Traditional IRA Disclosure Statement Update
(September 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 Traditional 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 Traditional IRA with us have changed. The following provisions replace the appropriate sections of that Disclosure Statement and should be kept with your Traditional IRA documents. This Traditional IRA Disclosure Statement Amendment does not affect the sections of your Disclosure Statement that have not changed.

Qualifications

Eligibility. 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 Traditional IRA under this plan. This includes an individual who is a participant in an employer's retirement plan or a government pension plan. Income from property, such as dividends, interest, or rent, does not qualify as compensation under the plan. 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 Traditional IRA contribution.

Deductible Contributions

Spousal. You may make spousal Traditional IRA contributions for a year, if: 1) your spouse has compensation that is includible in gross income for such year; 2) you have less compensation than your spouse for such year; and 3) you file a joint federal income tax return for such year.

Rollover Contributions

Rollovers After Age 70½ or 72. If you attained age 70½ in a calendar year prior to 2020 or age 72 in the current year or any prior year after 2019, and you are rolling over funds, you may not roll over your required minimum distribution for the year. It will be considered an excess contribution in the receiving plan if it is rolled over. The first amounts distributed in a year for which you are required to take a distribution are considered your required minimum distribution until you have received all of your required minimum distribution for the year.

Required Distributions

Distribution Calendar Year (DCY). Starting in 2020, you must begin to receive required minimum distributions (RMDs) for the year in which you reach age 72 (70½ prior to 2020). The RMD for your first DCY must be paid by April 1 of the year after your first DCY. This date is known as the required beginning date (RBD). Distributions for years after your first DCY must be taken by December 31 of each year. This includes the distribution for the second year, the year in which the RBD occurs. If the distribution for your first DCY is delayed until the second year (not later than April 1), you will be taxed on two distributions in the second year.

Required Minimum Distribution Calculation. In general, your RMD is determined by dividing your Traditional IRA balance by the applicable distribution period. At any time, you may take more than your RMD.

The balance used in the RMD calculation is generally determined as of December 31 of the year before the year for which the distribution is being made. For example, the balance used to calculate a 2019 RMD is the December 31, 2018 balance. If a rollover or transfer is outstanding on the prior December 31, it will need to be added to the December 31 prior-year balance.

Death Benefit Options

Any beneficiary withdrawing funds from your Traditional 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 beneficiary), 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. If you die before your required beginning date, your beneficiary must receive the entire balance in the account by December 31 of the fifth year following the year of your death. If you die on or after your required beginning date, your beneficiary must receive a death distribution each year until the Traditional IRA is depleted, using a single life expectancy factor that is determined using your attained age on your birthday in the year of your death, and reduced by one each year thereafter.

Designated Beneficiary Who is not an Eligible Designated Beneficiary. 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. 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 may 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.

Tax Treatment of Distributions

Qualified Charitable Distributions. If you are age 70½ or older, you can make a qualified charitable distribution (QCD) of otherwise taxable assets directly from your Traditional IRA (not an ongoing SEP IRA) to a qualified charity. This special distribution rule allows you to donate up to $100,000 annually to charitable organizations completely tax-free. A QCD can be used to satisfy your required minimum distribution for the year. The maximum permitted QCD for a year is reduced by the amount of any deductible Traditional IRA contributions made by the individual for all taxable years the individual is age 70½ or older, less any such reductions for years prior to the current year.

Transactions Subject to Excise Taxes/Disqualification

Early Distribution Tax. Generally, the taxable portion of funds withdrawn from your Traditional IRA prior to the date you attain age 59½ are subject to the IRS 10% early distribution penalty tax. Exceptions to this penalty tax include: payments on account of your death, certain disability payments, a permissible series of systematic distributions over your single or joint life expectancy, distributions that do not exceed the amount of medical expenses that would be deductible as an itemized federal income tax deduction for the year, or distributions that do not exceed the amount you paid, during the year of the distribution, for health insurance for yourself, your spouse, or your dependents, if you have received unemployment compensation for 12 consecutive weeks in the year of the distribution or the immediately preceding year. This exception to the IRS 10% early distribution penalty shall not apply to any distribution made after you have been employed for at least 60 days after the separation from employment that entitled you to receive such unemployment compensation. In addition, the IRS 10% early distribution penalty does not apply to a Traditional IRA distribution (up to a lifetime limit of $10,000) used to acquire a principal residence for you, your spouse, or any child, grandchild, or ancestor of you or your spouse, if such home buyer had no ownership interest in a principal residence during the two-year period prior to such home purchase. The IRS 10% early distribution penalty also does not apply to a Traditional IRA distribution that does not exceed your higher education expenses for the year for education provided to you, your spouse, or any child or grandchild of you or your spouse or to a distribution paid to satisfy an IRS levy. 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. Starting in 2020, the IRS 10% early distribution penalty does not apply to any qualified birth or adoption distribution (up to $5,000).

Penalty for Excess Accumulations. After you reach age 70½ (starting in 2020, age 72) or die, if the required minimum distributions described in the sections titled "Required Distributions" or "Death Benefit Options" do not occur within the time required by law, a penalty tax may be incurred equal to 50% of the difference between the amount required to be distributed and the amount actually distributed each year. The Secretary of the Treasury may waive the penalty if the inadequate distribution is due to reasonable error and reasonable steps are being taken to correct the situation.