

## Preferred Trust Company Disclosure Statement | Roth IRA

You have the right to revoke your IRA within seven (7) days of the receipt of the disclosure statement. If revoked, you are entitled to a full return of the contribution you made to your IRA. The amounts returned to you will not be inclusive of any adjustments for commissions, administrative fees, or any change in market value. You may make this revocation only by mailing or delivering a written notice to Preferred Trust Company LLC ("Preferred Trust") at the address listed on the Application or by other electronic means mutually agreed upon and allowed by law.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date. If notice is received by fax or other electronic means, your revocation will be deemed delivered as of the date submitted.

If you have any questions about the procedure for revoking your IRA, please call Preferred Trust 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 a Roth IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or \$7,500 for year 2026 with possible cost-of-living adjustments thereafter. If you also maintain a Traditional IRA, (i.e., an IRA subject to the limits of Internal Revenue Code Section (IRC Sec.) 408A), the maximum contribution to your Traditional IRAs 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 your taxable compensation for the year.

Your Roth IRA contribution is further limited by your modified adjusted gross income (MAGI).

For 2026 your Roth IRA contribution limit is reduced (phase out) in the following circumstances:

- Your filing status is married filing jointly or qualifying widow(er) and your modified AGI is at least \$242,000. You cannot make a Roth IRA contribution if your modified AGI is \$252,000 or more.
- Your filing status is single, head of household, or married filing separately and you did not live with your spouse at any time in 2026 and your modified AGI is at least \$153,000. You cannot make a Roth IRA contribution if your modified AGI is \$168,000 or more.
- Your filing status is married filing separately, you lived with your spouse at any time during the year, and your modified AGI is more than -0-. You cannot make a Roth IRA contribution if your modified AGI is \$10,000 or more.

For 2025, your Roth IRA contribution limit is reduced (phase out) in the following circumstances:

- Your filing status is married filing jointly or qualifying widow(er) and your modified AGI is at least \$236,000. You cannot make a Roth IRA contribution if your modified AGI is \$246,000 or more.
- Your filing status is single, head of household, or married filing separately and you did not live with your spouse at any time in 2025 and your modified AGI is at least \$150,000. You cannot make a Roth IRA contribution if your modified AGI is \$165,000 or more.
- Your filing status is married filing separately, you lived with your spouse at any time during the year, and your modified AGI is more than -0-. You cannot make a Roth IRA contribution if your modified AGI is \$10,000 or more.

Refer to IRS Publication 590 for further detailed information on the calculation of your Roth Contribution amount.

C. CONTRIBUTION ELIGIBILITY - You are eligible to make a regular contribution to your Roth IRA, regardless of your age, if you have compensation and your MAGI is below the maximum threshold. Your Roth contribution is not limited by your participation in a retirement plan, other than by contributions made to your Traditional IRA.

D. CATCH-UP CONTRIBUTIONS - If you are age 50 or older by the close of the taxable year, you can make catch-up contributions to your traditional or Roth IRA up to \$1,100 in 2026, with possible cost-of-living adjustments thereafter.

E. NONFORFEITABILITY - Your interest in your Roth 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 Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.

H. LIFE INSURANCE - No portion of your Roth IRA may be invested in life insurance contracts.

I. COLLECTIBLES - You may not invest the assets of your Roth IRA in collectibles (within the meaning of IRC Sec. 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, 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 IRC Sec 408(m)(3)) are also permitted as Roth IRA investments.

J. REQUIRED MINIMUM DISTRIBUTIONS - You are not required to take distributions from your Roth IRA at any age. The minimum distribution rules that apply to traditional IRAs do not apply to the Roth IRAs while the owner is alive. However, after the death of a Roth IRA owner, certain of the minimum distribution rules that apply to traditional IRAs also apply to Roth IRAs. You cannot use your Roth IRA to satisfy minimum distribution requirements for your traditional IRA. Nor can you use distributions from traditional IRAs for required distributions from Roth IRAs.

### Required minimum distributions (RMD) after the account owner dies.

After the owner dies the RMD will depend on the identity of the beneficiary.

## Determining the distribution period for beneficiaries.

Designated beneficiaries (individuals) must withdraw the entire account balance by the end of the calendar year containing the 10th anniversary of your death. However, if a designated beneficiary is an "eligible designated beneficiary" (EDB), such beneficiary may generally take their distributions over the beneficiary's life expectancy. An EDB includes a surviving spouse, a disabled individual, a chronically ill individual, a minor child, or an individual who is not more than 10 years younger than the account owner. Certain trusts created for the exclusive benefit of disabled or chronically ill beneficiaries are included. However, minor children must take any remaining amount in the IRA within 10 years of reaching age 21. All amounts must be distributed within 10 years of the death of the EDB.

Additionally, a surviving spouse beneficiary may generally delay commencement of distributions until the end of the year that the IRA owner would have attained the applicable age. A surviving spouse may be able to determine, in accordance with IRS rules and regulations, their required minimum distributions using the Uniform Lifetime Table. A surviving spouse can also elect to treat the IRA as their own. In certain circumstances, the spouse may have to take a "hypothetical RMD" before treating the IRA as their own.

Non-designated beneficiaries (e.g., estates and most trusts) must withdraw the entire account by the end of the year containing the 5th anniversary of your death.

See IRS Pub. 590-B, Distributions from Individual Retirement Arrangements (IRAs), for help calculating the required minimum distributions.

## Consequences for failing to take required minimum distribution.

If your beneficiary does not take any required minimum distribution, or if the distribution is not large enough, your beneficiary may have to pay a 25% excise tax on the amount not distributed as required. This tax can be reduced to 10% if the failure is corrected within a prescribed timeframe and certain other requirements are satisfied. To report the excise tax, file Form 5329, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts with the beneficiary's tax return. See Form 5329 instructions for additional information.

## INCOME TAX CONSEQUENCES OF ESTABLISHING A ROTH IRA

A. CONTRIBUTIONS NOT DEDUCTED - No deduction is allowed for Roth IRA contributions, including transfers, rollovers, and conversion contributions.

B. CONTRIBUTION DEADLINE - The deadline for making the IRA contribution is your tax return due date (not including extensions). You may designate a contribution as contributions for the preceding taxable year in a manner acceptable. For example, if you are a calendar-year taxpayer and you make your Roth IRA contribution on or before your tax filing deadline, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. TAX CREDIT FOR CONTRIBUTIONS - You may be eligible to receive a tax credit for your Roth 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:

1. Age 18 or older as of the close of the taxpayer; and/or
2. Not a dependent of another taxpayer; and/or
3. Not a full-time student.

Beginning in years after 2026, the credit will be replaced with a "saver's Match" that could result in a government contribution to a traditional IRA on your behalf. (The Saver's Match cannot be contributed to a Roth IRA.)

D. EXCESS CONTRIBUTIONS - An excess IRA contribution occurs if you contribute more than the contribution limit or make an improper rollover or transfer contribution to an IRA. Excess contributions are taxed at 6% per year for each year and the excess amounts remains in the IRA. The tax cannot be more than 6% of the combined value of all your IRAs as of the end of the tax year. To avoid the 6% tax on excess contributions, you must withdraw the excess contributions from your IRA by the due date of your individual income tax return (including extensions) (and any income earned on the excess contributions). The income earned on the excess contribution must be included in your gross income for the year in which the excess contribution was made, but the 10% additional tax will not apply. To report the excise tax, file Form 5329, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts with your tax return. See Form 5329 instructions for additional information about this tax.

E. TAX-DEFERRED EARNINGS - The investment earnings of your Roth IRA are not subject to federal income tax as they accumulate in your Roth IRA. In addition, distributions of your Roth IRA earnings will be free from federal income tax if you take a "qualified distribution".

F. TAXATION OF DISTRIBUTIONS - The taxation of Roth IRA distributions depends on whether the distribution is a qualified distribution or a non-qualified distribution.

1. **Qualified Distribution.** A qualified distribution is any payment or distribution from your Roth IRA that meets the following requirements:
  - a. It is made after the 5-year period beginning with the first taxable year for which a contribution was made to a Roth IRA set up for your benefit, and
  - b. The payment or distribution is made on or after the date you reach age 59 ½, made because you are disabled, made to a beneficiary or to your estate after your death, or the purchase of a first home.
2. **Non-Qualified Distribution.** If you receive a distribution that is not a qualified distribution, you may have to pay the 10 percent additional tax on early distributions. There is a set order in which contributions (including conversion contributions and rollover contributions from qualified retirement plans) and earnings are considered distributed from your Roth IRA. For these purposes, disregard the withdrawal of excess contributions and the earnings on them. Or the distributions as follows:
  - a. Regular contributions
  - b. Conversion and rollover contributions, on a first-in, first-out basis (generally, total conversions and rollovers from the earliest first year). Take these conversion and rollover contributions into account as follows:
    - Taxable portion (the amount required to be included in gross income because of the conversion or rollover) first, and then the
    - Nontaxable portion
  - c. Earnings on contributions

Disregard rollover contributions from other Roth IRAs for this purpose. You generally must file a Form 8606 if you receive a distribution from a Roth IRA. See IRS Publication 590-B for more detailed information.

G. CHARITABLE DISTRIBUTIONS - A qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the custodian of your IRA to an organization eligible to receive tax-deductible contributions. You must be at least 70 ½ when the distribution was made. The maximum annual exclusion for QCDs is \$111,000 (2026). Any QCD excess of the exclusion limit is included in income as any other distribution. In addition, you may be able to exclude from your gross income a one-time distribution up to \$55,000 (2026) from your IRA to a "split-interest entity" (as defined IRC sec. 408(d)). These amounts will be indexed for inflation annually. For further information see IRS Publication 590-B.

H. INCOME TAX WITHHOLDING - Taxable distributions from your IRA are subject to federal income tax withholding. In some circumstances, you may, however, elect not to have withholding apply to your IRA distribution. Regardless of whether you elect not to have federal income tax withheld, you are still liable for payment of federal income tax on the taxable portion of your distribution.

I. EARLY DISTRIBUTION PENALTY TAX - To discourage the use of retirement funds for purposes other than retirement, the law imposes a 10% additional tax on certain early distributions from certain retirement plans. The additional tax is equal to 10% of the portion of the distribution that is includible in income. Generally, early distributions are those you receive from a qualified retirement plan or deferred annuity contract before reaching age 59 ½. There are certain exceptions to this 10% additional tax. The following exceptions apply to distributions from an IRA:

1. Distributions made to your beneficiary or estate on or after your death;
2. Distributions made because you are totally or permanently disabled;
3. Distributions made as part of a series of substantially equal periodic payments over your life expectancy or the life expectancies of you and your designated beneficiary;
4. Distributions to the extent you have unreimbursed deductible medical expenses that exceed 7.5% of your AGI whether or not you itemize your deductions for the year;
5. Distributions are for the cost of your medical insurance due to a period of unemployment;
6. Distributions made due to an IRS levy of the plan under section 6331;
7. Distributions made to buy, build, or rebuild a first home;
8. Distributions that are qualified reservist distributions. Generally, these are distributions made to individuals that are called to active duty for at least 180 days after September 11, 2001;
9. Distributions made to you because you have been certified as having terminal illness;
10. Distributions for qualified higher education expenses;
11. Distribution is a qualified birth or adoption distribution;
12. Distribution is an emergency savings withdrawal for up to \$1,000;
13. Distribution is a domestic abuse victim distribution of up to \$10,000 (indexed for inflation); and
14. Distribution is a qualified disaster distribution or qualified disaster recovery distribution.

These exceptions are subject to special rules, including rules that allow for repayment of certain distributions if such repayments are made within 3 years of the distribution. Consult your tax advisor to determine if you qualify for one of the exceptions listed above and whether you may be able to repay the distribution. You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes or to claim an exception to the additional tax.

J. ROLLOVERS AND CONVERSIONS - You may be able to convert amounts from either a traditional, SEP, or SIMPLE IRA into a Roth IRA. You may be able to roll over amounts from a qualified retirement plan to a Roth IRA. You may be able to re-characterize contributions made to one IRA as having been made directly to a different IRA. You can roll amounts over from a designated Roth account or from one Roth IRA to another Roth IRA. 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. You can, however, continue to make tax-free trustee-to-trustee transfers between Roth IRAs as you want. You can also make as many rollovers from Traditional IRAs to Roth IRAs as you want. You can also make as many rollovers from Traditional IRAs to Roth IRAs ("conversions") as you want. If you have any questions regarding a rollover or conversion, please consult a tax advisor. Rollovers from retirement plans other than Roth IRAs are disregarded for the 1-year waiting between rollovers. A rollover from a Roth IRA to an employer retirement plan is not allowed.

1. **Roth IRA to Roth IRA Rollovers.** You can withdraw, tax free, all or part of the assets from one Roth IRA if you contribute them within 60 days to another Roth IRA. If you roll over an amount from one Roth IRA to another Roth IRA, the 5-year period used to determine qualified distributions does not change. The 5-year period begins with the first taxable year for which the contribution was made to the initial Roth IRA. Please note that your rollover, from one IRA to another IRA, must consist of the same property; otherwise, the distribution will be taxable as ordinary income. For example, you cannot take cash distributions from your Roth IRA, purchase other assets with the cash and then roll those assets over into a new (or the same) Roth IRA.
2. **Traditional to Roth IRA Conversions.** You can convert a traditional IRA to a Roth IRA. The conversion is treated as a rollover, regardless of the conversion method used. You can convert amounts from a traditional IRA to a Roth IRA in any of the following three ways:
  - Rollover. You can receive a distribution from a traditional IRA and roll it over (contribute it) to a Roth IRA within 60 days after the distribution.
  - Trustee-to-trustee transfer. You can direct the trustee of the traditional IRA to transfer an amount from the traditional IRA to the trustee of the Roth IRA.
  - Same trustee transfer. If the trustee of the traditional IRA also maintains the Roth IRA, you can direct the trustee to transfer an amount from the traditional IRA to the Roth IRA. Conversion made with the same trustee can be made by redesignating the traditional IRA as a Roth IRA, rather than opening a new account or issuing a new contract. You must include in your gross income distributions made from a traditional IRA that you would have had to include in income if you had not converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA.

If you are age 70 ½ or older you must remove your required minimum distribution prior to converting your traditional IRA. You must include in your gross income distributions made from a traditional IRA that you would have had to include in income if you had not converted them into a Roth IRA. These amounts are normally included in income on your return for the year that you converted them from a traditional IRA to a Roth IRA. Although the conversion amount is generally included in income, the 10 percent early distribution additional tax will apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent additional tax, unless you take a distribution from our Roth IRA within 5 years of the conversion.

3. **SIMPLE IRA to Roth IRA Conversions.** You are eligible to convert all or any portion of your existing savings incentive match plan for employees of small employers (SIMPLE) IRA(s) into your Roth IRA(s), provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. If you are age 70½ or older you must remove your required minimum distribution prior to converting your SIMPLE IRA. The amount of the conversion from your SIMPLE IRA to your Roth IRA shall be treated as a distribution for income tax purposes and is includible 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 SIMPLE IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent additional tax unless you take a distribution from your Roth IRA within 5 years of the conversion.
4. **Rollover from Employer's Plan into a Roth IRA.** You can rollover into a Roth IRA all or part of an eligible rollover distribution you receive from your (or your deceased spouse's), Employer's qualified pension, profit-sharing, or stock bonus plan (including a 401(k) plan); annuity plan; tax-sheltered annuity plan (IRC Sec. 403(b) plan); or governmental deferred compensation plan (IRC Sec. 457 plan). Any amount rolled over is subject to the same rules for converting a traditional IRA into a Roth IRA. The rollover contribution must meet the rollover requirements that apply to the specific type of retirement plan.
5. **Beneficiary Rollovers from Designated Roth Accounts.** If you are a designated beneficiary of a deceased employee, you can rollover all or part of an eligible rollover distribution from a designated Roth Account into a Roth IRA. You must make the rollover by a direct trustee-to-trustee transfer into an inherited Roth IRA. The IRA must be maintained as an inherited IRA, subject to the beneficiary minimum distribution requirements (described above).
6. **Rollover of Military Death Benefits.** If you received a military death gratuity or Service-members' Group Life Insurance (SGLI) payment with respect to a death from injury that occurred after October 6, 2001, you can contribute (roll over) all or part of the amount received to your Roth IRA. The contribution is treated as a qualified rollover contribution. The amount you can roll over to your Roth IRA cannot exceed the total amount that you received reduced by any part of that amount that was contributed to a Coverdell ESA or another Roth IRA. Any military death gratuity or SGLI payment contributed to a Roth IRA is disregarded for purposes of the 1-year waiting period between rollovers. The rollover must be completed before the end of the 1-year period beginning on the date you received the payment. The amount contributed to your Roth IRA is treated as part of your cost basis (investment in the contract) in the Roth IRA that is not taxable when distributed.
7. **529 Plan to Roth IRA Rollovers.** Beginning after 2023, certain amounts transferred as a direct rollover from a 529 plan to a Roth IRA maintained for the 529 accounts' designated beneficiary are exempt from tax, including the 10% additional tax for a premature distributions, as long as certain conditions are satisfied. These 529 rollover contributions will reduce the 529 plan beneficiary's regular contribution limit for the year of the rollover. You should consult your tax advisor before attempting such a rollover.
8. **Transfer Due to Divorce.** If all or any part of your Roth IRA is awarded to your spouse or former spouse in a divorce or legal separation proceedings, the amount so awarded will be treated as the spouse's Roth IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another Roth 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 Roth IRA to another.
9. **Re-characterizations.** You may be able to treat a contribution made to one type of IRA as having been made a different type of IRA. This is called re-characterizing the contribution. To re-characterize contribution, you generally must have the contribution transferred from the first IRA (the one to which it was made) to the second IRA in a trustee-to-trustee transfer. If the transfer is made by the due date (including extensions) for your tax return for the tax year during which the contribution was made, you can elect to treat the contribution as having been originally made to the second IRA instead of the first IRA. You may not recharacterize a traditional IRA to Roth IRA conversion. If you re-characterize your contribution, you must do all three of the following:
  - a. Include in the transfer any net income allocable to the contribution. If there was a loss, the net income you must transfer may be a negative amount.
  - b. Report the re-characterization on your tax return for the year during which the contribution was made.
  - c. Treat the contribution as having been made to the second IRA on the date that it was actually made to the first IRA.

## LIMITATIONS AND RESTRICTIONS

- A. **SPOUSAL IRA** - If you are married and have compensation, you may contribute to an IRA established for the benefit of your spouse for any year, regardless of whether your spouse has compensation. 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% of your compensation or \$7,500 to the IRA in your name and spouse's IRA, bringing the total annual retirement contribution to \$15,000 (for 2026). For those over the age of 50, the numbers are \$8,600 per account, for a total of \$17,200 (for 2026). However, you may not contribute more than the individual contribution limit to each IRA.
- B. **DEDUCTION OF ROLLOVERS AND TRANSFERS** - You cannot deduct a rollover contribution or a transfer.
- C. **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 IRC Sec.2501.
- D. **SPECIAL TAX TREATMENT** - Capital gains treatment and 10-year forward income averaging authorized by IRC Sec. 402 do not apply to IRA distributions.
- E. **FEDERAL INCOME TAX TREATMENT** - Any withdrawal from your IRA is subject to federal income tax withholding. You, may elect not to have withholding apply to your withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.
- F. **PROHIBITED TRANSACTIONS** - If you or your beneficiary engages in a prohibited transaction in connection with your IRA account at any time during the year, the account stops being an IRA as of the first day of that year. The account is treated as distributing all its assets to you at their fair market value. If the total of those values is more than your basis in the IRA, you will have taxable gain that is includible in your income. In addition, certain excise taxes may apply. A prohibited transaction is any improper use of your IRA account or annuity by you, your beneficiary, or any disqualified person. Disqualified persons include your fiduciary and members of your family (spouse, ancestor, lineal descendant, and any spouse of a lineal descendant). Examples of prohibited transactions with an IRA include borrowing money from it, selling property to it, using it as security for a loan, and buying property for personal use (present or future). If an IRA is disqualified, each IRA of the individual is treated as a separate contract.
- G. **PLEDGING** - If you use a part of your Roth IRA account as security for a loan, that part is treated as a distribution and is included in your gross income.

## FEDERAL TAX PENALTIES

Reference the 2020 CARES Act for additional information about federal tax penalties.

- A. **EXCESS CONTRIBUTION PENALTY** – An excess contribution is subject to an additional tax of 6 percent. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute.
- B. **EXCESS ACCUMULATION PENALTY** – You cannot keep amounts in your Traditional IRA indefinitely. Generally, you must begin receiving distributions by April 1 of the year following the year in which you reach age 70 ½. The required minimum distribution for any year after the year in which you reach age 70 ½ must be made by December 31 of that later year. If distributions are less than the required minimum distribution for the year, you may have to pay a 50 percent excise tax for that year on the amount not distributed as required.
- C. **REPORTING ADDITIONAL TAX** – Use Form 5329 to report the tax on excess accumulations.

**OTHER**

A. IRS PLAN APPROVAL - The Agreement used to establish this Roth IRA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.

B. ADDITIONAL INFORMATION - For additional information related to Roth Individual Retirement Arrangements, please contact your local IRS Office, call 1-800-TAX-FORM, or visit the IRS website at [www.irs.gov](http://www.irs.gov). Additional information can be found in IRS Publication 590-A, IRS Publication 590-B, and Publication 560 - Retirement Plans for Small Business.

C. PROCEDURES FOR OPENING A NEW ACCOUNT - To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When you open an account, you are required to provide your name, residential address, date of birth, and social security number or appropriate tax identification number. We may require additional information that will allow us to identify you.

D. The growth in the value of the IRA is neither guaranteed nor projected.