, such excess contribution may be applied, on a year-by-year basis, against the annual limit for regular Roth IRA contributions. However, in order to “carry over” the excess contribution and treat it as a contribution made for a subsequent year, the participant must meet the eligibility requirements for the subsequent year. In addition, the taxpayer is subject to the 6% excise tax for the initial year and each subsequent year until the excess is used up.

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## CONTRIBUTION RECHARACTERIZATIONS

You may be able to recharacterize certain contributions plus earnings, as described in this section.

If you decide by your tax filing deadline (including extensions) of the year for which the contribution was made to transfer a current year contribution plus earnings from your traditional IRA to a Roth IRA, no amount will be included in your gross income as long as you did not take a deduction for the amount of the contribution. You may also recharacterize a current year contribution plus earnings from your Roth IRA to a traditional IRA by your tax filing deadline including extensions of the year for which the contribution was made.

In order to recharacterize a regular contribution from one type of IRA to another type of IRA, you must be eligible to make a regular contribution to the IRA to which the contribution plus earnings is recharacterized. All recharacterizations must be accomplished as a direct transfer, rather than a distribution and subsequent rollover.

You are also required to report recharacterizations to the IRS in accordance with the instructions to IRS Form 8606. Prior year excess contributions made to an IRA that are carried over to a subsequent year cannot be

recharacterized as a current year contribution to another IRA. Only actual contributions made for a taxable year may be recharacterized. Any recharacterized contribution (whether a regular contribution or a conversion) cannot be revoked after the transfer. You are required to notify both Custodians (or trustees) and to provide them with certain information in order to properly effectuate such a recharacterization.

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## **ROLLOVERS ROTH IRAS**

**Rollover Contribution from Another Roth IRA** — A rollover contribution from another Roth IRA is any amount you receive from one Roth IRA and within 60 days roll some or all of it over into another Roth IRA. You are not required to roll over the entire amount received from the first Roth IRA. However, any taxable amount (generally earnings) you do not roll over will be taxed at ordinary income tax rates for Federal income tax purposes and may be subject to the 10% additional income tax.

### **The Following Special Rules also Apply to Rollovers Between Roth IRAs:**

- The rollover must be completed no later than the 60th day after the day the distribution was received by you from the first Roth IRA. However, if the reason for distribution was for qualified first time home buyer expenses and there has been a delay or cancellation in the acquisition of such first home, the 60-day rollover period is increased to 120 days. This 60 day rollover period is also extended in cases of disaster or casualty beyond the reasonable control of the taxpayer.
- You can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own. The limit will apply by aggregating all of an individual's IRAs, including SEP and SIMPLE IRAs as well as traditional and Roth IRAs, effectively treating them as one IRA for purposes of the limit. (See IRS Publication 590 for more information.)
- The same property you receive in a distribution from the first Roth IRA must be the same property you roll over into the second Roth IRA. For example, if you receive a distribution from a Roth IRA of property, such as stocks, that same stock must be the property rolled over into the second Roth IRA.
- You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution.
- You are not required to receive a complete distribution from your Roth IRA in order to make a rollover contribution into another Roth IRA, nor are you required to roll over the entire amount you received from the first Roth IRA into the second Roth IRA.
- If you inherit a Roth IRA due to the death of the participant, you may not roll this Roth IRA into your own Roth IRA unless you are the spouse of the deceased Roth IRA participant.

**Rollovers From a Designated Roth Contributions Account Under Employer-Sponsored Plans** — Amounts attributable to the participant's Designated Roth Contributions Account under an employer's 401(k) plan, 403(b) plan or governmental 457(b) plan are eligible to roll over to a Roth IRA as either a direct rollover or a 60-day rollover. After such amounts have been rolled over to a Roth IRA, these amounts cannot be subsequently rolled back to an employer's plan.

**Effect of 5-Year Aging** — If the Roth IRA owner has already started the 5-year aging on any Roth IRA, the rollover of the Designated Roth Contributions Account under the employer's plan has the same 5-year period start date. However, if the Roth IRA owner establishes a Roth IRA for the first time with the rollover of the Designated Roth Contributions Account under the employer's plan, a new 5-year aging period starts with respect to the rollover amount, regardless of the period of participation in the employer's plan.

**Effect on Ordering Rules for Subsequent Distributions from the Roth IRA** — If a Roth IRA owner rolls over his or her Designated Roth Contributions Account under an employer's plan, the Roth IRA owner is responsible for keeping track of the rollover in the following manner for purposes of determining taxable distributions from the Roth IRA:

- If the distribution from the employer's plan is a "nonqualified distribution", the Roth IRA owner adds the basis amount (contributions) to his or her other regular Roth IRA contributions, and adds the earnings to the earnings.
- If the distribution from the employer's plan is a "qualified distribution", the Roth IRA owner adds the entire amount of the rollover to his or her other regular Roth IRA contributions.

**Partial Rollovers** — If a distribution representing the participant's Designated Roth Account is eligible to roll over and it is paid to the participant, and the participant rolls over to a Roth IRA only a portion of the distribution, the amount not rolled over is treated as first consisting of the nontaxable portion (the contributions). Thus, the amount rolled over is treated first as the taxable earnings and no amount is taxable to the participant if the amount of the rollover is equal to or greater than the amount of the earnings attributable to the distribution received by the employee. Proper adjustments to the ordering rules explained above are necessary in the case of a partial rollover.

**Special Rollover Rules for Qualified Distributions** — Qualified Disaster Distributions (QDDs) include Qualified Hurricane Distributions, Qualified Wildfire Distributions and other disaster areas as declared by the President. Qualified Disaster Distributions withdrawn from a Roth IRA are eligible to be rolled over to a Roth IRA within a 3-year period after the eligible individual received such distribution. More information on Qualified Hurricane Distributions and other tax relief provisions applicable to affected individuals of Hurricanes Harvey, Irma and Maria as well as other disaster relief can be found on the IRS website at <https://www.irs.gov/newsroom/around-the-nation>. Taxpayers using these tax relief provisions must file Form 8915 with his or her Federal income tax return. The maximum amount of a QHD is \$100,000 per taxpayer; is not subject to the premature distribution penalty tax of 10%, and will be taxed pro rata over a 3 year period unless the taxpayer elects to pay all of the taxes in the year of the distribution. See the instructions to Form 8915 for more information.

**Special Rollover Rules for Midwestern Disaster Area Distributions referred to as “Qualified Disaster Recovery Assistance Distributions”** — Qualified Disaster Recovery Assistance Distributions are eligible to be rolled over to a Roth IRA within a 3-year period after the eligible individual received such distribution. More information on the Midwestern Disaster Area is in IRS Publication 4492-B and Form 8930.

**Special Rules for Qualified Settlement Income Received from Exxon Valdez Litigation** — Any qualified taxpayer who receives qualified settlement income during the taxable year, at any time before the end of the taxable year in which such income was received, make one or more contributions to an eligible retirement plan of which such qualified taxpayer is a beneficiary in an aggregate amount not to exceed the lesser of: (a) \$100,000 (reduced by the amount of qualified settlement income contributed to an eligible retirement plan in prior taxable years); or (b) the amount of qualified settlement income received by the individual during the taxable year.

The contribution will be deemed made on the last day of the taxable year in which such income is received if the contribution is made on account of such taxable year and is made not later than the deadline for filing the income tax return for such year, not including extensions thereof.

If the settlement income is contributed to a Roth IRA such income is not currently includable in the taxpayer's gross income and becomes basis in such Roth IRA.

A qualified taxpayer means:

1. Any individual who is a plaintiff in the civil action In re Exxon Valdez, No. 89-095-CV (HRH) (Consolidated) (D. Alaska); or
2. Any individual who is a beneficiary of the estate of such a plaintiff who acquired the right to receive qualified settlement income from that plaintiff and was the spouse or an immediate relative of that plaintiff.

**Special Rollover Rules for Military Death Gratuity and SGLI Payments** — In general the beneficiary of Death Gratuity and the SGLI (Servicemember's Group Life Insurance) may roll these payments into a Roth IRA in the name of the recipient of such payments, without regard to any adjusted gross income limitations. Such Roth IRA will not be an inherited IRA but rather the Roth IRA will be in the beneficiary's own name.

The rollover to the Roth IRA must generally be completed within one year following the receipt of the payment. These payments are not taxable to the recipient. The trustee, custodian or issuer of the Roth IRA is not required to independently verify that such amounts are eligible to roll over to the Roth IRA. It is also important to note that recipients these amounts may be a spouse or other family member, and the rollover would go into the Roth IRA as the recipient's own Roth IRA, not an inherited Roth IRA. Whether or not distributions from the Roth IRA are “qualified distributions” where the earnings would be tax-free would depend upon the 5-year aging period and reason for distribution applicable to any Roth IRA distribution that is a “qualified distribution”.

For purposes of the ordering rules applicable to nonqualified distributions from Roth IRAs, these amounts are treated as contributions to the Roth IRA, not as conversions. This means that these amounts may be immediately withdrawn for any purpose and not be taxed or subject to penalty.

**Special Rules for Rollovers/Recharacterizations of Amounts Received in Airline Carrier Bankruptcy** — Effective December 11, 2008, a “qualified airline employee” may contribute any portion of an “airline payment” amount to a Roth IRA within 180 days of receipt of such payment (or, if later, within 180 days of the enactment of the Worker, Retiree and Employer Recovery Act of 2008). Such contribution is treated as a qualified rollover contribution to the Roth IRA, and as such, the airline payment is includable in gross income of the recipient to the extent it would be so includable were it not part of the rollover contribution.

An “airline payment” means any payment by a commercial airline carrier to a “qualified airline employee” that is paid:

- (1) under an order of a Federal bankruptcy court in a case filed after September 11, 2001, and before January 1, 2007; and (2) in respect of the employee's interest in a bankruptcy claim against the airline carrier.

In determining the amount that may be contributed to a Roth IRA, any reduction in the airline payment on account of employment tax withholding is disregarded. A “qualified airline employee” is an employee or former employee of a commercial passenger airline who was a participant in a qualified defined benefit plan maintained by the airline carrier that was terminated or became subject to the benefit accrual and other restrictions applicable to plans maintained by commercial passenger airlines.

Effective February 14, 2012, under the FAA Modernization and Reform Act of 2012 (“The Act”) certain qualified airline employees may rollover or recharacterize to a Traditional IRA in lieu of a Roth IRA. The Act permits ‘qualified airline employees’ and their surviving spouses, who received an ‘airline payment amount’, and did not roll over any portion of such payment to a Roth IRA:

- To rollover now to a Traditional IRA 90% of the payment received, and the amount rolled over is excludable from income in the taxable year payment was made;
- The rollover must take place within 180 days after the receipt of the ‘airline payment amount’ or within 180 days of February 14, 2012, the date of enactment i.e. August 13, 2012, whichever is later.

Additional the Act permits ‘qualified airline employees’ and their surviving spouses who contributed all or a portion of an ‘airline payment amount’ previously to a Roth IRA:

- To recharacterize up to 90% of such amounts, to a traditional IRA;
- The recharacterization transfer must be made within 180 days of February 14, 2012, the date of enactment i.e. August 13, 2012;
- The IRA owner can then claim a refund of the Federal taxes they previously paid on such transferred funds if made under certain time frames;
- The amount rolled over will be excluded from income in the taxable year payment was made;
- The transfer must be ‘trustee to trustee’;
- The contribution amount (including any net income allocable to it), rolled into the traditional IRA, will be deemed to have been rolled over at the time of the rollover to the ROTH.

The Act does not apply to employees who in the taxable year or any preceding years, when payment were made, were chief executive officers (“CEO”) or one of the 4 highest compensated officers (other than the CEO), whose total compensation had to be reported to shareholders (as required by Securities and Exchange Commission Act of 1934).

The PATH Act of 2015 extended this rollover deadline to 180 after enactment or until June 15, 2016.

**Special Rules for Non-spouse Beneficiaries** — Eligible rollover distributions from a Designated Roth Contribution Account payable to a non-spouse beneficiary is eligible for direct rollover into an Inherited Roth IRA. Such amounts must be paid in the form of a direct rollover, rather than a distribution and subsequent rollover. Thus, if the distribution is paid directly by the plan to the non-spouse beneficiary, no rollover is permitted. Also, the Roth IRA receiving the direct rollover must be an Inherited Roth IRA, rather a Roth IRA owned by the non-spouse beneficiary. The Inherited Roth IRA is subject to the same required minimum distributions that apply to beneficiaries under the employer’s plan and carries over to the Inherited Roth IRA. The Roth IRA must be established and titled in a manner that identifies it as a Roth IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, “Tom Smith as beneficiary of John Smith”.

For these purposes, a non-spouse beneficiary includes an individual beneficiary and a trust beneficiary that meets the special “look through” rules under the IRS regulations. A nonindividual beneficiary (such as an estate or charity) or a non-look through trust is not eligible for direct rollover. Any required minimum distributions applicable to the employer’s plan for the year in which the direct rollover occurs and any prior year is not eligible for direct rollover.

**Conversion from a Traditional IRA to a Roth IRA** — You are permitted to make a qualified rollover contribution from a traditional IRA or an employer plan to a Roth IRA. This is called a “conversion” and may be done at any time without waiting the usual 12 months.

**Taxation in Completing a Conversion from a Traditional IRA or Employer Plan to a Roth IRA** — If you complete a conversion from a traditional IRA or Employer Plan to a Roth IRA, the conversion amount (to the extent taxable) is generally included in your gross income for the year during which the distribution is made from your traditional IRA that is converted to a Roth IRA. However, the 10% additional income tax for premature distributions does not apply.

**Substantially Equal Payments** — If a taxpayer converts a traditional IRA to a Roth IRA where the traditional IRA was subject to the substantially equal periodic payment exception, the same periodic payments must continue from the Roth IRA.

**Types of IRAs Permitted to be Converted** — Traditional regular IRAs, Rollover “conduit” IRAs, and SEP IRAs may be converted to a Roth IRA. A SIMPLE IRA may also be converted to a Roth IRA, but only after such SIMPLE IRA is no longer subject to the 2-year holding period applicable to SIMPLE IRAs. Also, qualified plans §403(b) plans and governmental §457(b) plans may be converted to a Roth IRA.

**Required Minimum Distributions** — Any required minimum amount must first be distributed before any of the remaining amount can be converted to the Roth IRA.

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## DISTRIBUTIONS FROM A ROTH IRA

### Taxation of Distributions

“Qualified Distributions” are neither subject to Federal income tax nor the 10% additional income tax for premature distributions. Nonqualified distributions are taxable to the extent such distribution is attributable to the income earned in the account. When you start withdrawing from your Roth IRA, you may take the distributions in regular payments, random withdrawals or in a single sum payment.

**Qualified Distributions** — A Qualified Distribution is one that is both made:

1. On or after you attain age 59½;
2. To a beneficiary after your death;
3. On account of you becoming disabled (defined under Section 72(m)(7) IRC); or
4. For qualified first time homebuyer expenses.

**AND** made after the end of the five year period beginning with the taxable year for which you first make any contribution to a Roth IRA.

If your first contribution is a conversion from a traditional IRA to a Roth IRA, the five year period begins with the year in which the conversion was made from the first IRA. If your first contribution is a regular contribution, the five year period begins with the year for which the contribution was made. You may maintain only one Roth IRA plan which accepts regular contributions and conversions. Additional contributions or conversions in subsequent years will not start the running of another five year period for purposes of determining whether or not you have received a “Qualified Distribution”. If the entire Roth IRA account balance is distributed before any other Roth IRA contributions are made, the 5-year aging period does not start over when future contributions are made.

However, if any of the following situations occur, the 5-year aging period has not yet started:

- a. The initial Roth IRA contribution is revoked within its first 7-day period;
- b. The initial Roth IRA contribution is recharacterized to a traditional IRA; or
- c. An excess contribution, plus earnings, is timely distributed in accordance with section 408(d)(4), by the tax filing deadline including extensions, unless other eligible contributions were made.

**Nonqualified Distributions** — Distributions from a Roth IRA which are made as a nonqualified distribution are treated as made from contributions to the Roth IRA to the extent that such distribution, when added to all previous distributions from the Roth IRA (whether or not they were qualified distributions), and reduced by the taxable amount of such previous distributions, does not exceed the aggregate amount of contributions to the Roth IRA.

In other words, nonqualified distributions are treated as taken from the nontaxable portion first (the contributions) until the aggregate distributions exceed the aggregate contributions. When the aggregate distributions exceed the aggregate contributions, then the earnings will be treated as part of the distribution for taxation purposes. The portion of the nonqualified distribution that represents earnings will be taxable and subject to the 10% additional income tax for premature distributions, unless an exception applies. You are responsible for keeping records on the contributions you make to your Roth IRA and for figuring any taxable, nonqualified distributions from your Roth IRA.

**Distributions Made Before the End of the Five Year Period** — Distributions taken before the end of the five year period are taxable (to the extent you receive the earnings attributable) and are subject to the 10% additional income tax if the participant is not age 59½. However, the 10% additional income tax is avoided if the distribution meets any one of the exceptions under Section 72(t).

**Recapture of the 10% Additional Tax** — The 10% additional tax on early distributions will apply to conversions if the taxpayer is deemed to withdraw any portion of the taxable conversion amount before the end of the five year period commencing the year of conversion contribution, unless an exception under Section 72(t) applies. This is true even if none of the distribution is otherwise taxable.

**Basis Recovery Rules for Distributions from Different IRA Plans** — The taxation of distributions from a Roth IRA shall be treated separately from the taxation of a distribution from other IRA plans. In other words, nondeductible contributions made to your traditional IRA will continue to be recovered tax-free on a ratable basis.

**Ordering Rules** — Distributions from any of your Roth IRAs are to be “deemed” withdrawn in the following order: first from regular Roth IRA contributions; second from converted amounts on a first-in, first-out basis (with the taxable conversion amount first and then the nontaxable conversion amount); and last from the earnings. In determining these ordering rules, any amount distributed from an individual’s Roth IRA is determined as of the end of a taxable year and exhausting each category before moving to the next category. The taxpayer will be required to keep track of these ordering provisions by using IRS Form 8606.

**Multiple Beneficiaries** — At the Roth IRA owner’s death and where multiple beneficiaries are named, each type of contribution must be allocated to each beneficiary on a pro-rata basis. Thus, for example, if a Roth IRA owner dies when the Roth IRA contains a regular contribution of \$2,000, a conversion contribution of \$6,000 and earnings of \$1,000, and the owner leaves his Roth IRA equally to four children, each child will receive one quarter of each type of contribution. Pursuant to the ordering rules, an immediate distribution of \$2,000 to one of the children will be deemed to consist of \$500 of regular contributions, and \$1,500 of conversion contributions.

For purposes of the ordering rules upon distribution, a beneficiary’s inherited Roth IRAs may not be aggregated with any other Roth IRAs maintained by such beneficiary, except for other Roth IRAs that the beneficiary inherited from the same decedent. However, if the surviving spouse is the sole beneficiary of a Roth IRA and such surviving spouse elects to treat the Roth IRA as his or her own Roth IRA, the spouse can aggregate contributions with his or her other Roth IRAs for purposes of determining the ordering rules when distributions are taken. The term “spouse as sole beneficiary” means either the only primary beneficiary of the entire plan, or the only primary beneficiary of a segregated portion of the plan.

**Premature Distributions** — If you are under age 59½ and receive a “nonqualified” distribution from your Roth IRA, a 10% additional income tax will apply to the taxable portion (generally the earnings portion) of the distribution unless the distribution is received due to death; disability; a qualifying rollover distribution; the timely withdrawal of the principal amount of an excess; substantially equal periodic payments; certain medical expenses; health insurance premiums paid by certain unemployed individuals; qualified higher education expenses; qualified first time homebuyer expenses; due to an IRS levy; qualified disaster distributions (QDDs); qualified disaster recovery assistance distributions; or qualified reservist distributions.

**Required Distributions** — Unlike a traditional IRA, you are not required to begin distributions when you attain age 73. Also, the incidental death benefit requirements (referred to as MDIB) do not apply to the Roth IRA.

**Death Distributions** — If you die and you have a designated beneficiary, the balance in your Roth IRA will be distributed to your beneficiary over the beneficiary’s single life expectancy if the beneficiary is a minor child of decedent until age 21, disabled, chronically ill or an individual who is not more than 10 years younger than the decedent. If the beneficiary is an adult child, a grandchild or certain look-through trusts, the inherited Roth IRA needs to be fully distributed by December 31 of the 10th year after death of the original owner. If the beneficiary is an estate or a non-look through trust, the inherited Roth IRA needs to be fully distributed by December 31 of the 5th year after death of the original owner. These distributions must commence no later than December 31st of the calendar year following the calendar year of your death. However, if your spouse is your sole beneficiary, these distributions are not required to commence until the December 31st of the calendar year you would have attained the age of 73.

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## PROHIBITED TRANSACTIONS WITH A ROTH IRA

If you or your beneficiary engages in a prohibited transaction (as defined under Section 4975 of the Internal Revenue Code) with your Roth IRA, it will lose its tax exemption and you must include the taxable portion of your account in your gross income for that taxable year and may also be subject to the 10% additional tax. If you pledge any portion of your Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution and the taxable portion will be included in your gross income for that year and may also be subject to the 10% additional tax.

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## ADDITIONAL TAXES AND PENALTIES

If you are under age 59½ and receive a nonqualified premature distribution from your Roth IRA, an additional 10% income tax will apply on the taxable amount of the distribution (generally the earnings portion only), unless an exception under Section 72(t) applies. A 10% additional tax will be assessed if you are under age 59½ if you are deemed to withdraw any portion of a conversion that you made from your traditional IRA to your Roth IRA before five years have lapsed from the conversion year, even if such distribution is otherwise nontaxable. If you make an excess contribution to your Roth IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess which remains in your account.

If you should die, and the appropriate required death distributions are not made from your Roth IRA, an excise tax of 50% is assessed to your beneficiary based upon the difference between the amount that should have been distributed and the amount that was actually distributed. You may be required to file IRS Form 5329 with the Internal Revenue Service for any year an additional tax is due.

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## INCOME TAX WITHHOLDING

All withdrawals from your Roth IRA (except the earnings attributable to a return of excess contributions) are not subject to Federal income tax withholding.

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## TRANSFERS

A direct transfer of all or a portion of your funds is permitted from this Roth IRA to another Roth IRA or visa versa. Transfers do not constitute a distribution since you are never in receipt of the funds. The monies are transferred directly to the new trustee or custodian. Transfers are neither subject to the 12-month restriction nor the 60-day rollover period usually associated with rollovers.

If you should transfer all or a portion of your Roth IRA to your former spouse's Roth IRA under a divorce decree (or under a written instrument incident to divorce) or separation instrument, you will not be deemed to have made a taxable distribution, but merely a transfer. The portion so transferred will be treated at the time of the transfer as the Roth IRA of your spouse or former spouse.

If your spouse is the beneficiary of your Roth IRA, in the event of your death, your spouse may "assume" your Roth IRA. The assumed Roth IRA is then treated as your surviving spouse's Roth IRA.

**Qualified Charitable Distributions** — If a Roth IRA owner is exactly age 70½ or over, the Roth IRA owner may direct the Roth IRA trustee or custodian to transfer up to \$108,000 per year in 2025 from the Roth IRA to a qualified charity. Such transfer will not be subject to Federal income taxes. Qualified Charitable Distributions may also be made by a beneficiary who is exactly age 70½ or over. Qualified Charitable Distributions are not subject to Federal income tax withholding. SEP IRAs or SIMPLE IRAs are not permitted to be transferred under this rule.

The amount transferred will be treated as coming from the taxable portion of Roth IRA and will be an exception to the ordering rules applicable to distributions from Roth IRAs. The tax-free transfer to a qualified charity applies only if the Roth IRA owner could otherwise receive a charitable deduction with respect to the transferred amount. In other words, it must be made to a qualified charitable organization that the taxpayer would have otherwise been able to take a tax deduction for making the charitable contribution. However, since such transfer will be tax-free, the taxpayer may not also take a charitable deduction on his or her tax return.

This provision is effective with respect to distributions transferred directly to a qualified charity beginning in 2006 through the end of 2009. The Tax Relief, Unemployment Compensation Reauthorization, and Job Creation Act of 2010 extended Qualified Charitable Distributions for 2010 and 2011 under the same rules that originally applied. Eligible taxpayers who make a Qualified Charitable Distribution during January 2011 may elect to treat such Qualified Charitable Distribution as made on December 31, 2010. On January 2, 2013, the President signed the American Taxpayer Relief Act of 2012 ("ATRA") which extended QCDs through the end of 2013, and on December 16, 2014, the President signed the Tax Increase Prevention Act of 2014 to extend QCDs through the end of 2014 only. On December 18, 2015, the Protecting Americans from Tax Hikes Act of 2015 ("PATH") was signed into law and extended QCDs permanently retroactively for the 2015 year. Although the Roth IRA trustee or custodian must pay the Qualified Charitable Distribution directly to the qualified charity, the taxpayer is responsible for substantiating and reporting the Qualified Charitable Distribution on his or her Federal income tax return. The trustee or custodian of the Roth IRA will report the amount transferred on IRS Form 1099-R as if the Roth IRA owner withdrew the money. After the Roth IRA trustee or custodian issues the payment in the name of the charity, the trustee or custodian may deliver the payment to the Roth IRA owner, who then would deliver the payment to the charity.

**Qualified HSA Funding Distribution** — A special one-time, tax-free transfer from a Roth IRA to an HSA is permitted. This one-time transfer counts toward the eligible individual's HSA contribution limit for the year of the transfer.

An HSA-eligible individual may make an irrevocable once-in-a-lifetime, tax-free "qualified HSA Funding distribution" from a Roth IRA to an HSA, subject however to strict requirements. The amount of the HSA funding distribution must be made in the form of a trustee-to-trustee transfer from the IRA to the HSA. The amount of the transfer cannot exceed the maximum HSA contribution limit for the year that the amount is transferred. Consequently, this one-time transfer from a Roth IRA to an HSA counts toward the individual's total HSA contribution limit for the year depending upon the type of coverage under the HDHP (self-only or family).

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## **FEDERAL ESTATE AND GIFT TAXES**

Generally there is no specific exclusion for Roth IRAs under the Federal estate tax rules. Therefore, in the event of your death, the value of your Roth IRA will be includable in your gross estate for Federal estate tax purposes. However, if your surviving spouse is the beneficiary of your Roth IRA, the value of your Roth IRA may qualify for the marital deduction available under Section 2056 of the Internal Revenue Code. A transfer of property for Federal gift tax purposes does not include an amount which a beneficiary receives from a Roth IRA plan.

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## **IRS APPROVAL AS TO FORM**

This IRA Custodial Agreement has been approved by the Internal Revenue Service as to form. This is not an endorsement of the plan in operation or of the investments offered.

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## **ADDITIONAL INFORMATION**

You may obtain further information on Roth IRAs and traditional IRAs from your District Office of the Internal Revenue Service. In particular, you may wish to obtain IRS Publication 590-A Contributions to Individual Retirement Arrangements (IRAs), and 590-B Distributions from Individual Retirement Arrangements (IRAs).

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## **FINANCIAL DISCLOSURE**

### **In General**

IRS regulations require the Custodian to provide you with a financial projected growth of your Roth IRA account based upon certain assumptions.

### **Growth in the Value of Your Roth IRA**

Growth in the value of your Roth IRA is neither guaranteed nor projected. The value of your Roth IRA will be computed by totaling the fair market value of the assets credited to your account. At least once a year the Custodian will send you a written report stating the current value of your Roth IRA assets. The Custodian shall disclose separately a description of:

- (a) the type and amount of each charge;
- (b) the method of computing and allocating earnings, and
- (c) any portion of the contribution, if any, which may be used for the purchase of life insurance.

### **Custodian Fees**

The Custodian may charge reasonable fees or compensation for its services and it may deduct all reasonable expenses incurred by it in the administration of your Roth IRA, including any legal, accounting, distribution, transfer, termination or other designated fees. Dividends, interest or other income, including net realized capital gains, if any, from your IRA assets will be credited to your IRA and invested as you direct the Custodian. All charges made by the Custodian will be separately disclosed on an attachment hereto. Such fees may be charged to you or directly to your custodial account. In addition, depending on your choice of investment vehicles, you may incur brokerage commissions attributable to the purchase or sale of assets.

# Non-Bank Trustee Approval Letters

## Retirement Solutions Group



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

NOV 25 2009

RBC Capital Markets Corporation  
RBC Plaza  
60 S. 6<sup>th</sup> Street  
Minneapolis, MN 55402

EIN: 41-1416330

Re: RBC Dain Rauscher, Inc. — Nonbank Trustee Status  
Sutro & Company – Nonbank Trustee Status

Ladies and Gentlemen:

This letter is in response to a letter dated March 20, 2009, signed by Jeff Traylor, Associate General Counsel, as supplemented by an email dated March 30, 2009, concerning the nonbank trustee status of RBC Dain Rauscher, Inc. and Sutro & Company.

On January 22, 1982 and March 2, 1998, the Internal Revenue Service (Service) issued notices of approval to RBC Dain Rauscher, Inc. to serve as a nonbank trustee or custodian.

On December 8, 1988, the Service issued a notice of approval to Sutro & Company to serve as a nonbank trustee.

Pursuant to section 1.408-2(e)(6)(iv) of the Income Tax Regulations, Mr. Traylor's letter informed this office that in 2008, following a merger in which RBC Dain Rauscher was the surviving company, RBC Dain Rauscher changed its name to RBC Capital Markets Corporation. The name change was done for marketing and branding purposes.

With regard to Sutro & Company, Mr. Traylor informed this office that Sutro & Company merged into RBC Dain Rauscher, Inc. (now RBC Capital Markets Corporation) and as a result, Sutro & Company no longer exists. All Sutro accounts were transferred to RBC Dain Rauscher, Inc.

Based on the above, notice is hereby given that as of the date of this letter the Service has removed the name "RBC Dain Rauscher, Inc." from its list of approved nonbank trustees/custodians and replaced it with "RBC Capital Markets Corporation."

RBC Capital Markets Corporation

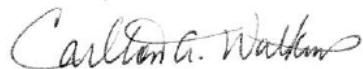
Notice is also hereby given that as of the date of this letter, the Service has withdrawn the December 8, 1988 Notice of Approval issued to Sutro & Company and removed the name "Sutro & Company" from its list of approved nonbank trustees/custodians.

This is not a determination as to whether RBC Capital Markets Corporation continues to meet the requirements of section 1.408-2(e) of the regulations.

Thank you for writing to us about this matter. No further action will be taken by this office.

If you have any questions, please contact Mr. Calvin Thompson (Identification No. 1000221590) at (202) 283-9596.

Sincerely,



Carlton A. Watkins, Manager  
Employee Plans Technical Group 1

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Person to Contact:

Dain Bosworth Inc.  
100 Dain Tower  
Minneapolis, Minnesota 55402

Ms. B. Garcia  
Telephone Number:  
(202) 566-4185  
Refer Reply to:  
E:EP:T:3  
Date:

JAN 22 1982

Gentlemen:

You have requested a determination that Dain Bosworth Inc. may act as a nonbank trustee or custodian for plans benefiting owner-employees (Keoghs) and Individual Retirement Accounts (IRAs) as provided in section 1.401-12(n) of the Income Tax Regulations.

Section 408(a)(2) of the Code requires that the trustee of an IRA be a bank (as defined in section 401(d)(1) of the Code) or such other person who demonstrates to the satisfaction of the Commissioner of Internal Revenue that the manner in which such other person will administer the IRA will be consistent with the requirements of section 408.

Section 401(d)(1) of the Code, as amended by the Employee Retirement Income Security Act of 1974 (ERISA), permits a person other than a bank to be the trustee of a qualified pension or profit-sharing trust benefiting owner-employees if he demonstrates to the satisfaction of the Commissioner that he will administer the trust in a manner consistent with the requirements of section 401.

Additionally, section 401(f) of the Code provides that a custodial account shall be treated as a qualified trust under section 401(a) if such custodial account would, except for the fact that it is not a trust, constitute a qualified trust under section 401(a) and the custodian is a bank (as defined in section 401(d)(1)) or other person who demonstrates to the satisfaction of the Commissioner that the manner in which such person will hold the assets will be consistent with the requirements of section 401. Section 408(h) provides similar rules for custodians of individual retirement accounts.

Section 1.401-12(n) of the regulations provides that such person must file a written application with the Commissioner demonstrating, as set forth in that section, his ability to act as trustee or custodian of IRAs and Keogh plans.

Based upon all the representations presented in the application, we have concluded that Dain Bosworth Inc. may act as active trustee or custodian for IRAs and Keogh plans.

Dain Bosworth Inc.

Dain Bosworth Inc. is required to notify the Commissioner of Internal Revenue, Attn: E:EP, Internal Revenue Service, Washington, D.C. 20224, in writing, of any change that affects the continuing accuracy of any representations made in the application. Further, the continued approval of the corporation's application to act as trustee or custodian is contingent upon the continued satisfaction of the criteria set forth in section 1.401-12(n) of the regulations.

Dain Bosworth Inc. may not act as trustee or custodian unless it undertakes to act only under trust or custodial instruments that contain a provision to the effect that Dain Bosworth Inc. is to substitute another trustee or custodian upon notification by the Commissioner that such substitution is required because it has failed to comply with the requirements of section 1.401-12(n) of the regulations, or is not keeping such records, or making such returns or rendering such statements as are required by forms or regulations.

This letter constitutes a determination as to whether Dain Bosworth Inc. may act as trustee or custodian for IRAs and Keogh plans under sections 408(a)(2) and 401(d)(1) of the Code, and does not bear upon its capacity to act as trustee or custodian under any other applicable law.

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

Sincerely yours,

*William T. Allen*

William T. Allen  
Chief, Employee Plans  
Technical Branch

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Dain Bosworth Inc.  
100 Dain Tower  
Minneapolis, Minnesota 55402

Person to Contact:  
Ms. B. Garcia  
Telephone Number:  
(202) 566-4185  
Refer Reply to:  
E:EP:T:3  
Date:

JAN 22 1982

Gentlemen:

You have requested a determination that Dain Bosworth Inc. may act as a passive trustee or custodian of plans benefiting owner-employees (Keogh plans) and Individual Retirement Accounts (IRAs) as provided in section 1.401-12(n) of the Income Tax Regulations.

Sections 401(d)(1) and 408(a)(2) of the Internal Revenue Code, as amended by the Employee Retirement Income Security Act of 1974 (ERISA), require a trustee or custodian of Keogh plans and IRAs to be a bank or such other person who demonstrates to the satisfaction of the Commissioner that he will administer such trusts in accordance with the requirements of sections 401 and 408, respectively.

Additionally, section 401(f) 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 and the custodian is a bank (as defined in section 401(d)(1)) or other person who demonstrates to the satisfaction of the Commissioner that the manner in which such other plan will hold the assets will be consistent with the requirements of section 401 of the Code. Section 408(h) provides similar rules for custodians of individual retirement accounts.

Section 1.401-12(n) of the regulations provides that such a person must file a written application with the Commissioner, demonstrating as set forth in that section, his ability to act as trustee or custodian of plans benefiting owner-employees and individual retirement accounts.

We have concluded from all the representations made in the application that Dain Bosworth Inc. meets the requirements of section 1.401-12(n) of the regulations and, therefore, may act as a passive trustee or custodian for Keogh plans and IRAs.

This letter authorizes Dain Bosworth Inc. to act only as a passive trustee or custodian within the meaning of section 1.401-12(n) of the regulations; that is, it is authorized only to acquire and hold particular investments specified by the custodial or trust instrument. It may not act as trustee or custodian if under the written trust or custodial instrument it has discretion to direct investment of trust or custodial funds or any other aspects of the business administration of the trust or custodial account.

Dain Bosworth Inc.

This letter, while authorizing Dain Bosworth Inc. to act as a passive trustee or custodian within the meaning of section 1.401-12(n)(7) of the regulations, does not authorize it to pool accounts in a common investment fund within the meaning of section 1.401-12(n)(6)(vi) of the regulations. Dain Bosworth Inc. may not act as trustee or custodian unless it undertakes to act only under trust and custodial instruments which contain a provision to the effect that the employer is to substitute another trustee or custodian upon notification by the Commissioner that such substitution is required because the specified trustee or custodian has failed to comply with the requirements of such regulations or is not keeping such records, or making such returns, or rendering such statements, as are required by forms or regulations.

Dain Bosworth Inc. is required to notify the Commissioner of Internal Revenue, Attn: E:EP, Internal Revenue Service, Washington, D.C. 20224, in writing, of any change which affects the continuing accuracy of any representation made in its application required by section 1.401-12(n) of the Income Tax Regulations.

Furthermore, the continued approval of its application is contingent upon its continued satisfaction of the criteria set forth in section 1.401-12(n) of the Income Tax Regulations.

This letter constitutes a determination as to Dain Bosworth Inc. may act as trustee under section 401(d)(1) of the Code and does not bear upon its capacity to act as trustee or custodian under any other applicable law.

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

Sincerely yours,

*William T. Allen*

William T. Allen  
Chief, Employee Plans  
Technical Branch

# Important information regarding your individual retirement account



RBC Capital Markets, LLC ("RBC CM") is registered as a broker-dealer and investment adviser with the U.S. Securities and Exchange Commission (SEC). You may receive services from RBC CM as a client of its RBC Wealth Management division or as a client of another broker-dealer or registered investment adviser for which RBC CM provides custody and clearing services through its RBC Clearing & Custody division. Neither RBC CM, nor its affiliates or employees provide legal, accounting or tax advice. All legal, accounting or tax decisions regarding your accounts and any transactions or investments entered into in relation to such accounts, should be made in consultation with your independent advisors. No information, including but not limited to written materials, provided by RBC CM or its affiliates or employees should be construed as legal, accounting or tax advice.

The information below is adapted from "Important information regarding your individual retirement account", © PenServ Plan Services, Inc. Summary of Changes to IRAs (07-2024).

Several recent law changes have impacted Individual Retirement Accounts (IRAs). Your IRA Plan document cannot be updated to reflect these changes until the Internal Revenue Service releases their version of the language that must appear in your Plan. As your IRA provider, we await technical guidance from the Internal Revenue Service and the Department of Labor in order to administer the enacted provisions. In the meantime, we would like to take this opportunity to provide you with an informational summary to retain with your current IRA plan document.

## SECURE Act – Setting Every Community Up for Retirement Enhancement Act of 2019

### Repeal of maximum age for traditional IRA contributions

- Individuals are able to make contributions to their IRA even after attaining the age of 70 ½ (now 73), as long as income is earned.
- Effective for taxable years beginning after December 31, 2019.

### Increase in age for required beginning date for mandatory distributions

- The required beginning date for mandatory distributions was amended from age 70 ½ to age 72.
- This only applies to persons turning 70 ½ after December 31, 2019. Anyone who turned 70 ½ prior to 2020 must begin taking, and continue to take, distributions under pre-SECURE Act rules.

### Modification of required distribution rules for designated beneficiaries

- Upon the death of an IRA account owner, distributions of the entire account balance to anyone other than an "eligible designated beneficiary" must generally be made within 10 years of the account owner's death.
- An eligible designated beneficiary includes the surviving spouse, a child of the IRA account owner who has not yet reached the age of majority (age 21 as defined in IRS regulations), a disabled individual, a chronically ill individual, or an individual who is not more than 10 years younger than the decedent.

**Investment and insurance products offered through RBC Capital Markets, LLC are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.**

- This change eliminates the ability to have “stretch IRAs” by limiting the distribution period for certain beneficiaries.
- Effective for distributions on behalf of IRA account owners who die after December 31, 2019.

#### **Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption**

- Distributions from a retirement plan, in the case of a qualified birth or adoption, are exempt from the 10% early withdrawal penalty.
- The child must be under 18 years of age, the distribution must be made within the 1-year period after the birth or adoption date of the child, and the distribution exception is capped at \$5,000 per child, per parent.
- These funds may be repaid to the plan by a rollover, and the repayment would be treated as a nontaxable direct rollover (reported as a “repayment”).
- Effective for distributions made after December 31, 2019.

Tax-exempt “difficulty of care payments”, a type of qualified foster care payment to individual care providers under a state Medicaid Home and Community-Based Services waiver program (Medicaid Waiver payments), may be treated as compensation for purposes of making an IRA contribution.

For tax years beginning after December 31, 2019, certain taxable non-tuition fellowship and stipend payments are treated as compensation for the purpose of IRA contributions. Compensation will include any amount included in gross income and paid to aid in pursuit of graduate or postdoctoral study.

#### **CARES Act – Coronavirus Aid, Relief, and Economic Security Act of 2020**

The CARES Act provided assistance to the American people from the public health and economic impact of COVID-19. The provisions under the CARES Act were mostly available during 2020, but the highlights are listed here:

- Coronavirus-related distributions – a coronavirus-related distribution (CRD) is a distribution made on or after January 1, 2020 and before December 30, 2020 to a qualified individual from an IRA, qualified plan, 403(b), or governmental 457(b) of up to \$100,000 in the aggregate for any taxable year. A CRD was directly repaid (i.e., rolled over) to any IRA or other eligible plan that accepts rollovers ratably within 3 years. Amounts not repaid could be taxed over a 3-year period.
- The CARES Act provides for 2 special coronavirus-related loan conditions to qualified individuals: 1) increases the amount that can be borrowed; and 2) extends the time to repay an existing loan. Loans are not permitted from individual retirement accounts, however.

#### **Waiver of Required Minimum Distribution (RMD)**

All Required Minimum Distributions were waived for the calendar year 2020 under the CARES Act, including for a participant whose required beginning date is in 2020 (e.g., initial year 2019 RMDs due by April 1, 2020). Beneficiaries required to take RMDs from inherited IRAs were included in the waiver.

The 2020 RMD waiver applied to all IRA owners, not only to qualified individuals affected by COVID-19.

RMDs taken at any point during 2020 could have been rolled back into an eligible plan. IRS notice 2020-51 provided an extension to roll back any RMD taken on or after January 1, 2020 by August 31, 2020 without regard to the 60-day deadline that applies to IRA to IRA rollovers, or the one rollover in a 12-month period restriction.

RMD amounts that were received after August 31st were still eligible for rollover, but were subject to the normal rollover restrictions.

Qualified Charitable Distributions are not affected by the CARES Act. As it relates to the change in RMD age under the SECURE Act mentioned previously, an IRA owner or beneficiary who was age 70 ½ could still request a QCD even if they did not have a 2020 RMD. Those individuals continue to remain QCD eligible despite the increase in RMD age to 72. See Appendix D in IRS Publication 590-B to determine the correct amount of the QCD.

#### **SECURE 2.0 Act of 2022 (SECURE 2.0)**

Continuing the initiatives of the SECURE Act of 2019, SECURE 2.0 Act of 2022 (SECURE 2.0), Division T of the Consolidated Appropriations Act of 2023, was signed into law on December 29, 2022 (date of enactment). Some changes became effective on the date of enactment—or even retroactively, but the Internal Revenue Service and the Department of Labor must provide technical guidance to practitioners and taxpayers for them to be practicable.

### **Increase in Age for Required Beginning Date for Mandatory Distributions**

- The required beginning date for Required Minimum Distributions (RMDs) has been increased from age 72 to age 73 starting on January 1, 2023.
- The Act further increases the RMD age, starting January 1, 2033, from 73 to 75.

### **Indexing IRA Catch-Up Limit**

- Indexes the current \$1,000 age 50 catch-up limit.
- Effective for taxable years beginning after December 31, 2023.

### **Withdrawals for Certain Emergency Expenses**

- Provides an exception for certain distributions used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses.
- Only one distribution is permissible per year of up to \$1,000, and a taxpayer has the option to repay the distribution within 3 years.
- No further emergency distributions are permissible during the 3-year repayment period unless repayment occurs.
- Effective for distributions made after December 31, 2023.

### **Special Rules for Certain Distributions from Long-Term Qualified Tuition Programs to Roth IRAs**

- SECURE 2.0 amended the Internal Revenue Code to allow for tax and penalty free rollovers, up to \$35,000 over the course of a taxpayer's lifetime, from any 529 account in their name to their Roth IRA.
- These rollovers are subject to Roth IRA annual contribution limits, but not the income threshold for contributions. To qualify, the 529 account must have been open for 15 years or more.

### **Remove Required Minimum Distribution Barriers of Life Annuities**

- An actuarial test related to certain commercial lifetime annuities in qualified plans and IRAs in the required minimum distribution regulations is eliminated. This will reinstitute certain guarantees for the benefit of individuals who are otherwise unwilling to elect a life annuity under a defined contribution plan or IRA.
- This provision is effective for calendar years ending after the date of enactment of the Act.

### **Qualifying Longevity Annuity Contracts**

- To preserve the intended longevity protection, the 25% limit is eliminated, and the dollar limit is increased to \$200,000.
- In addition, QLACs with spousal survival rights are available, and free-look periods are permitted up to 90 days with respect to contracts purchased or received in an exchange on or after July 2, 2014.

### **Eliminating a Penalty on Partial Annuitization**

- A participant that holds an annuity contract in their retirement account may elect to calculate the Required Minimum Distribution (RMD) by aggregating the value of the annuity with the value of the non-annuitized portion of the account. The annuity contract payments for the year can then be deducted from the combined RMD amount.
- This became effective on the date of enactment of the Act, however, the Treasury Secretary is to update the relevant regulations accordingly. Until then, taxpayers may rely on a good faith interpretation of the law.

### **Reduction in Excise Tax on Certain Accumulations in Qualified Retirement Plans**

- The penalty for failure to take Required Minimum Distributions (RMDs) is reduced from 50% to 25%.
- In addition, if a failure to take the RMD is corrected within a 2-year correction period, the excise tax on the failure is further reduced from 25% down to 10% percent. This correction window begins on the tax filing due date for the year the excess occurred, and ends on the earlier of the last day of the second taxable year following such deadline or when the taxpayer is audited.
- Effective for taxable years beginning after the date of enactment of the Act.

### **Updating Dollar Limit for Mandatory Distributions**

- Under current law, employers may automatically roll over former employees' retirement accounts from a workplace retirement plan into an IRA if their balances are between \$1,000 and \$5,000.
- The limit is now increased from \$5,000 to \$7,000, effective for distributions made after December 31, 2023.

### **One-Time Election for Qualified Charitable Distribution (QCD) to Split-Interest Entity; Increase in Qualified Charitable Distribution Limitation**

- Expands the Qualified Charitable Distribution provision to allow for a one-time, \$50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts.
- This is effective for distributions made in taxable years beginning after the date of enactment of the Act.
- In addition, the \$50,000 special distribution amount, as well as \$108,000 overall QCD limit, will be indexed for inflation for distributions made in taxable years ending after the date of enactment of the Act.

### **Repayment of Qualified Birth or Adoption Distribution Limited to 3 Years**

- The recontributorship period for distributions made in the case of birth or adoption, a qualified birth or adoption distribution (QBAD), is restricted to 3 years.
- Effective to distributions made after the date of the enactment of the Act, and retroactively to the 3-year period beginning on the day after the date on which such distribution was received.

### **Penalty-Free Withdrawal from Retirement Plans for Individual Case of Domestic Abuse**

- Retirement plans may permit participants to self-certify that they experienced domestic abuse within the past year, allowing the participant to withdraw a small amount of money (the lesser of \$10,000, indexed for inflation, or 50% of the participant's account).
- This distribution is not subject to the 10% tax on early distributions. Additionally, a participant has the opportunity to repay the withdrawn money from the retirement plan over 3 years, and will be refunded for income taxes on money that is repaid.
- Effective for distributions made after December 31, 2023.

### **Tax Treatment of IRA Involved in a Prohibited Transaction**

- When an individual engages in a prohibited transaction with respect to their IRA, the IRA is disqualified and treated as distributed to the individual, irrespective of the size of the prohibited transaction.
- This provision clarifies that if an individual has multiple IRAs, only the IRA with respect to which the prohibited transaction occurred will be disqualified.
- Effective for taxable years beginning after the date of enactment of the Act.

### **Clarification of Substantially Equal Periodic Payment Rule**

- Clarification of what does not constitute a modification of the additional tax on early distributions for the Substantially Equal Periodic Payment (SEPP) rule.
- The exception continues to apply in the case of a rollover of the account, an exchange of an annuity providing the payments, or an annuity that satisfies the Required Minimum Distribution rules.
- This provision is effective for transfers, rollovers, and exchanges after December 31, 2023; and effective for annuity distributions on or after the date of enactment of the Act.

### **Exception to Penalty on Early Distributions from Qualified Plans and IRAs to Individuals with a Terminal Illness**

- Provides an exception to the 10% additional tax on early distributions made to individuals with a terminal illness.
- A physician must certify that the illness is reasonably expected to result in death within 84 months.
- These withdrawals currently have no dollar limitation, and can be repaid to the account in a manner that is similar to qualified birth or adoption distributions.
- The exception is effective for distributions made after the date of enactment of the Act.

## Special Rules for Use of Retirement Funds in Connection with Qualified Federally Declared Disasters

- Issues permanent rules that aim to standardize access to retirement funds in the event of a federally declared disaster.
- To be eligible, an individual must have their primary residence in the federally declared disaster area, and sustain an economic loss as a result of the disaster event.
- If eligible, up to \$22,000 can be considered a Qualified Disaster Distribution (or Qualified Disaster Recovery Distribution), taken no later than 180 days after the federal disaster was declared.
- The funds are exempt from the 10% excise tax on early distributions.
- There is a 3-year window following the date of distribution to repay all or a portion of the payment back to an eligible retirement plan. Alternatively, taxes can be spread ratably over a 3-year period.
- A list of federally declared disasters can be found on the Federal Emergency Management Agency website, [fema.org](https://www.fema.gov).
- Effective retroactively for disasters occurring on or after January 26, 2021.

## Elimination of Additional Tax on Corrective Distributions of Excess Contributions

- Earnings attributable to timely correction of an excess contribution is not subject to the 10% additional tax on early distributions.
- Effective for any determination made on or after the date of enactment of the Act, even if the correction occurred before date of enactment.

## Modification of Required Minimum Distribution Rules for Special Needs Trust

- In the case of a special needs trust established for a beneficiary with a disability, the trust may provide for a charitable organization as the remainder beneficiary.
- Effective for calendar years beginning after the date of enactment of the Act.

<b>IRA and Roth IRA Contribution Limits – Cost of Living Adjustments (COLAs)</b>		
	<b>2024</b>	<b>2025</b>
Traditional IRA regular contribution limit	\$7,000	\$7,000
Age 50 catch-up limit for traditional IRAs	\$1,000	\$1,000
<b>AGI phase-out ranges for determining traditional IRA deductions for active participants:</b>		
Unmarried taxpayers	\$77,000–\$87,000	\$79,000–\$89,000
Married taxpayers filing joint returns	\$123,000–\$143,000	\$126,000–\$146,000
Married taxpayers filing separate returns	\$0–\$10,000	\$0–\$10,000
Non-active participant spouse	\$230,000–\$240,000	\$236,000–\$246,000
Roth IRA regular contribution limit	\$7,000	\$7,000
Age 50 catch-up limit for traditional and Roth IRAs	\$1,000	\$1,000
<b>AGI phase-out ranges for determining Roth IRA regular contributions:</b>		
Unmarried taxpayers	\$146,000–\$161,000	\$150,000–\$165,000
Married taxpayers filing joint returns	\$230,000–\$240,000	\$236,000–\$246,000
Married taxpayers filing separate returns	\$0–\$10,000	\$0–\$10,000