Roth IRA Disclosure Statement Update (January 2020)

As a result of the Setting Every Community Up For Retirement Enhancement Act of 2019 (The SECURE Act), which was signed into law on December 20, 2019, many of the rules that affect Roth IRAs have been changed, effective January 1, 2020. Because of these rule changes, some of the provisions in the Disclosure Statement you received when you established your Roth IRA with us have changed. The following provisions replace the appropriate sections of that Disclosure Statement and should be kept with your Roth IRA documents. This Roth IRA Disclosure Statement Amendment does not affect the sections of your Disclosure Statement that have not changed.

Individuals Eligible to Make Contributions. Any individual who has compensation, defined to include salaries, wages, taxable alimony, professional fees, self-employment income, any amount included in gross income and paid to the individual in the pursuit of graduate or postdoctoral study, and other income for personal services included in gross income, may contribute to a Roth IRA under this plan. This includes an individual who is a participant in a workplace retirement plan (WRP). U.S. military personnel whose taxable compensation is reduced because of pay exclusions for combat service may use such excluded pay for the purpose of making a Roth IRA contribution. Income from property, such as dividends, interest, or rent, does not qualify as compensation under the plan.

Death Distribution Options. Any beneficiary withdrawing funds from your Roth IRA should first seek the advice of his own tax advisor as to the tax consequences of each option available. For deaths after 2019, the options available to your beneficiary depend on whether your beneficiary is not a designated beneficiary (generally, not an individual), a designated beneficiary (generally, an individual who is not an eligible designated beneficary), or an eligible designated beneficiary (generally, your surviving spouse, your minor child, a disabled individual, a chronically ill individual, or an individual who is not more than ten years younger than you).

Not a Designated Beneficiary (New). Your beneficiary must receive the entire balance in the account by December 31 of the fifth year following the year of your death.

Designated Beneficiary Who is not an Eligible Designated Beneficiary (New). Your beneficiary must receive the entire balance in the account by December 31 of the tenth year following the year of your death.

Eligible Designated Beneficiary (New). Your beneficiary may choose 1) to receive the entire balance in the account by December 31 of the tenth year following the year of your death, or 2) to have the remaining funds distributed in accordance with the life-expectancy rule. If the eligible designated beneficiary is your surviving spouse, his single life expectancy is based on his attained age in the year for which the distribution is being paid. The distributions to your surviving spouse must begin by the end of the year you would have attained age 72, or December 31 of the year following the year of your death, whichever is later. If the eligible designated beneficiary is an individual who is not your surviving spouse, the eligible designated beneficiary's single life expectancy is based on his attained age in the year following the year of your death and then reduced by one for each subsequent year thereafter. The distributions must begin by December 31 of the year following the year of your death. If the eligible designated beneficiary is your minor child, he must continue to receive the single life expectancy distributions until the year he reaches the age of majority, then he must receive the entire balance in the account by December 31 of the tenth year following the year he reaches the age of majority.

Early Distribution Penalty. For nonqualified distributions, the IRS 10% early distribution penalty will not apply if the distribution is paid on or after the date you reach age 59½, or if one of the exceptions to the IRS 10% early distribution penalty applies. These exceptions are the same exceptions that apply to distributions from Traditional IRAs (e.g., disability, death, higher-education expenses, qualified birth or adoption distributions, etc.).

Also, if you are under age 59½ and you withdraw any converted amount that was taxable when converted within the five-year period that begins with the taxable year in which the conversion contribution was made, the IRS 10% early distribution penalty would apply, unless one of the specific exceptions to the penalty applies. If you have served as a member of the military reserves, the IRS 10% early distribution penalty will not apply to qualified reservist distributions (QRDs) from your IRA. To qualify, you must have been called to active duty after September 11, 2001 for more than 179 days, or for an indefinite period. To qualify for a QRD, you must take the distribution while on active duty. You also may redeposit a QRD within two years after the end of your active duty.

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