

DISCLOSURE STATEMENT AMENDMENT

AMENDMENT TO YOUR INHERITED ROTH IRA

This inherited Roth individual retirement account (IRA) disclosure statement amendment updates your inherited Roth IRA documents that we previously provided to you. The information provided below amends your disclosure statement for the recent changes resulting from the 2024 Final RMD Regulations which reflects changes made by the SECURE Act of 2019 to the applicable RMD age and beneficiary distribution options.

Unless directed by us to do so, you do not need to sign or return anything to us for this amendment to apply to your inherited Roth IRA. Your beneficiary designation we have on file will remain in effect unless you change it by completing and signing the form that we have for this purpose.

We recommend that you review this information carefully and keep it with your other inherited Roth IRA papers.

REQUIREMENTS OF AN INHERITED ROTH IRA

- A. Form of Contribution** – Your contribution must be either a rollover contribution from an eligible inherited employer-sponsored retirement plan or a transfer contribution from an inherited Roth IRA. Your rollover or transfer contribution may be in cash and/or property.
- B. Contribution Restrictions** – You may not make regular contributions to your inherited Roth IRA.
- C. Nonforfeitability** – Your interest in your inherited Roth IRA is nonforfeitable.
- D. Eligible Trustees/Custodians** – The trustee/custodian of your inherited Roth IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- E. Commingling Assets** – The assets of your inherited Roth IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- F. Life Insurance** – No portion of your inherited Roth IRA may be invested in life insurance contracts.
- G. Collectibles** – You may not invest the assets of your inherited 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, 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 inherited Roth IRA investments.
- H. Required Minimum Distributions** – You are required to take minimum distributions from your inherited Roth IRA at certain times in accordance with Treasury Regulation 1.408-8. The calculation of the required minimum distribution (RMD) is based, in part, on determining the original owner's designated beneficiary. A designated beneficiary is determined based on the beneficiaries designated as of the date of the original owner's death, who remain beneficiaries as of September 30 of the year following the year of the original owner's death. Any payment elections you either made or defaulted to under an inherited retirement plan or Roth IRA generally carry over to this inherited Roth IRA. Below is a summary of the inherited Roth IRA distribution rules.

Death of Original Owner Before January 1, 2020

1. If you are the beneficiary of a deceased employer-sponsored retirement plan participant, and the original participant died
 - (a) on or after his or her required beginning date, distributions must be made to you over the longer of your single life expectancy, or the original participant's remaining life expectancy. If the original participant's designated beneficiary was not an individual or qualified trust as defined in the Treasury Regulations, the original employer-sponsored retirement plan will be treated as having no designated beneficiary for purposes of determining the distribution period. If there is no designated beneficiary of the original employer-sponsored retirement plan, distributions will commence using the original participant's single life expectancy, reduced by one in each subsequent year.
 - (b) before his or her required beginning date, the entire amount remaining in the account will, at your election, either
 - (i) be distributed by December 31 of the year containing the fifth anniversary of the original participant's death, or
 - (ii) be distributed over your remaining life expectancy.

If the original participant's spouse is the sole designated beneficiary, he or she must elect either option (i) or (ii) by the earlier of December 31 of the year containing the fifth anniversary of the original participant's death, or December 31 of the year life expectancy payments would be required to begin. A designated beneficiary of the original participant, other than a spouse who is the sole designated beneficiary, must elect either option (i) or (ii) by December 31 of the year following the year of the original participant's death. If no election is made, the 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 the original participant's death. Generally, if the original participant's spouse is the designated beneficiary, distributions need not commence until December 31 of the year the original participant would have attained age 70½ if the original participant was born before July 1, 1949, age 72 if the original participant was born on or after July 1, 1949, but before January 1, 1951, age 73 if the original participant was born on or after January 1, 1951, but before January 1, 1960, and age 75 if the original owner was born on or after January 1, 1960, if later.

If the original participant's designated beneficiary is not an individual or qualified trust as defined in the Treasury Regulations, the original retirement plan will be treated as having no designated beneficiaries for purposes of determining the distribution period. If there is no designated beneficiary of the original retirement plan, the entire inherited Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the original participant's death.

If you have inherited a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan and have either elected or defaulted to payments under the five-year rule, you may change to a life expectancy payment election if, by December 31 of the year following the year of the original owner's death, you remove a life expectancy-based payment before rolling over the remaining assets to your inherited Roth IRA.

2. If you are the beneficiary of a deceased Roth IRA owner, the entire amount remaining in the inherited account will, at your election, either
 - (a) be distributed by December 31 of the year containing the fifth anniversary of the original Roth IRA owner's death, or
 - (b) be distributed over your remaining life expectancy.

If you are a spouse who is the sole designated beneficiary of a Roth IRA owner, you must elect either option (a) or (b) by the earlier of December 31 of the year containing the fifth anniversary of the original owner's death, or December 31 of the year life expectancy payments would be required to begin. If you are a designated beneficiary of the original Roth IRA owner, other than a spouse who is the sole designated beneficiary, you must elect either option (a) or (b) by December 31 of the year following the year of the original Roth IRA owner's death. If no election is made, the distribution will be calculated in accordance with option (b). In the case of distributions under option (b), distributions must commence by December 31 of the year following the year of the original Roth IRA owner's death. Generally, if the original Roth IRA owner's spouse is the designated beneficiary, distributions need not commence until December 31 of the year the original Roth IRA owner would have attained age 70½ if the original Roth IRA owner was born before July 1, 1949, age 72 if the original Roth IRA owner was born on or after July 1, 1949, but before January 1, 1951, age 73 if the original Roth IRA owner was born on or after January 1, 1951, but before January 1, 1960, and age 75 if the original owner was born on or after January 1, 1960, if later.

If the original Roth IRA owner's designated beneficiary is not an individual or qualified trust as defined in the Treasury Regulations, the original Roth IRA will be treated as having no designated beneficiaries for purposes of determining the distribution period. If there is no designated beneficiary of the original Roth IRA, the entire inherited Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the original Roth IRA owner's death.

3. If you have elected to take life expectancy payments and fail to request your RMD by December 31, we reserve the right to do any one of the following.
 - (a) Make no distribution until you give us a proper withdrawal request
 - (b) Distribute your entire inherited Roth IRA to you in a single sum payment
 - (c) Determine your RMD each year based on your life expectancy calculated using the Single Life Expectancy Table, and pay those distributions to you until you direct otherwise

Death of Original Owner On or After January 1, 2020

As a beneficiary of a Roth IRA your options for payment will differ depending on whether you are an eligible designated beneficiary, a designated beneficiary, or a nonperson beneficiary. The options described below assume that separate accounting for the inherited Roth IRA is established by December 31 of the year following the year of the Roth IRA owner's death. If separate accounting is not established by this date, your options may be further limited, and payments may

be accelerated. You should consult with your tax professional or attorney for a determination of your distribution options and payment calculations.

Designated Beneficiary. A designated beneficiary is an individual who is a beneficiary specified under the Roth IRA. Certain see-through trusts may also qualify as a designated beneficiary under the Roth IRA for purposes of determining available payment options and distribution calculations. For purposes of determining the RMD due after the Roth IRA owner's death, a designated beneficiary is determined based on the beneficiaries designated as of the date of the Roth IRA owner's death, who remain beneficiaries as of September 30 of the year following the year of the Roth IRA owner's death.

Eligible Designated Beneficiary. An eligible designated beneficiary is any designated beneficiary who, as of the date of the Roth IRA owner's death, is one of the following:

- the Roth IRA owner's surviving spouse,
- the Roth IRA owner's child who has not reached age 21,
- a disabled individual (a physician must determine that the impairment can be expected to result in death or to be of long, continued, and indefinite duration),
- an individual who is not more than 10 years younger than the Roth IRA owner, or
- a chronically ill individual (the individual must have been certified by a licensed health care practitioner that, as of the date of the certification, the individual is someone who
 - a. is unable to perform (without substantial assistance from another individual) at least two activities of daily living for an indefinite period that is reasonably expected to be lengthy in nature due to a loss of functional capacity,
 - b. has a level of disability similar to the level of disability described above requiring assistance with daily living based on a loss of functional capacity, or
 - c. requires substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment).

1. Payment Options for Roth IRA Beneficiaries.

Designated Beneficiary. The entire amount remaining in the account will generally be distributed by December 31 of the year containing the tenth anniversary of the Roth IRA owner's death unless the beneficiary is an eligible designated beneficiary, or there is no designated beneficiary for purposes of determining a distribution period. This 10-year rule is not subject to an annual distribution requirement.

Eligible Designated Beneficiary. If the beneficiary is an eligible designated beneficiary, the beneficiary may choose to distribute the entire amount remaining in the account by using either the:

- (a) 10-year rule: This option requires a total distribution of the entire account by December 31 of the year containing the tenth anniversary of the Roth IRA owner's death. No annual payment is required under this option.
- (b) Life expectancy payment option: Annual payments taken over the remaining life expectancy of the eligible designated beneficiary.

If the Roth IRA owner's spouse is the sole eligible designated beneficiary, he or she must elect either the 10-year rule or life expectancy payments by the earlier of December 31 of the year containing the tenth anniversary of the Roth IRA owner's death, or December 31 of the year the Roth IRA owner would have attained the applicable age for RMDs. The applicable age for RMDs is age 70½ if the Roth IRA owner was born before July 1, 1949; age 72 if the Roth IRA owner was born on or after July 1, 1949, but before January 1, 1951; age 73 if the Roth IRA owner was born on or after January 1, 1951, but before January 1, 1960; and age 75 if the Roth IRA owner

was born on or after January 1, 1960. If no election is made, distributions will be made in accordance with the life expectancy payment option. All other eligible designated beneficiaries must elect either the 10-year rule or life expectancy payment option by December 31 of the year following the year of the Roth IRA owner's death. If no election is made by an eligible designated beneficiary, payments will be made using the life expectancy payment option.

A nonspouse eligible designated beneficiary's remaining life expectancy is determined by using the beneficiary's age in the year following the year of the Roth IRA owner's death to determine the factor from the IRS Single Life Expectancy table, reducing it by one in each subsequent year. A spouse beneficiary's remaining life expectancy is determined using the spouse beneficiary's age and the Uniform Lifetime Table each year, as permitted under the Treasury Regulations.

Note that certain trust beneficiaries (e.g., certain trusts for disabled and chronically ill individuals, and certain see-through trusts) may take a distribution of the amount remaining in the account over the remaining life expectancy of the designated beneficiary of the trust. The trustee of the trust is responsible for determining whether the trust is a see-through trust, the trust beneficiary's options, and the minimum payment required for the year. No trust paperwork is required to be provided to the IRA trustee or custodian.

Generally, life expectancy distributions to an eligible designated beneficiary must commence by December 31 of the year following the year of the Roth IRA owner's death. However, if the Roth IRA owner's spouse is the eligible designated beneficiary, distributions need not commence until December 31 of the year the Roth IRA owner would have attained the applicable age for RMDs (as described in the Required Minimum Distributions section above), if later. If the eligible designated beneficiary is the Roth IRA owner's minor child, life expectancy payments must begin by December 31 of the year following the year of the Roth IRA owner's death and continue until the child reaches the age of majority (age 21). Once the age of majority is reached, the beneficiary will have 10 years to deplete the account with annual payments continuing each year.

No Designated Beneficiary. If a beneficiary other than a person (e.g., the Roth IRA owner's estate, a charity, or a trust that is not a see-through trust) is named, the Roth IRA owner will be treated as having no designated beneficiary of the Roth IRA for purposes of determining the distribution period. If there is no designated beneficiary of the Roth IRA, the entire Roth IRA must be distributed by December 31 of the year containing the fifth anniversary of the Roth IRA owner's death.

Hypothetical RMD. If the Roth IRA owner's spouse beneficiary is using the ten-year rule and, before the tenth year, chooses to treat the Roth IRA as his or her own or roll over the Roth IRA to his or her own Roth IRA, a hypothetical RMD may need to be calculated and distributed. This amount is not eligible to roll over or be treated as the spouse's own Roth IRA. If, in the year the spouse is treating the Roth IRA as his or her own Roth IRA or rolling over to his or her own Roth IRA, the spouse beneficiary will attain the applicable age for RMDs or older, the spouse beneficiary must calculate and distribute a hypothetical RMD amount that would have been required had the life expectancy payment option applied instead of the ten-year option. This RMD amount must be calculated and distributed for each year, beginning with the later of the year the Roth IRA owner or the spouse beneficiary would have attained the applicable age for RMDs and for each year until the year the transaction moving the Roth IRA to the spouse beneficiary's own Roth IRA occurs. The amount is calculated using the spouse beneficiary's life expectancy in those years determined using the Uniform Lifetime Table. For

additional information on hypothetical RMD requirements, you may wish to obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at www.irs.gov.

2. **Special Rules for Spouse Beneficiaries.** A spouse who is the sole eligible designated beneficiary of the Roth IRA owner's entire Roth IRA will be deemed to elect to treat the Roth IRA as his or her own by either (1) transferring it to a Roth IRA in the spouse beneficiary's name, (2) making contributions to the Roth IRA or (3) failing to timely remove an RMD from the Roth IRA. Regardless of whether the spouse is the sole eligible designated beneficiary of the Roth IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own Roth IRA.

If we so choose, for any reason (e.g., due to limitations of our charter or bylaws), we may require that a beneficiary of a deceased Roth IRA owner take total distribution of all Roth IRA assets by December 31 of the year following the year of death.

- I. **Missed RMD** – If you fail to remove an RMD, an excess accumulation penalty tax of 25 percent is imposed on the amount of the RMD that should have been taken but was not. If the failure to take an RMD is corrected in a timely manner, the penalty tax is reduced to 10 percent. You must file IRS Form 5329 along with your income tax return to report and remit any additional taxes to the IRS.

The correction window for the reduced penalty begins on the date the penalty tax is imposed and ends (1) the date a notice of deficiency regarding the tax is mailed, (2) the date the tax is assessed, or (3) the last day of the second taxable year beginning after the year in which the tax is imposed, whichever is earlier.

- J. **Waiver of 2020 RMD** – Life expectancy payments for beneficiaries were waived for calendar year 2020. If the five-year rule applies to your inherited Roth IRA, the five-year period is determined without regard to calendar year 2020 because of this waiver. For example, if the original Roth IRA owner died in 2019, your five-year period ends in 2025 instead of 2024.

INCOME TAX CONSEQUENCES OF ESTABLISHING AN INHERITED ROTH IRA

- A. **Tax-Deferred Earnings** – The investment earnings of your inherited Roth IRA are not subject to federal income tax as they accumulate in your inherited Roth IRA. In addition, distributions of your inherited Roth IRA earnings will be free from federal income tax if you take a qualified distribution, as described below.
- B. **Taxation of Distributions** – The taxation of inherited Roth IRA distributions depends on whether the distribution is a qualified distribution or a nonqualified distribution.
 1. **Qualified Distribution.** A qualified distribution is a distribution that is made after the expiration of a five-year period. Qualified distributions from your inherited Roth IRA are not included in your income.
 2. **Nonqualified Distribution.** If you have not satisfied the five-year period for a qualified distribution, any earnings you withdraw from your inherited Roth IRA will be included in your gross income. When you take a distribution from the inherited Roth IRA, the amounts the original owner contributed to a Roth IRA, Roth 401(k), Roth 403(b), or governmental Roth 457(b) as Roth elective deferrals or Roth IRA contributions, will be deemed to be removed first, followed by conversion and employer-sponsored retirement plan rollover contributions the original owner made to a Roth IRA on a first-in, first-out basis. Therefore, your nonqualified distributions will not be taxable to you until your withdrawals exceed the amount of the regular contributions, conversion, and employer-sponsored retirement plan rollovers. These "ordering rules" are complex. If you have any questions regarding the taxation of distributions from your inherited Roth IRA, see a competent tax advisor.

C. **Income Tax Withholding** – Ten percent federal income tax withholding will be applied to a withdrawal from your inherited Roth IRA unless you choose to withhold a different amount or elect not to have withholding apply. We are not required to withhold taxes from any distribution that we reasonably believe is not taxable.

D. **Early Distribution Penalty Tax** – No 10 percent early distribution penalty tax will apply to the inherited Roth IRA distribution because the distribution is due to the death of the original owner.

E. **Rollovers and Transfers** – Your inherited Roth IRA may receive multiple rollover contributions from inherited qualified retirement plans, 403(a) annuity plans, 403(b) tax-sheltered annuity plans, or 457(b) governmental deferred compensation plans, or multiple transfers from inherited Roth IRAs. In order to combine these inherited retirement assets in the same inherited Roth IRA, you must have inherited the assets from the same owner and they must have been subject to the same beneficiary payment elections and calculation methods as under the receiving inherited Roth IRA. Rollover is a term used to describe a direct movement of cash or other property to your inherited Roth IRA from an eligible retirement plan that you have inherited as an eligible beneficiary. A spouse beneficiary may also indirectly roll over an inherited Roth IRA or eligible employer-sponsored retirement plan to an inherited Roth IRA within 60 days of receipt. The rollover and transfer rules are generally summarized below. These transactions are often complex. If you have any questions regarding a rollover or transfer, please see a competent tax advisor.

1. **Roth IRA-to-Inherited Roth IRA Transfers.** You may transfer assets you have inherited from a deceased Roth IRA owner to an inherited Roth IRA. A transfer must be done directly between inherited Roth IRAs. You may not take constructive receipt of the assets in a transfer.

2. **Rollovers from 401(k) or 403(b) Plans Containing Designated Roth Account Assets to an Inherited Roth IRA.** If you are a nonspouse beneficiary or the trustee of an eligible type of trust named as beneficiary of a deceased 401(k), 403(b), or governmental 457(b) plan participant who had made designated Roth account contributions to the plan, you may directly roll over the designated Roth account assets, and their earnings, to an inherited Roth IRA, as permitted by the IRS. If you are a spouse beneficiary, you may either directly or indirectly roll over assets from an eligible inherited employer-sponsored retirement plan to an inherited Roth IRA. Regardless of the method of rollover, the Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements. Designated Roth account assets may not be rolled over to an inherited Traditional IRA.

3. **Rollovers from Roth IRA or Eligible Retirement Plans Without Designated Roth Account Assets to an Inherited Roth IRA.** If you are a nonspouse beneficiary or the trustee of an eligible type of trust named as beneficiary of a deceased employer-sponsored retirement plan participant, you may directly roll over any inherited assets eligible for rollover from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) governmental deferred compensation plan to an inherited Roth IRA, as permitted by the IRS. If you are a spouse beneficiary, you may either directly or indirectly roll over assets from an eligible inherited employer-sponsored retirement plan to an inherited Roth IRA, as permitted by the IRS. The amount of the rollover from the retirement plan will be treated as a distribution for income tax purposes and is includible in your gross income (except for any after-tax contributions). Although the rollover amount generally is included in income, the 10 percent early distribution penalty tax will not apply to rollovers from an eligible retirement plan to an inherited Roth IRA.

A distribution from a Roth IRA inherited by a spouse beneficiary may be rolled over to an inherited Roth IRA within 60 days after the distribution is received and counts toward the limit of rolling over one IRA distribution in a 12-month period.

4. **Written Election.** At the time you make a rollover to an inherited Roth IRA, you must designate in writing to the trustee/custodian your election to treat that contribution as a rollover. Once made, the election is irrevocable.

LIMITATIONS AND RESTRICTIONS

A. **Gift Tax** – Transfers of your inherited Roth IRA assets to a successor beneficiary made during your life and at your request may be subject to federal gift tax under IRC Sec. 2501.

B. **Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by IRC Sec. 402 do not apply to inherited Roth IRA distributions.

C. **Prohibited Transactions** – If you or any successor beneficiary engage in a prohibited transaction with your inherited Roth IRA, as described in IRC Sec. 4975, your inherited Roth IRA will lose its tax-deferred or tax-exempt status, and you generally must include the value of the earnings in your account in your gross income for that taxable year. The following transactions are examples of prohibited transactions with your inherited Roth IRA. (1) Taking a loan from your inherited Roth IRA (2) Buying property for personal use (present or future) with inherited Roth IRA assets (3) Receiving certain bonuses or premiums because of your inherited Roth IRA.

D. **Pledging** – If you pledge any portion of your inherited Roth IRA as collateral for a loan, the amount so pledged will be treated as a distribution and may be included in your gross income for that year.

OTHER

A. **IRS Plan Approval** – Articles I through VIII of the agreement used to establish this inherited Roth IRA have 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 further information on Roth IRAs, you may wish to obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, or Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 800-TAX-FORM, or by visiting www.irs.gov on the Internet.

C. **Important Information About Procedures for Opening a New Account** – To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. Therefore, when you open an inherited Roth IRA, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.

D. **Qualified Charitable Distributions** – If you are age 70½ or older, you may be eligible to take tax-free inherited Roth IRA distributions of up to \$105,000 (for 2024) or \$108,000 (for 2025) per year and have these distributions paid directly to certain charitable organizations. This amount is subject to possible cost-of-living adjustments each year beginning in tax year 2025. A qualified charitable distribution also includes a one-time charitable distribution of up to \$50,000 to a split interest entity (i.e., charitable gift annuity, charitable remainder unitrust, and charitable remainder annuity trust). Special tax rules may apply. For further detailed information you may obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at www.irs.gov.