Preferred Trust Company Disclosure Statement | Traditional 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 or other directly transferred contribution.

B. MAXIMUM CONTRIBUTION - The total amount you may contribute to a Traditional 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 Roth 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.

C. CONTRIBUTION ELIGIBILITY - There is no age limit on making regular contributions to a 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 IRA up to $1,100 in 2026, with possible cost-of-living adjustments thereafter.

E. NONFORFEITABILITY - 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 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, 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 IRC Sec 408(m)(3)) are also permitted as IRA investments.

J. REQUIRED MINIMUM DISTRIBUTIONS ("RMD") - Generally, you must begin taking withdrawals from your Traditional IRA, SIMPLE IRA, SEP IRA before your "required beginning date." Your required beginning date is April 1 following the calendar year in which you reach the "applicable age". Unless otherwise provided by federal tax law, your applicable age depends on when you were born:

If you were born...	**Your "applicable age" is...**
Before July1, 1949	70 ½
After June 30, 1949 and before 1951	72
After 1950 and before 1960	73
In 1960 or later	75

Your required minimum distribution (RMD) is the minimum amount you must withdraw from your account each year. You can withdraw more than the minimum required amount. Your withdrawals will be included in your taxable income except for any part that was taxed before (your basis).

The RMD for any year is the account balance as of the end of the immediately preceding calendar year divided by a distribution period from the IRS's "Uniform Lifetime Table." The Joint Life and Last Survivor Expectancy (Table II) is used if the sole beneficiary is the owner's spouse who is ten or more years younger than the owner.

Date for receiving subsequent required minimum distributions.
For each year after your required beginning date, you must withdraw your RMD by December 31.

For the first year following the year you reach age the applicable age, you will generally have two required distribution dates: an April 1 withdrawal (for the year you reach the applicable age) and an additional withdrawal by December 31 (for the year following the year you reach the applicable age). You can make your first withdrawal by December 31 of the year you reach the applicable age instead of waiting until April 1 of the following year which would allow the distributions to be included in your income in separate tax years.

Required minimum distributions after the account owner dies.
For the year of the account owner's death, use the RMD the account owner would have received. For the year following the owner's death, the RMD will depend on the identity of the beneficiary and whether the owner died before or on or after their required beginning date.

Determining the distributions 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 if you die before your required beginning date as long as distributions begin by the end of the calendar year following the year of the owner's death. 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 a disabled or chronically ill beneficiaries are included. However, minor children must take any remaining amount in the IRA within 10 years of reaching the age 21. All amounts be distributed within 10 years of the death of the EDB.

Additionally, a surviving spouse beneficiary may generally delay commencement of distribution 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 trust) must withdraw the entire account by the end of the year containing the 5th anniversary of your death if you die before your required beginning date.

If you die on or after your required beginning date, the entire interest must be distributed at least as rapidly as the method of distribution being used as of the date of your death. For individual beneficiaries, any remaining interest must be distributed annually over the length of your remaining life expectancy and your beneficiary's life expectancy. All amounts must be fully distributed by the end of the calendar year containing the 10th anniversary of (1) your death, if the beneficiary is not an EDB, or (2) the beneficiary's death, if the beneficiary is an EDB. Special rules apply to EDBs who are minors. If your beneficiary is not treated as an individual, the entire remaining interest must be distributed annually over your remaining life expectancy and the 10-year rule just described does not apply.

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

Consequence for failing to take required minimum distribution.
If you (or your beneficiary) do not take any required minimum distribution, or if the distribution is not large enough, you (or your beneficiary, as applicable) 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, you may have to file Form 5329, Additional Taxes on Qualified Plans (including IRAs) and Other Tax-Favored Accounts. See Form 5329 instructions for additional information about this tax.

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. Qualified pension, profit sharing, 401(k), or stock bonus plan;
2. Qualified annuity plan of an employer;
3. Simplified Employee Pension (SEP) plan;
4. Retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under IRC Sec. 457);
5. Tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. Plan meeting the requirements of IRC Sec. 501 (c)(18); and
7. 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 a plan, check with your employer or your tax advisor. The IRS Form W-2, Wage and Tax Statement, which 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, are single, and have MAGI within the applicable phase-out range listed below (depending on filing status), 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.

	Joint Filers	**Single Taxpayers**
	Phase-Out Range*	Phase-Out Range*
2024	$123,000 - $143,000	$77,000 - $87,000
2025	$126,000 - $146,000	$79,000 - $89,000
2026	$129,000 - $149,000	$81,000 - $91,000

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.

If you are not an active participant, but your spouse is, the phase-out range for you is $236,000-$246,000 (2025) and $242,000-$252,000 (2026). This limit is also subject to cost-of-living increases for tax years. 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 from it; (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.

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 contributions for the preceding taxable year in a manner acceptable for us. For example, if you are a calendar-year taxpayer and you make your 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 Traditional IRA contributions. This credit will be allowed in addition to any tax deduction that may apply and may not exceed $1,000 each year. You may be eligible for this tax credit if you are:

1. age 18 or older as of the close of the taxable year;
2. not a dependent of another taxpayer; and/or
3. not a full-time student.

Beginning in years after 2027, the credit will be replaced with a "Saver's Match" that could result in a government contribution to a Traditional IRA on your behalf.

D. EXCESS CONTRIBUTIONS - An excess IRA contribution occurs if you; contribute more than the contribution limit, make a regular IRA contribution for 2019, or earlier, to a traditional IRA at age 70 ½ or older, or make an improper rollover contribution to an IRA.

Excess contributions are taxed at 6% per year for each year the excess amounts remain in the IRA. The tax cannot be more than 6% of the combined value of all your IRAs as of the end of 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 from the excess contributions. The income earned from 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 on 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.

E. 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).

F. NON-DEDUCTIBLE 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.

G. TAXATION OF DISTRIBUTONS - The taxation of IRA distributions depends on whether you have ever made non-deductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income. If you have made non-deductible contributions to any traditional IRA, see IRS Pub. 590-B, Distributions from Individual Retirement Arrangements (IRAs) to determine the amount of your IRA distribution that is excluded from income. All taxable distributions are taxed at ordinary income tax rates.

H. 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 $54,000 (2025) 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.

I. 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.

J. 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.

K. 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, if 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 plan. 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. 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 as many trustee-to-trustee transfers between 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, consult a 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 during the 12 months preceding the date you receive the distribution. Please note that your rollover, from one IRA or 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 IRA, purchase other assets with the cash and then roll those assets over into a new (or the same) IRA.
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. Rollovers within the two-year period could be subject to a 25% additional tax. 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 IRA-to-IRA rollover during the 12 months preceding the date you receive the distribution.
3. **Employer-Sponsored Retirement Plan to Traditional IRA Rollovers.** You can rollover into a Traditional 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; annuity plan; Tax-sheltered annuity plan (Section 403 (b) plan); or Governmental deferred compensation plan (Section 547plan). A qualified plan is one that meets the requirements of the Internal Revenue Code. Generally, an eligible rollover distribution is any distribution of all or part of the balance of your credit in a qualified retirement plan except the following:

a. A required minimum distribution
b. A hardship distribution
c. Any of a series of substantially equal periodic distributions paid at least once a year over:
   (1) Your lifetime or life expectancy
   (2) The lifetimes or life expectancies of you and your beneficiary, or
   (3) A period of 10 years or more.
d. Corrective distributions of excess contributions or excess deferrals, and any income allocable to the excess, or excess annual additions and any allocable gains.
e. A loan treated as a distribution because it does not satisfy certain requirements either when made or later (such as upon default), unless the participant's accrued benefits are reduced to repay the loan.
f. Dividends on employer securities
g. The cost of life insurance

Your rollover into a traditional IRA may include both amounts that would be taxable and amounts that would not be taxable if they were distributed to you, but not rolled over. To the extent the distribution is rolled over into a Traditional IRA, it is not includable in your income.

4. **Beneficiary Rollovers from Employer-Sponsored Retirement Plans.** If you are a beneficiary of a deceased employer plan participant, you may directly roll over inherited assets from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan to an inherited IRA. The IRA must be maintained as an inherited IRA, subject to the beneficiary minimum distribution requirements (described above).
5. **Traditional IRA to Employer-Sponsored Retirement Plans.** You may roll over, directly or indirectly, any taxable 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. A required minimum distribution cannot be rolled over.
6. **Traditional IRA to Roth IRA Conversions.** You may convert all or any portion of your existing Traditional IRA(s) into your Roth IRA(s). If you have reached your applicable age, you must take your required minimum distribution prior to converting your Traditional IRA. The amount of the conversion from your Traditional IRA to your Roth IRA shall be treated as a distribution for income tax purposes and is includible in your gross income (except for any nondeductible contributions). Although the conversion amount is generally included in income, the 10 percent early distribution additional tax will not apply to conversions from a Traditional IRA to a Roth IRA, unless you take a distribution from your Roth IRA within 5 years of the conversion and no exception applies.
7. **Qualified HSA Funding Distribution.** You may be able to make a one-time qualified Health Savings Account (HAS) funding distribution from your Traditional IRA to your HAS. The distribution must be less than or equal to your maximum annual HAS contribution. Other rules apply. Please see IRS Pub. 590-B for more information.
8. **Written Election.** At the time you make a rollover to an IRA, you must designate in writing to the custodian your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

L. TRANSFER DUE TO DIVORCE - If an interest in a traditional IRA is transferred from your spouse or former spouse to you by a divorce or separate maintenance decree or a written document related to such a decree, the interest in the IRA, starting from the date of the transfer, is treated as your IRA. The transfer is tax free. There are two commonly used methods of transferring IRA assets to a spouse or former spouse. The methods are changing the name on the IRA and making a direct transfer of IRA assets.

M. RECHARACTERIZATIONS - You may be able to treat a contribution made to one type of IRA as having been made to a different type of IRA. This is called re-characterizing the contribution.

To re-characterize a 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 a Roth IRA conversion. If you re-characterize your contribution, you must do all three of the following:

1. 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.
2. Report the re-characterization on your tax return for the year during which the contribution was made.
3. Treat the contribution as having been made to the second IRA on the date that it was made to the first IRA.

LIMITATIONS AND RESTRICTIONS

A. SEP PLANS - Simplified employee pension (SEP) is a written arrangement that allows your employer to make deductible contributions to a traditional IRA (a SEP IRA) set up for you to receive such contributions. Generally, distributions from SEP IRAs are subject to the withdrawal and tax rules that apply to traditional IRAs. See Publication 560 for more in-formation about SEPs.

B. 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.

C. DEDUCTION OF ROLLOVERS AND TRANSFERS - You cannot deduct a rollover contribution or a transfer.

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. 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 descendent, 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.

F. PLEDGING - If you use a part of your 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. EARLY DISTRIBUTIONS – Early distributions generally are amounts distributed from your Traditional IRA account or annuity before you are age 59 ½. You must include early distributions of taxable amounts from your Traditional IRA in your gross income. Early distributions are also subject to an additional 10 percent tax. There are several exceptions to the age 59 ½ rule. If you receive a distribution before you are age 59 ½, you may not have to pay the 10 percent additional tax if you are in one of the following situations:

- You have unreimbursed medical expenses that are more than 10% (or 7.5% if you or your spouse was born before January 2, 1949) of your adjusted gross income;
- The distributions are not more than the cost of your medical insurance due to a period of unemployment;
- You are totally and permanently disabled;
- You are the beneficiary of a deceased IRA owner;
- You are receiving distributions in the form of an annuity;
- The distributions are not more than your qualified higher education expenses;
- You use the distributions to buy, build, or rebuild a first home;
- The distribution is due to an IRS levy of the qualified plan; or
- The distribution is a qualified reservist distribution.

B. 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.

C. 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 70½ 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.

D. REPORTING ADDITIONAL TAX – Use Form 5329 to report the tax on excess accumulations.

OTHER

A. IRS PLAN APPROVAL - The Agreement used to establish this IRA has been approved by the IRS. The IRS approval is a determination only 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 Individual Retirement Arrangements, please contact your local IRS Office, call 1-800-TAX-FORM, or visit the IRS website at www.irs.gov. Additional information can be found in IRS Publication 590-A, IRS Publication 590-B, and IRS 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 on the value of the IRA is neither guaranteed nor projected.