

Equity Trust Company's IRA Disclosure Statement is a summary of the general requirements set forth by the Internal Revenue Service Regulations. These Regulations require that certain information is disclosed to individuals who are establishing an Individual Retirement Account ("IRA"). By executing the Equity Trust Company Application, you acknowledge receipt of this Disclosure Statement.

RIGHT TO REVOKE YOUR IRA

If you receive this Disclosure Statement at the time you establish your IRA, you have the right to revoke your IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Custodian at the address listed on the Application.

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

If you have any questions about the procedure for revoking your IRA, please call the Custodian at the telephone number listed on the Application.

REQUIREMENTS OF AN IRA

- A. **CASH CONTRIBUTIONS** - Your contribution must be in cash unless it is a rollover contribution.
- B. **MAXIMUM CONTRIBUTION** - The total amount you may contribute to an IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$6,000 for 2020, 2021 and 2022, with possible cost of living adjustments in future years. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (Code) sections 408(a) or 408(b)) is reduced by any contributions you make to your Roth IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation. However, if you are an eligible qualified reservist who has taken penalty-free qualified reservist distributions from your IRA Account, you may recontribute those amounts to your IRA Account within a two-year period from your date of return.
- C. **CONTRIBUTION ELIGIBILITY** - In order to make a contribution to an IRA for a year, you must receive compensation (or earned income) for that year. Earned income can be wages, salary, tips and other amounts for providing services but does not include earning and profits from property. For 2020 and later tax years, you may make a regular contribution to your IRA at any age if you have compensation. For tax years before 2020, you are eligible to make a regular contribution to your IRA if you have not reached age 70 ½ by the end of the taxable year for which the contribution is made and you have compensation for that year.
- D. **CATCH-UP CONTRIBUTIONS** - If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your IRA. The maximum additional contribution to your IRA is \$1,000 per year.
- E. **NON-FORFEITABILITY** - Your interest in your IRA is non-forfeitable.
- F. **ELIGIBLE CUSTODIANS** - The Custodian of your IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- G. **COMMINGLING ASSETS** - The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- H. **LIFE INSURANCE** - No portion of your IRA may be invested in life insurance contracts.
- I. **COLLECTIBLES** - You may not invest the assets of your IRA in collectibles (within the meaning of Code section 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum, or palladium bullion (as described in Code section 408(m)(3)) are also permitted as IRA investments.
- J. **REQUIRED MINIMUM DISTRIBUTIONS** - You are required to take minimum distributions from your IRA at certain times in accordance with Regulations section 1.408-8. Below is a summary of the IRA distribution rules.
 - 1. If you were born before July 1, 1949, you are required to take a

minimum distribution from your IRA for the year in which you reach age 70 ½ and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you reach age 70 ½. However, if you were born on or after July 1, 1949, you are required to take a minimum distribution from your IRA for the year in which you reach age 72 and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you reach age 72. The minimum distribution for a taxable year is equal to the amount obtained by dividing the IRA account balance at the end of the prior year by the applicable divisor.

- 2. The applicable divisor is generally determined using the uniform lifetime table provided by the IRS. If your spouse is your sole designated beneficiary, and is more than 10 years younger than you, the required minimum distribution is determined annually using the actual joint life expectancy of you and your spouse obtained from the joint and last survivor table provided by the IRS, rather than the life expectancy divisor from the uniform lifetime table.

We reserve the right to do any one of the following by the date in which you are required to take a distribution:

- (a) make no distribution until you give us a proper withdrawal request,
- (b) distribute your entire IRA to you in a single sum payment, or
- (c) determine your required minimum distribution from your IRA with us each year based on your life expectancy calculated using the uniform lifetime table and pay those distributions to you until you direct otherwise.

If you fail to take a minimum distribution for the year in which you were required to take one, a penalty tax of 50 percent is imposed on the amount of the required minimum distribution that should have been taken. You are required to file IRS Form 5329 with your income tax return to report and pay any additional taxes to the IRS.

- K. **BENEFICIARY DISTRIBUTIONS** — Upon your death, your beneficiaries of your IRA Account are required to take distributions pursuant to Sections 401(a)(9) of the IRC and Treasury Regulation 1.408-8. These requirements are summarized as follows:

- 1. **Death of IRA Owner Before January 1, 2020** - Your designated beneficiary is determined based on the beneficiary(ies) designated as of the date of your death, who remains your beneficiary(ies) as of September 30 of the year following the year of your death. If you die,
 - (a) on or after your required beginning date, distributions must be made to your beneficiary(ies) over the longer of the single life expectancy of your designated beneficiary(ies), or your remaining life expectancy. If a beneficiary other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.
 - (b) before your required beginning date, the entire amount remaining in your Account will, at the election of your designated beneficiary(ies), either
 - (i) be distributed by December 31 of the year containing the fifth anniversary of your death, or
 - (ii) be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (i) or (ii) by December 31 of the year following the year of your death. If no election is made, distribution will be calculated in accordance with option (ii). In the case of distributions under option (ii), distributions must commence by December 31 of the year following the year of your death. Generally,

if your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained age 72 (age 70 1/2, if you would have reached age 70 ½ before 2020), if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

A spouse who is the sole designated beneficiary of your entire IRA will be deemed to elect to treat your IRA as his or her own by either (i) making contributions to your IRA or (ii) failing to timely remove a required minimum distribution from your IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

2. **Death of IRA Owner On or After January 1, 2020** – Upon your death, the entire amount in your IRA Account will be distributed by December 31 of the year containing the 10th anniversary of your death unless you have an eligible designated beneficiary under Treasury Regulations or you have no designated beneficiary for purposes of determining a distribution period. This requirement applies to beneficiaries regardless of whether you die before, on, or after your required beginning date. If your beneficiary is an eligible designated beneficiary, the entire amount in your IRA Account can be distributed over the remaining life expectancy of your eligible designated beneficiary (or a period not exceeding that life expectancy).

An eligible designated beneficiary under Treasury Regulations is a designated beneficiary who is (1) your surviving spouse; (2) your child who has not yet reached the age of majority; (3) disabled [determined by a physician that the impairment can be expected to result in death or to be of long, continued and indefinite duration]; or (4) chronically ill [defined as someone who is (1) unable to perform without substantial assistance from another individual at least two activities of daily living for an indefinite period due to a loss of functional capacity, (2) has a level of disability similar to the level of disability described above requiring assistance with daily living based on loss of functional capacity, or (3) requires substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment.] Special rules apply to trust beneficiaries and distributions for those trust beneficiaries.

Life expectancy distributions to an eligible designated beneficiary must begin by December 31 of the year following the year of your death. If your spouse, however, is the eligible designated beneficiary, distributions need not begin until the year you would have reached the age of 72. If your eligible designated beneficiary is your minor child, the life expectancy payments must begin by December 31 of the year following the year of your death and will continue until your child reaches the age of majority. Then, the eligible designated beneficiary will have 10 years from that date to distribute the IRA Account.

If you name a beneficiary other than a person (such as a trust, estate, or charity), we will treat you as having not designated a beneficiary for your IRA Account for purposes of determining the distribution period. If you die before your required beginning date and there is no designated beneficiary of your IRA Account, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary date of your death. If you die on or after your required beginning date and there is no designated beneficiary of your IRA Account, distributions will begin using your single life expectancy, reduced by one in each subsequent year.

A spouse who is the sole designated beneficiary of your entire IRA will be deemed to elect to treat your IRA as his or her own by either (i) making contributions to your IRA or (ii) failing to timely remove a required minimum distribution from your IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

If your beneficiary fails to take a required minimum distribution after your death, an additional penalty tax of 50 percent is imposed on the amount of the required minimum distribution that should have been taken but was not. Your beneficiary must file IRS Form 5329 with his or her income tax return to report and pay any additional penalty taxes to the IRS.

INCOME TAX CONSEQUENCES OF ESTABLISHING AN IRA

- A **IRA DEDUCTIBILITY** - If you are eligible to contribute to your IRA, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are an active participant in an employer-maintained retirement plan. If you (and your spouse, if married) are not an active participant, your entire IRA contribution will be deductible. If you are an active participant (or are married to an active participant), the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the contribution was made. MAGI is determined on your income tax return using your adjusted gross income but disregarding any deductible IRA contribution.

Definition of Active Participant - Generally, you will be an active participant if you are covered by one or more of the following employer-maintained retirement plans:

1. a qualified pension, profit sharing, 401(k), or stock bonus plan;
2. a qualified annuity plan of an employer;
3. a simplified employee pension (SEP) plan;
4. a retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under Code section 457);
5. a tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. a plan meeting the requirements of Code section 501(c)(18);
7. a qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); and
8. a savings incentive match plan for employees of small employers (SIMPLE) IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans, or whether you are an active participant in it, check with your employer or your tax advisor. Also, the IRS Form W-2, Wage and Tax Statement, that you receive at the end of the year from your employer will indicate whether you are an active participant. If you are an active participant and are single, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out range maximum for the applicable year (specified below), and subtract your MAGI; (2) divide this total by the difference between the phase-out maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$66,000 in 2020, your maximum deductible contribution is \$5,400 (the 2020 phase-out range maximum of \$75,000 minus your MAGI of \$66,000, divided by the difference between the maximum and minimum phase-out range limits of \$10,000 and multiplied by the contribution limit of \$6,000.)

If you are an active participant, are married and you file a joint income tax return, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out maximum for the applicable year (specified below), and subtract your MAGI; (2) divide this total by the difference between the phase-out range maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of \$107,000 in 2020, your maximum deductible contribution is \$5,100 (the 2020 phase-out maximum of \$124,000 minus your MAGI of \$107,000, divided by the difference between the maximum and minimum phase-out limits of \$20,000 and multiplied by the contribution limit of \$6,000.)

If you are an active participant, are married and you file a separate income tax return, your MAGI phase-out range is generally \$0 - \$10,000. However, if you lived apart for the entire tax year, you are treated as a single filer.

Tax Year	Joint Filers Phase-out Range	Single Taxpayer Phase-out Range
	(minimum)(maximum)	(minimum)(maximum)

TRADITIONAL/SEP IRA DISCLOSURE STATEMENT

2018	\$101,000 - \$121,000	\$63,000 - \$73,000
2019	\$103,000 - \$123,000	\$64,000 - \$74,000
2020	\$104,000 - \$124,000	\$65,000 - \$75,000
2021	\$105,000 - \$125,000	\$66,000 - \$76,000
2022	\$109,000 - \$129,000	\$68,000 - \$78,000

The MAGI phase-out range for an individual that is not an active participant, but is married to an active participant, is \$198,000 - \$208,000 (for 2021) and \$204,000 - \$214,000 (for 2022). If you are not an active participant in an employer-maintained retirement plan, are married to someone who is an active participant, and you file a joint income tax return with MAGI between the applicable phase-out range for the year, your maximum deductible contribution is determined as follows: (1) begin with the appropriate MAGI phase-out maximum for the year and subtract your MAGI; (2) divide this total by the difference between the phase-out range maximum and minimum; and (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take.

You must round the resulting deduction to the next highest \$10 if the number is not a multiple of 10. If your resulting deduction is between \$0 and \$200 you may round up to \$200.

- B. CONTRIBUTION DEADLINE** - The deadline for making an IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar year taxpayer, and you make your IRA contribution on or before April 15, your contribution is considered to have been made for the previous tax year if you designate it as such.
- C. TAX CREDIT FOR CONTRIBUTIONS** - For taxable years beginning on or after January 1, 2002, you may be eligible to receive a tax credit for your Traditional IRA contributions. This credit will be allowed in addition to any tax deduction that may apply and may not exceed \$1,000 in a given year. You may be eligible for this tax credit if you are

- age 18 or older as of the close of the taxable year,
- not a dependent of another taxpayer, and
- not a full-time student.

The credit is based upon your income (see chart below) and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional or Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed \$2,000.

For 2022 Adjusted Gross Income*			Applicable %
Joint Return	Head of Household	All Other Cases	
\$1 - \$41,000	\$1 - \$30,750	\$1 - \$20,500	50 %
\$41,001 - \$44,000	\$30,751 - \$33,000	\$20,501 - \$22,000	20 %
\$44,001 - \$68,000	\$33,001 - \$51,000	\$22,001 - \$34,000	10 %
Over \$68,000	Over \$57,000	Over \$33,000	0 %

*Adjusted gross income includes foreign earned income and income from Guam, American Samoa, North Mariana Islands and Puerto Rico.

- D. TAX-DEFERRED EARNINGS** - The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).
- E. NONDEDUCTIBLE CONTRIBUTIONS** - You may make nondeductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and nondeductible IRA contributions

cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100 percent of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.

If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution along with your income tax return using IRS Form 8606. Failure to file IRS Form 8606 will result in a \$50 per failure penalty.

If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a \$100 penalty unless reasonable cause for the overstatement can be shown.

- F. TAXATION OF DISTRIBUTIONS** - The taxation of IRA distributions depends on whether or not you have ever made nondeductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income.

If you have ever made nondeductible contributions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income.

$$\frac{\text{(Aggregate Nondeductible Contributions)} / \text{Aggregate IRA Balance}}{\text{x (Amount Withdrawn)}} = \text{Amount Excluded from Income}$$

NOTE: Aggregate nondeductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that the aggregate IRA balance includes the total balance of all of your IRAs as of the end of the year of distribution and any distributions occurring during the year.

HSA Funding Distributions. An individual may make a one-time transfer of funds from his or her IRA distribution directly to the IRA owner's health savings Account (HSA) without recognizing income on the distribution. The dollar amount excluded cannot exceed the annual limitation on the individual's HSA contribution for the year. The exclusion is lost if the individual ceases to be eligible to contribute to an HSA during the twelve months after the contribution. In such a case, the distribution is subject to tax and a 10-percent penalty is imposed.

Use of IRAs for Charitable Contributions

The 2012 Taxpayer Relief Act retroactively extended this provision making it available for charitable IRA transfers made in tax years beginning before January 1, 2014. (Code Sec. 408(d)(8)(F), as amended by Act Sec. 208). The Act included two elections to deal with the retroactive reinstatement of this provision:

1. A taxpayer could elect to have a distribution made in January of 2013 be treated as if it were made on December 31, 2012. (Act Sec. 208(b)(2)(A))
2. A taxpayer could elect to treat any portion of a distribution from an IRA to the taxpayer during December 2012, as a qualified charitable distribution, provided that (i) the portion was transferred in cash after the distribution to an eligible charitable organization before February 1, 2013, and (ii) except for the fact that the distribution was not originally transferred directly to the organization, the distribution otherwise met Code Sec. 408(d)(8)'s requirements. (Act Sec. 208(b)(2)(B)).

- G. ROLLOVERS AND CONVERSIONS** - Your IRA may be rolled over to an IRA of yours, may receive rollover contributions, and may be converted to a Roth IRA, provided that all of the applicable rollover and conversion rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from another IRA, or from your employer's qualified retirement plan, 403(a) annuity plan, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plans. Conversion is a term used to describe the movement of Traditional IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.

1. **Traditional IRA to Traditional IRA Rollovers** - Funds distributed from your IRA may be rolled over to an IRA of yours if the requirements of Code section 408(d)(3) are met. A proper IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another IRA to IRA rollover from the distributing IRA (or after 2014,

from any other IRA of yours) during the 12 months preceding the date you receive the distribution. In the case of a distribution for a first-time homebuyer where there was a delay or cancellation of the purchase, the 60-day rollover period may be extended to 120 days.

2. **SIMPLE IRA to Traditional IRA Rollovers** - Funds may be distributed from your SIMPLE IRA and rolled over to your IRA without IRS penalty provided; two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with Traditional IRA to Traditional IRA rollovers, the requirements of Code section 408(d)(3) must be met. A proper SIMPLE IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may not have completed another SIMPLE IRA to IRA or SIMPLE IRA to SIMPLE IRA rollover from the distributing SIMPLE IRA (or after 2014, from any other IRA of yours) during the 12 months preceding the date you receive the distribution.

3. **Employer-Sponsored Retirement Plan to Traditional IRA Rollovers** - You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan. An eligible rollover distribution is defined generally as any distribution from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan (including trustee-to-trustee transfers to non-spouse beneficiaries) unless it is part of a certain series of substantially equal periodic payments, a required minimum distribution, or a hardship distribution, excess deferrals, the cost of life insurance coverage, or federal Thrift Savings Plan.

If you elect to receive your rollover distribution prior to placing it in an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution must be rolled over to your IRA not later than 60 days after you receive it. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax and, if you are under age 59 1/2, the 10 percent early distribution penalty (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your employer-sponsored retirement plan balance to an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

4. **Traditional IRA to Employer-Sponsored Retirement Plans** - You may roll over, directly or indirectly, any eligible rollover distribution from an IRA to an employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan so long as the employer-sponsored retirement plan accepts such rollover contributions. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution.

5. **Traditional IRA to Roth IRA Conversions** - If you convert to a Roth IRA, the amount of the conversion from your Traditional IRA to your Roth IRA will be treated as a distribution for income tax purposes, and is included in your gross income. Although the conversion amount is generally included in income, the 10 percent early distribution penalty shall not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty. If you are required to take a required minimum distribution for the year, you must remove your required minimum distribution before converting your Traditional IRA.

6. **Written Election** - At the time you make a proper rollover to an IRA, you must designate in writing to us your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

H. **TRANSFER DUE TO DIVORCE** - If all or any part of your IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Traditional IRA to another.

I. **RECHARACTERIZATIONS** - If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income, you may elect to treat the original contribution as having been made to the Roth IRA. You can also recharacterize a contribution from a Roth IRA to a Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline for the year for which the original contribution was made. You may not recharacterize a Roth IRA conversion.

LIMITATIONS AND RESTRICTIONS

A. **SEP PLANS** - Under a simplified employee pension (SEP) plan that meets the requirements of Code section 408(k), your employer may make contributions to your IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP plan.

B. **SPOUSAL IRA** - For contributions made for tax years beginning before 2020, if you are married and have compensation, you may contribute to an IRA established for the benefit of your spouse for any year prior to the year your spouse turns age 70 1/2, regardless of whether or not your spouse has compensation. For contributions made for 2020 and later tax years, you may contribute to an IRA established for the benefit of your spouse regardless of your spouse's age if you are married and have compensation. You may make these spousal contributions even if you are age 70 1/2 or older. You must file a joint income tax return for the year for which the contribution is made.

The amount you may contribute to your IRA and your spouse's IRA is the lesser of 100 percent of your combined compensation or \$12,000 for tax years 2021 and 2022. This amount may be increased with cost-of-living adjustments in future years. However, you may not contribute more than the individual contribution limit to each IRA.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's IRA. The maximum additional contribution is \$1,000 for tax years 2006 and beyond.

C. **DEDUCTION OF ROLLOVERS AND TRANSFERS** - A deduction is not allowed for rollover contributions or transfers.

D. **GIFT TAX** - Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.

E. **SPECIAL TAX TREATMENT** - Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to IRA distributions.

F. **INCOME TAX TREATMENT** - Any withdrawal from your IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.

G. **PROHIBITED TRANSACTIONS** - If you or your beneficiary engages in a prohibited transaction with your IRA, as described in Code section 4975, your IRA will lose its tax-deferred status, and you must include the value of your Account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your IRA: (1) taking a loan from your IRA; (2) buying property for personal use (present or future) with IRA funds; or (3) receiving certain bonuses or premiums because of your IRA.

H. **PLEDGING** - If you pledge any portion of your IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for the taxable year in which you pledge the assets.

I. **LISTED TRANSACTIONS AND REPORTABLE TRANSACTIONS** - Certain transactions are or may be identified by the Internal Revenue Service as abusive tax shelter schemes or transactions. A prohibited tax shelter transaction, as described in Code section 4965, is a transaction that is a listed transaction (including a subsequently listed transaction), as described in Code section 6707A(c)(2), or a prohibited reportable transaction, which is either a confidential transaction or a transaction with contractual protection and which is a reportable transaction defined in Code section 6707A(c)(1). A listed transaction is a transaction that is the same as or substantially similar to any of the types of transactions that the IRS has determined to be a tax avoidance transaction and are identified by notice, regulation or other form of published guidance as a listed transaction. A confidential transaction is a transaction that is offered under conditions of confidentiality and for which a minimum fee was paid. A transaction with contractual protection is

a transaction for which the party to the transaction has the right to a full or partial refund of fees if all or part of the intended tax consequences from the transaction are not sustained or with respect to which fees are contingent on the realization of tax benefits from the transaction.

As a type of tax-exempt entity subject to the prohibited tax shelter transaction rules, an IRA is required to file IRS Form 8886-T to disclose information with respect to each prohibited tax shelter transaction, entered into after May 17, 2006, to which it is a party. If the IRA participates in a reportable transaction (as defined in Treasury Regulations section 1.6011-4) the IRA also may be required to file IRS Form 8886. These forms must be filed by the entity manager, who in the case of a self-directed IRA, is the IRA owner who approved or caused the IRA to be a party to the transaction. Code section 6011(g) also requires a taxable party to a prohibited tax shelter transaction to disclose to the IRA Custodian that such transaction has occurred. In addition to the reporting and disclosure requirements, an IRA entity manager may be liable for excise taxes in connection with the prohibited tax shelter transaction. IRS Form 5330 is to be used for reporting such excise taxes. Additional penalties are imposed by Code section 6662A for failure to disclose required information with respect to prohibited tax shelter transactions.

FEDERAL TAX PENALTIES

- A. **EARLY DISTRIBUTION PENALTY** - If you are under age 59 1/2 and receive an IRA distribution, an additional tax of 10 percent will apply, unless made on Account of 1) death; 2) disability [with a qualifying physician determination]; 3) qualified birth or adoption for distributions during the one-year period beginning on the date of birth of your child or the date on which your legal adoption of an eligible adoptee is finalized, up to \$5,000 for each birth or adoption; 4) a series of substantially equal periodic payments (at least annual payments) made over your life expectancy or the joint life expectancy of you and your beneficiary taken for the longer of five years or until you reach age 59 ½; 5) unreimbursed medical expenses allowable as a deduction under Code 213, 6) health insurance payments if you are separated from employment and have received unemployment compensation under a federal or state program for at least 12 weeks, 7) certain qualified education expenses, 8) first-time home purchases (up to a life-time maximum of \$10,000 and used within 120 days of receipt), 9) a levy issued by the IRS, or 10) being called to active military duty if the distribution meets the requirement to be a qualified reservist distribution (i.e., called to active duty for at least 180 days or an indefinite period and made during the period from the date when ordered or called and ending at the close of the active duty period). This additional tax will apply only to the portion of a distribution which is includible in your taxable income.
- B. **EXCESS CONTRIBUTIONS AND PENALTY** - An additional tax of six percent is imposed upon any excess contribution you make to your IRA which is not removed timely. This additional tax will apply each year in which an excess remains in your IRA and not removed timely. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute. An excess contribution may be corrected by withdrawing the excess amount, along with the earnings, attributable to the excess, before your tax filing deadline, including extensions, for the year for which the excess in your taxable income in the year in which the contribution was made and the six percent excess contribution penalty tax will be avoided. However, if you are correcting an excess contribution after your tax filing deadline, including extensions, remove only the amount of the excess contribution. The six percent excess contribution penalty tax will be imposed on the excess contribution for each year it remains in the IRA Account. An excess withdrawal under this method will only be taxable to you if the total contributions made in the year of the excess exceed the annual applicable contribution limit. If you do not withdraw the excess contribution, you can carry forward the contribution for a subsequent tax year and you can under-contribute for that tax year on your tax return. The six percent excess contribution penalty tax will be imposed on the excess amount for each year that it remains as an excess contribution at the end of the year.
- C. **PENALTY REPORTING** - You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.
- D. **PROHIBITED TAX SHELTER TRANSACTION EXCISE TAX** - For tax years beginning after May 17, 2006, if you, as entity manager of your IRA, approve or otherwise cause your IRA to be a party to a prohibited tax

shelter transaction during the taxable year and you know or have a reason to know the transaction is a prohibited tax shelter transaction, you must pay an excise tax under Code section 4965(b)(2). You must file IRS Form 5330 to report this tax.

OTHER INFORMATION

- A. **IRS PLAN APPROVAL** - Articles I through VII of the Equity Trust Traditional Individual Retirement Custodial Account Agreement reflect the precise language of the corresponding articles of the IRS Model Traditional Individual Retirement Custodial Account Agreement (Form 5305-A). Therefore, your Equity Trust Traditional Individual Retirement Custodial Account Agreement is treated as satisfying all applicable IRS requirements as to the form of the IRA, without the need for specific IRS approval. However, because this treatment relates to the form of the IRA only, nothing in your Custodial Account Agreement constitutes an endorsement of, or a determination or opinion of the merits or consequences of, any action in connection with the operation of your Traditional IRA or of any investments made
- B. **NO PREDICTION, REPRESENTATION OR GUARANTEE OF FUTURE VALUE** - The value of your IRA at any time will depend on the amount of contributions to it, the performance of its investments as selected by you or your Authorized Agent, and the time and amount of charges to and payments from it. Equity Trust does not predict, represent, or guarantee the value of your IRA at any future time.
- C. **NON-DEPOSIT INVESTMENTS NOT INSURED BY FDIC** - Non-deposit investments, such as, but not limited to stocks, bonds, mutual funds, real property and private placements, of the IRA are not FDIC insured and are subject to investment risks, including the loss of principal.
- D. **DISASTER RELATED RELIEF** - If you qualify for disaster related relief as specifically provided by Congress, you may be eligible for favorable tax treatment on distributions, rollovers and other transactions related to your IRA Account. Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs) from the IRS will provide additional information for you for these favorable tax treatment opportunities, as well as the IRS website at www.irs.gov.
- E. **ADDITIONAL INFORMATION** - You may obtain further information on IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590-A and IRS Publication 590-B, Individual Retirement Arrangements, by calling 1-800-TAX-FORM, or by visiting www.irs.gov.