

## **DISCLOSURE STATEMENT AMENDMENT**

### **AMENDMENT TO YOUR INHERITED TRADITIONAL IRA**

This inherited Traditional individual retirement account (IRA) disclosure statement amendment updates your inherited 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 and clarifies that annual payments are required under the ten-year rule if the IRA owner died on or after the required beginning date.

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 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 IRA papers.

### **REQUIREMENTS OF AN INHERITED 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 Traditional 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 IRA.
- C. **Nonforfeitable** – Your interest in your inherited IRA is nonforfeitable.
- D. **Eligible Trustees/Custodians** – The trustee/custodian of your inherited 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 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 IRA may be invested in life insurance contracts.
- G. **Collectibles** – You may not invest the assets of your inherited 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 IRA investments.
- H. **Required Minimum Distributions** – You are required to take minimum distributions from your inherited 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 IRA generally carry over to this inherited IRA. Below is a summary of the inherited IRA distribution rules.

1. **Death of Original Owner Before January 1, 2020** – If the original IRA owner or employer-sponsored retirement plan participant died
  - (a) on or after the original owner's required beginning date, distributions must be made to you over the longer of your single life expectancy, or the original owner's remaining life expectancy. If the original owner's designated beneficiary was not an individual or qualified trust as defined in the Treasury regulations, the original IRA or 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 IRA or employer-sponsored retirement plan, distributions will commence using the original owner's single life expectancy, reduced by one in each subsequent year.
  - (b) before the original owner's 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 owner's death, or
    - (ii) be distributed over your remaining life expectancy.

If the original IRA owner's or 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 owner's death, or December 31 of the year life expectancy payments would be required to begin. A designated beneficiary of the original owner, 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 owner'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 owner's death. Generally, if the original owner's spouse is the designated beneficiary, distributions need not commence until December 31 of the year the original owner would have attained age 70½ if the original owner was born before July 1, 1949, age 72 if the original owner was born on or after July 1, 1949, but before January 1, 1951, age 73 if the original 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 owner's designated beneficiary is not an individual or qualified trust as defined in the Treasury regulations, the original IRA or employer-sponsored 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 IRA or employer-sponsored retirement plan, the entire inherited IRA must be distributed by December 31 of the year containing the fifth anniversary of the original owner'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 IRA.

2. **Death of IRA Owner On or After January 1, 2020** – As a beneficiary your options for payment will differ depending on whether you are an eligible designated beneficiary, a designated beneficiary, or a nonperson beneficiary, and the timing of the IRA owner's death. The options described below assume that separate accounting for the inherited IRA is established by December 31 of the year following the year of the 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 IRA. Certain see-through trusts may also qualify as a designated beneficiary under the IRA for purposes of determining available payment options and distribution calculations. For purposes of determining the RMD due after the IRA owner's death, a designated beneficiary is determined based on the beneficiaries designated as of the date of the IRA owner's death, who remain beneficiaries as of September 30 of the year following the year of the IRA owner's death.

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

- the IRA owner's surviving spouse,
- the 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 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
  1. 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,
  2. 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
  3. requires substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment).

(a) **Death Before the IRA Owner's Required Beginning Date.**

**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 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:

- (i) 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 IRA owner's death. No annual payment is required under this option.
- (ii) Life expectancy payment option: Annual payments taken over the remaining life expectancy of the eligible designated beneficiary.

If the 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 IRA owner's death, or December 31 of the year the IRA owner would have attained the applicable age for RMDs. 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 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 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 IRA owner's death. However, if the IRA owner's spouse is the eligible designated beneficiary, distributions need not commence until December 31 of the year the IRA owner would have attained the applicable age for RMDs, if later. The applicable age for RMDs is age 70½ if the IRA owner was born before July 1, 1949; age 72 if the IRA owner was born on or after July 1, 1949, but before January 1, 1951; age 73 if the IRA owner was born on or after January 1, 1951, but before January 1, 1960; and age 75 if the IRA owner was born on or after January 1, 1960. If the eligible designated beneficiary is the IRA owner's minor child, life expectancy payments must begin by December 31 of the year following the year of the 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 IRA owner's estate, a charity, or a trust that is not a see-through trust) is named, the IRA owner will be treated as having no designated beneficiary of the IRA for purposes of determining the distribution period. If the IRA owner dies before the IRA owner's required beginning date and there is no designated beneficiary of the IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of the IRA owner's death.

**Hypothetical RMD.** If the IRA owner's spouse beneficiary is using the ten-year rule and, before the tenth year, chooses to treat the IRA as his or her own or roll over the IRA to his or her own IRA or eligible employer-sponsored retirement plan, 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 IRA. If, in the year the spouse is treating the IRA as his or her own IRA or rolling over to his or her own 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 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 IRA to the spouse beneficiary's own IRA or plan 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](http://www.irs.gov).

**(b) Death On or After the IRA Owner's Required Beginning Date.**

**Designated Beneficiary.** A portion of the account must continue to be distributed annually to the IRA owner's designated beneficiary. The amount of the distribution must be determined using the longer of the IRA owner's single life expectancy in the year of death, reduced by one each year, or the beneficiary's single life expectancy in the year after the year of the IRA owner's death, reduced by one each year. In addition, the account must be depleted by the earlier of December 31 of the year containing the tenth anniversary of the IRA owner's death or December 31 of the year the single life expectancy factor is equal to, or less than, one.

**Eligible Designated Beneficiary.** If the IRA owner's beneficiary is a nonspouse eligible designated beneficiary, the beneficiary may continue to distribute the amount remaining in the account over the longer of the IRA owner's single life expectancy in the year of death, reduced by one each year, or the beneficiary's single life expectancy in the year after the year of the death, reduced by one each year. Spouse beneficiaries may use the longer of the IRA owner's single life expectancy in the year of death, reduced by one each year, or the spouse beneficiary's life expectancy each year determined by using the Uniform Lifetime Table, as permitted under the Treasury Regulations. A minor child who is the beneficiary must continue the payments annually based upon the beneficiary's single life expectancy in the year after death, reduced by one, and must deplete the account by December 31 of the year the beneficiary attains age 31.

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 longer of the IRA owner's single life expectancy or the remaining life expectancy of the 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.

**No Designated Beneficiary.** If the IRA owner dies on or after the IRA owner's required beginning date and there is no designated beneficiary of the IRA, distributions will continue to the beneficiary using the IRA owner's single life expectancy in the year of the IRA owner's death, reduced by one in each subsequent year.

**Year of Death RMD.** If the IRA owner dies before satisfying the RMD amount for the year, to avoid a 25 percent excess accumulation penalty tax a beneficiary must remove the remaining year of death RMD no later than the tax-filing deadline (including extensions thereof) for the taxable year of that beneficiary that begins with or within that calendar year (or, if later, the last day of the calendar year following the year of the IRA owner's death).

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

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 IRA owner take total distribution of all IRA assets by December 31 of the year following the year of death.

- I. **Missed RMD** – If you fail to timely 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 the 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 the earlier of: (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.

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

## **INCOME TAX CONSEQUENCES OF ESTABLISHING AN INHERITED IRA**

- A. **Tax-Deferred Earnings** – The investment earnings of your inherited IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).
- B. **Taxation of Distributions** – The taxation of inherited IRA distributions depends on whether or not the original IRA owner had ever made nondeductible IRA contributions or after-tax contributions to the employer-sponsored retirement plan. If the original owner had only made deductible IRA contributions or pretax contributions to an employer-sponsored retirement plan, all inherited IRA distribution amounts will be included in income.

If the original owner had ever made nondeductible contributions to any IRA or after-tax contributions to an employer-sponsored retirement plan, the following formula must be used to determine the amount of any inherited IRA distribution excluded from income.

$$\frac{(\text{Aggregate Nondeductible Contributions}) \times (\text{Amount Withdrawn})}{\text{Aggregate IRA Balance}} = \text{Amount Excluded From Income}$$

**NOTE:** Aggregate nondeductible contributions include all nondeductible contributions made by the original owner through the end of the year of the distribution that have not previously been withdrawn and excluded from income. Also note that the aggregate IRA balance includes the total balance of all of the original owner's IRAs as of the end of the year of distribution and any distributions occurring during the year.

- C. **Income Tax Withholding** – Ten percent federal income tax withholding will be applied to a withdrawal from your inherited 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 IRA distribution because the distribution is due to the death of the original owner.
- E. **Rollovers and Transfers** – Your inherited 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 or rollovers (for spouse beneficiaries only) from inherited Traditional IRAs. In order to combine these inherited retirement assets in the same inherited 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 IRA. Rollover is a term used to describe a tax-free movement of cash or other property to your inherited IRA from a qualified retirement plan, 403(a) annuity plan, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan that you have inherited as a beneficiary. The general rollover and transfer rules are summarized below. These transactions are often complex. If you have any questions regarding a rollover or transfer, please see a competent tax advisor.
1. **Traditional IRA-to-Inherited Traditional IRA Transfers.** You may transfer assets you have inherited from a deceased Traditional IRA owner to an inherited IRA. A transfer must be done directly between IRAs. You may not take constructive receipt of the assets in a transfer.
  2. **Traditional IRA and Employer-Sponsored Retirement Plan-to-Inherited IRA Rollovers.** If you are a nonspouse beneficiary or the trustee of an eligible type of trust named as the 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 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 IRA. Regardless of the method of rollover, the IRA must be maintained as an inherited IRA, subject to the beneficiary distribution requirements.

A distribution from a Traditional IRA inherited by a spouse beneficiary may be rolled over to an inherited 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.

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

## LIMITATIONS AND RESTRICTIONS

- A. **Deduction of Rollovers and Transfers** – A deduction is not allowed for rollover or transfer contributions to an inherited IRA.
- B. **Gift Tax** – Transfers of your inherited IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under IRC Sec. 2501.
- C. **Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by IRC Sec. 402 do not apply to inherited IRA distributions.
- D. **Prohibited Transactions** – If you or any successor beneficiary engage in a prohibited transaction with your inherited IRA, as described in IRC Sec. 4975, your inherited IRA will lose its tax-deferred status, and you must include the value of your account in your gross income for that taxable year. The following transactions are examples of prohibited transactions with your inherited IRA. (1) Taking a loan from your inherited IRA (2) Buying property for personal use (present or future) with inherited IRA assets (3) Receiving certain bonuses or premiums because of your inherited IRA.
- E. **Pledging** – If you pledge any portion of your inherited IRA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

## OTHER

- A. **IRS Plan Approval** – Articles I through VII of the agreement used to establish this inherited 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 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](http://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 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 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](http://www.irs.gov).