

**Application Booklet**

**Non-Designated Financial Institution  
SIMPLE IRA (5304)**

**Equity Trust Company**

FACTS	WHAT DOES EQUITY TRUST COMPANY DO WITH YOUR PERSONAL INFORMATION?	
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.	
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>■ Social Security number and account transactions</li> <li>■ Account balances and transaction history</li> <li>■ Assets and investment experience</li> </ul>	
How?	All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Equity Trust Company chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Equity Trust Company share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	<b>Yes</b>	<b>No</b>
<b>For our marketing purposes—</b> to offer our products and services to you	<b>Yes</b>	<b>No</b>
<b>For joint marketing with other financial companies</b>	<b>No</b>	<b>We don’t share</b>
<b>For our affiliates’ everyday business purposes—</b> information about your transactions and experiences	<b>Yes</b>	<b>No</b>
<b>For our affiliates’ everyday business purposes—</b> information about your creditworthiness	<b>No</b>	<b>We don’t share</b>
<b>For our affiliates to market to you</b>	<b>No</b>	<b>We don’t share</b>
<b>For non-affiliates to market to you</b>	<b>No</b>	<b>We don’t share</b>
Questions?	Call 800-209-9010 or go to <a href="http://www.equityinstitutional.com">www.equityinstitutional.com</a>	

Who we are	
<b>Who is providing this notice?</b>	Equity Trust Company ("Equity Trust")
What we do	
<b>How does Equity Trust Company protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<b>How does Equity Trust Company collect my personal information?</b>	<p>We collect your personal information, for example, when you:</p> <ul style="list-style-type: none"> <li>■ Open an account or direct us to buy or sell securities</li> <li>■ Make deposits or withdrawals from your account</li> <li>■ Provide account information or give us your contact information</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>■ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>■ affiliates from using your information to market to you</li> <li>■ sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state laws.</p>
Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>Our affiliates include companies with an Equity or ETC or Innovayte name; financial companies, such as IPL Lending, LLC; nonfinancial companies, such as Retirement Education Group, Inc. d/b/a Equity University; and others, such as Midland IRA, LLC and UBIT Professional LLC.</i></li> </ul>
<b>Non-Affiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>■ <i>Equity Trust Company does not share with non-affiliates so they can market to you.</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>■ <i>Equity Trust Company does not jointly market.</i></li> </ul>
<b>Other Important Information</b>	<p><b>California Residents:</b> We will not share your personal information with nonaffiliates for their marketing purposes without your authorization. We will not share your personal information with affiliates or with other financial companies for joint marketing purposes.</p> <p><b>Vermont residents:</b> We will not share your personal information with nonaffiliates for their marketing purposes, or share consumer report information about you with affiliates, without your authorization.</p>

**Consult With Your Attorney**

Carefully read the enclosed information. Please consult with your attorney or tax advisor if you are thinking about starting your own trust.

**Disclosure Statement & Trust Agreement**

Before you complete any forms, read the Disclosure Statement and Trust Agreement in their entirety.

**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 Equity Trust Company to obtain, verify, and record information that identifies each person who opens an account.

What this means to you: When you open an account, your broker will ask for your name, address, date of birth, and other information that will allow them to identify you. They may also ask to see your driver's license or other identifying documents.

**Trust Installation and Notice**

Individual accounts will be opened by your brokerage firm. The title of the account will be as follows:

Equity Trust Company, Trustee  
FBO (Name of Account Holder), SIMPLE IRA

Note: Our Federal Tax ID number should appear when opening cash accounts. The Tax ID is 05-0552743. When a cash account is opened, Account Holder must receive a statement.

**Investments**

It is your responsibility to direct the investment of the Trust funds. Investment directions may be given directly to your brokerage firm. Investment confirmations will be sent to you by the brokerage firm.

Trustees are required to furnish participants with a statement of the value of their account by January 31 each year. Because Equity Trust Company is a non-depository directed trustee, we must rely on the regularly issued brokerage/investment statements that are issued to you to meet this requirement.

The facilities of your brokerage firm will be available to you so that you may obtain research material in connection with your investments.

The brokerage firm cannot exercise discretion or control over your account, unless you are using the services of a registered investment advisor. Although they may provide investment information and advice to you, they do not intend that any advice given by them will serve as the primary basis for your investment decisions. Furthermore, it is our understanding that you will exercise independent judgment in making investment decisions.

**Contributions**

**Important:** Forward all contributions to your brokerage firm. To make sure the contributions are associated with the proper tax year, the brokerage firm's cash statement must designate the tax year for which the contribution is made. If no year is designated, the contribution will be considered made in the tax year in which it is deposited. If you complete a Rollover, the brokerage firm's cash statement must indicate "RO" next to the asset(s) received.

**Note:** With the exception of rollovers, contributions in excess of the allowable amount per year (as indexed), plus excess of allowable catch-up contributions (as indexed), (or such limits as may be established by law) cannot be accepted. Do not over-invest as this will cause a debit balance and may disqualify your IRA. Commissions are part of the cost of the investment and may not be paid separately.

**Mailing Instructions**

If sent First Class, address to:

Equity Trust Company  
Attn: DTS  
P. O. Box 45274  
Westlake, OH 44145

If sent by a courier service, address to:

Equity Trust Company  
Attn: DTS  
1 Equity Way  
Westlake, OH 44145**Fair Market Value**

As a non-depository directed trustee, we are required to submit the December 31 fair market value of your account to the Internal Revenue Service each year. We request this information annually from your brokerage/investment firm and provide it to the IRS. If your brokerage/investment firm does not provide this information, we will request this information from you. In the event that we do not receive the fair market value of your account, we will report the last value reported to us to the IRS. We strongly recommend that you carefully monitor your account at all times and contact your brokerage/investment firm if you do not receive a statement with the December 31 fair market value of your account by January 31.

For certain types of investments, particularly limited partnerships and private placement investments, a valuation of zero may be reflected when the investment sponsor reports the investment as having no market value or if the investment sponsor is in bankruptcy.

**Records**

It is extremely important for you to keep good records covering your contributions and investments. Remember that you assume the responsibility for filing all Federal and State tax returns and forms required as an Account Holder of a SIMPLE IRA.

(Note: Our Federal Tax ID number should appear when opening cash accounts. The Tax ID is 05-0552743. When a cash account is opened, Account Holder must receive a statement).

**Savings Incentive Match Plan  
for Employees of Small Employers (SIMPLE)—Not  
for Use With a Designated Financial Institution**

\_\_\_\_\_ establishes the following SIMPLE

Name of Employer

IRA plan under section 408(p) of the Internal Revenue Code and pursuant to the instructions contained in this form.

**Article I—Employee Eligibility Requirements** *(complete applicable box(es) and blanks—see instructions)*

- 1 General Eligibility Requirements.** The Employer agrees to permit salary reduction contributions to be made in each calendar year to the SIMPLE IRA established by each employee who meets the following requirements (select either 1a or 1b):
- a**  **Full Eligibility.** All employees are eligible.
- b**  **Limited Eligibility.** Eligibility is limited to employees who are described in both (i) and (ii) below:
- (i) **Current compensation.** Employees who are reasonably expected to receive at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) for the calendar year.
- (ii) **Prior compensation.** Employees who have received at least \$ \_\_\_\_\_ in compensation (not to exceed \$5,000) during any \_\_\_\_\_ calendar year(s) (insert 0, 1, or 2) preceding the calendar year.
- 2 Excludable Employees.**
- The Employer elects to exclude employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. **Note:** *This box is deemed checked if the Employer maintains a qualified plan covering only such employees.*

**Article II—Salary Reduction Agreements** *(complete the box and blank, if applicable—see instructions)*

- 1 Salary Reduction Election.** An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year.
- 2 Timing of Salary Reduction Elections**
- a** For a calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.
- b** In addition to the election periods in 2a, eligible employees may make salary reduction elections or modify prior elections \_\_\_\_\_, \_\_\_\_\_. If the Employer chooses this option, insert a period or periods (for example, semi-annually, quarterly, monthly, or daily) that will apply uniformly to all eligible employees.
- c** No salary reduction election may apply to compensation that an employee received, or had a right to immediately receive, before execution of the salary reduction election.
- d** An employee may terminate a salary reduction election at any time during the calendar year.  If this box is checked, an employee who terminates a salary reduction election not in accordance with 2b may not resume salary reduction contributions during the calendar year.

**Article III—Contributions** *(complete the blank, if applicable—see instructions)*

- 1 Salary Reduction Contributions.** The amount by which the employee agrees to reduce his or her compensation will be contributed by the Employer to the employee's SIMPLE IRA.
- 2a Matching Contributions**
- (i) For each calendar year, the Employer will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year.
- (ii) The Employer may reduce the 3% limit for the calendar year in (i) only if:
- (1) The limit is not reduced below 1%; (2) The limit is not reduced for more than 2 calendar years during the 5-year period ending with the calendar year the reduction is effective; and (3) Each employee is notified of the reduced limit within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- b Nonelective Contributions**
- (i) For any calendar year, instead of making matching contributions, the Employer may make nonelective contributions equal to 2% of compensation for the calendar year to the SIMPLE IRA of each eligible employee who has at least \$ \_\_\_\_\_, (not more than \$5,000) in compensation for the calendar year. No more than \$250,000\* in compensation can be taken into account in determining the nonelective contribution for each eligible employee.
- (ii) For any calendar year, the Employer may make 2% nonelective contributions instead of matching contributions only if:
- (1) Each eligible employee is notified that a 2% nonelective contribution will be made instead of a matching contribution; and
- (2) This notification is provided within a reasonable period of time before the employees' 60-day election period for the calendar year (described in Article II, item 2a).
- 3 Time and Manner of Contributions**
- a** The Employer will make the salary reduction contributions (described in 1 above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than 30 days after the end of the month in which the money is withheld from the employee's pay. See instructions.
- b** The Employer will make the matching or nonelective contributions (described in 2a and 2b above) for each eligible employee to the SIMPLE IRA established at the financial institution selected by that employee no later than the due date for filing the Employer's tax return, including extensions, for the taxable year that includes the last day of the calendar year for which the contributions are made.

\* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's internet website at [IRS.gov](http://www.irs.gov).

**Article IV—Other Requirements and Provisions**

- 1 Contributions in General.** The Employer will make no contributions to the SIMPLE IRAs other than salary reduction contributions (described in Article III, item 1) and matching or nonelective contributions (described in Article III, items 2a and 2b).
- 2 Vesting Requirements.** All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable.
- 3 No Withdrawal Restrictions.** The Employer may not require the employee to retain any portion of the contributions in his or her SIMPLE IRA or otherwise impose any withdrawal restrictions.
- 4 Selection of IRA Trustee.** The Employer must permit each eligible employee to select the financial institution that will serve as the trustee, custodian, or issuer of the SIMPLE IRA to which the Employer will make all contributions on behalf of that employee.
- 5 Amendments To This SIMPLE IRA Plan.** This SIMPLE IRA plan may not be amended except to modify the entries inserted in the blanks or boxes provided in Articles I, II, III, VI, and VII.
- 6 Effects Of Withdrawals and Rollovers**
  - a** An amount withdrawn from the SIMPLE IRA is generally includible in gross income. However, a SIMPLE IRA balance may be rolled over or transferred on a tax-free basis to another IRA designed solely to hold funds under a SIMPLE IRA plan. In addition, an individual may roll over or transfer his or her SIMPLE IRA balance to any IRA or eligible retirement plan after a 2-year period has expired since the individual first participated in any SIMPLE IRA plan of the Employer. Any rollover or transfer must comply with the requirements under section 408.
  - b** If an individual withdraws an amount from a SIMPLE IRA during the 2-year period beginning when the individual first participated in any SIMPLE IRA plan of the Employer and the amount is subject to the additional tax on early distributions under section 72(t), this additional tax is increased from 10% to 25%.

**Article V—Definitions**

- 1 Compensation**
  - a General Definition of Compensation.** Compensation means the sum of the wages, tips, and other compensation from the Employer subject to federal income tax withholding (as described in section 6051(a)(3)), the amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, and the employee's salary reduction contributions made under this plan, and, if applicable, elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract and compensation deferred under a section 457 plan required to be reported by the Employer on Form W-2 (as described in section 6051(a)(8)).
  - b Compensation for Self-Employed Individuals.** For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this plan on behalf of the individual.
- 2 Employee.** Employee means a common-law employee of the Employer. The term employee also includes a self-employed individual and a leased employee described in section 414(n) but does not include a nonresident alien who received no earned income from the Employer that constitutes income from sources within the United States.
- 3 Eligible Employee.** An eligible employee means an employee who satisfies the conditions in Article I, item 1 and is not excluded under Article I, item 2.
- 4 SIMPLE IRA.** A SIMPLE IRA is an individual retirement account described in section 408(a), or an individual retirement annuity described in section 408(b), to which the only contributions that can be made are contributions under a SIMPLE IRA plan and rollovers or transfers from another SIMPLE IRA.

**Article VI—Procedures for Withdrawals** *(The Employer will provide each employee with the procedures for withdrawals of contributions received by the financial institution selected by that employee, and that financial institution's name and address (by attaching that information or inserting it in the space below) unless: (1) that financial institution's procedures are unavailable, or (2) that financial institution provides the procedures directly to the employee. See **Employee Notification** in the instructions.)*

**Article VII—Effective Date**

This SIMPLE IRA plan is effective \_\_\_\_\_ . See instructions.

\* \* \* \* \*

\_\_\_\_\_  
Name of Employer

By: \_\_\_\_\_ Signature \_\_\_\_\_ Date

\_\_\_\_\_  
Address of Employer

\_\_\_\_\_  
Name and title

## Model Notification to Eligible Employees

### I. Opportunity to Participate in the SIMPLE IRA Plan

You are eligible to make salary reduction contributions to the \_\_\_\_\_ SIMPLE IRA plan. This notice and the attached summary description provide you with information that you should consider before you decide whether to start, continue, or change your salary reduction agreement.

### II. Employer Contribution Election

For the \_\_\_\_\_ calendar year, the Employer elects to contribute to your SIMPLE IRA (*employer must select either (1), (2), or (3)*):

- (1) A matching contribution equal to your salary reduction contributions up to a limit of 3% of your compensation for the year;
- (2) A matching contribution equal to your salary reduction contributions up to a limit of \_\_\_\_\_ % (*employer must insert a number from 1 to 3 and is subject to certain restrictions*) of your compensation for the year; or
- (3) A nonelective contribution equal to 2% of your compensation for the year (limited to compensation of \$250,000\*) if you are an employee who *makes at least \$ \_\_\_\_\_* (*employer must insert an amount that is \$5,000 or less*) in compensation for the year.

### III. Administrative Procedures

To start or change your salary reduction contributions, you must complete the salary reduction agreement and return it to \_\_\_\_\_ (employer should designate a place or individual by \_\_\_\_\_ (*employer should insert a date that is not less than 60 days after notice is given*).

### IV. Employee Selection of Financial Institution

You must select the financial institution that will serve as the trustee, custodian, or issuer of your SIMPLE IRA and notify your Employer of your selection.

## Model Salary Reduction Agreement

### I. Salary Reduction Election

Subject to the requirements of the SIMPLE IRA plan of \_\_\_\_\_ (*name of employer*) I authorize \_\_\_\_\_ % or \$ \_\_\_\_\_ (which equals \_\_\_\_\_ % of my current rate of pay) to be withheld from my pay for each pay period and contributed to my SIMPLE IRA as a salary reduction contribution.

### II. Maximum Salary Reduction

I understand that the total amount of my salary reduction contributions in any calendar year cannot exceed the applicable amount for that year. See instructions.

### III. Date Salary Reduction Begins

I understand that my salary reduction contributions will start as soon as permitted under the SIMPLE IRA plan and as soon as administratively feasible or, if later, \_\_\_\_\_. (*Fill in the date you want the salary reduction contributions to begin. The date must be after you sign this agreement.*)

### IV. Employee Selection of Financial Institution

I select the following financial institution to serve as the trustee, custodian, or issuer of my SIMPLE IRA.

\_\_\_\_\_  
Name of financial institution

\_\_\_\_\_  
Address of financial institution

\_\_\_\_\_  
SIMPLE IRA account name and number

I understand that I must establish a SIMPLE IRA to receive any contributions made on my behalf under this SIMPLE IRA plan. If the information regarding my SIMPLE IRA is incomplete when I first submit my salary reduction agreement, I realize that it must be completed by the date contributions must be made under the SIMPLE IRA plan. If I fail to update my agreement to provide this information by that date, I understand that my Employer may select a financial institution for my SIMPLE IRA.

### V. Duration of Election

This salary reduction agreement replaces any earlier agreement and will remain in effect as long as I remain an eligible employee under the SIMPLE IRA plan or until I provide my Employer with a request to end my salary reduction contributions or provide a new salary reduction agreement as permitted under this SIMPLE IRA plan.

Signature of employee \_\_\_\_\_ Date \_\_\_\_\_

\* This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS website at [IRS.gov](http://IRS.gov).



## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Form 5304-SIMPLE is a model Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan document that an employer may use to establish a SIMPLE IRA plan described in section 408(p), under which each eligible employee is permitted to select the financial institution for his or her SIMPLE IRA.

These instructions are designed to assist in the establishment and administration of the SIMPLE IRA plan. They are not intended to supersede any provision in the SIMPLE IRA plan.

Do not file Form 5304-SIMPLE with the IRS. Instead, keep it with your records.

For more information, see Pub. 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans), and Pub. 590, Individual Retirement Arrangements (IRAs).

**Note.** If you used the March 2002, August 2005, or September 2008 version of Form 5304-SIMPLE to establish a model Savings Incentive Match Plan, you are not required to use this version of the form.

### Which Employers May Establish and Maintain a SIMPLE IRA Plan?

To establish and maintain a SIMPLE IRA plan, you must meet both of the following requirements:

1. Last calendar year, you had no more than 100 employees (including self-employed individuals) who earned \$5,000 or more in compensation from you during the year. If you have a SIMPLE IRA plan but later exceed this 100-employee limit, you will be treated as meeting the limit for the 2 years following the calendar year in which you last satisfied the limit.

2. You do not maintain during any part of the calendar year another qualified plan with respect to which contributions are made, or benefits are accrued, for service in the calendar year. For this purpose, a qualified plan (defined in section 219(g)(5)) includes a qualified pension plan, a profit-sharing plan, a stock bonus plan, a qualified annuity plan, a tax-sheltered annuity plan, and a simplified employee pension (SEP) plan. A qualified plan that only covers employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining is disregarded if these employees are excluded from

participating in the SIMPLE IRA plan. If the failure to continue to satisfy the 100-employee limit or the one-plan rule described in 1 and 2 above is due to an acquisition or similar transaction involving your business, special rules apply. Consult your tax advisor to find out if you can still maintain the plan after the transaction.

Certain related employers (trades or businesses under common control) must be treated as a single employer for purposes of the SIMPLE IRA requirements. These are: (1) a controlled group of corporations under section 414(b); (2) a partnership or sole proprietorship under common control under section 414(c); or (3) an affiliated service group under section 414(m). In addition, if you have leased employees required to be treated as your own employees under the rules of section 414(n), then you must count all such leased employees for the requirements listed above.

### What Is a SIMPLE IRA Plan?

A SIMPLE IRA plan is a written arrangement that provides you and your employees with an easy way to make contributions to provide retirement income for your employees. Under a SIMPLE IRA plan, employees may choose whether to make salary reduction contributions to the SIMPLE IRA plan rather than receiving these amounts as part of their regular compensation. In addition, you will contribute matching or nonelective contributions on behalf of eligible employees (see *Employee Eligibility Requirements* below and *Contributions* later). All contributions under this plan will be deposited into a SIMPLE individual retirement account or annuity established for each eligible employee with the financial institution selected by him or her.

### When To Use Form 5304-SIMPLE

A SIMPLE IRA plan may be established by using this Model Form or any other document that satisfies the statutory requirements.

Do not use Form 5304-SIMPLE if:

1. You want to require that all SIMPLE IRA plan contributions initially go to a financial institution designated by you. That is, you do not want to permit each of your eligible employees to choose a financial institution that will initially receive contributions. Instead, use Form 5305-SIMPLE, Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)—for Use With a Designated Financial Institution;

2. You want employees who are nonresident aliens receiving no earned income from you that is income from sources within the United States to be eligible under this plan; or

3. You want to establish a SIMPLE 401(k) plan.

### Completing Form 5304-SIMPLE

Pages 1 and 2 of Form 5304-SIMPLE contain the operative provisions of your SIMPLE IRA plan. This SIMPLE IRA plan is considered adopted when you have completed all applicable boxes and blanks and it has been executed by you.

The SIMPLE IRA plan is a legal document with important tax consequences for you and your employees. You may want to consult with your attorney or tax advisor before adopting this plan.

### Employee Eligibility Requirements (Article I)

Each year for which this SIMPLE IRA plan is effective, you must permit salary reduction contributions to be made by all of your employees who are reasonably expected to receive at least \$5,000 in compensation from you during the year, and who received at least \$5,000 in compensation from you in any 2 preceding years. However, you can expand the group of employees who are eligible to participate in the SIMPLE IRA plan by completing the options provided in Article I, items 1a and 1b. To choose full eligibility, check the box in Article I, item 1a. Alternatively, to choose limited eligibility, check the box in Article I, item 1b, and then insert "\$5,000" or a lower compensation amount (including zero) and "2" or a lower number of years of service in the blanks in (i) and (ii) of Article I, item 1b.

In addition, you can exclude from participation those employees covered under a collective bargaining agreement for which retirement benefits were the subject of good faith bargaining. You may do this by checking the box in Article I, item 2. Under certain circumstances, these employees must be excluded. See *Which Employers May Establish and Maintain a SIMPLE IRA Plan?* above.

### Salary Reduction Agreements (Article II)

As indicated in Article II, item 1, a salary reduction agreement permits an eligible employee to make a salary reduction election to have his or her compensation for each pay period reduced by a percentage (expressed as a percentage or dollar amount). The total amount of

the reduction in the employee's compensation cannot exceed the applicable amount for any calendar year. The applicable amount is \$11,500 for 2012. After 2012, the \$11,500 amount may be increased for cost-of-living adjustments. In the case of an eligible employee who is 50 or older by the end of the calendar year, the above limitation is increased by \$2,500 for 2012. After 2012, the \$2,500 amount may be increased for cost-of-living adjustments.

### Timing of Salary Reduction Elections

For any calendar year, an eligible employee may make or modify a salary reduction election during the 60-day period immediately preceding January 1 of that year. However, for the year in which the employee becomes eligible to make salary reduction contributions, the period during which the employee may make or modify the election is a 60-day period that includes either the date the employee becomes eligible or the day before.

You can extend the 60-day election periods to provide additional opportunities for eligible employees to make or modify salary reduction elections using the blank in Article II, item 2b. For example, you can provide that eligible employees may make new salary reduction elections or modify prior elections for any calendar quarter during the 30 days before that quarter.

You may use the *Model Salary Reduction Agreement* on page 3 to enable eligible employees to make or modify salary reduction elections.

Employees must be permitted to terminate their salary reduction elections at any time. They may resume salary reduction contributions for the year if permitted under Article II, item 2b. However, by checking the box in Article II, item 2d, you may prohibit an employee who terminates a salary reduction election outside the normal election cycle from resuming salary reduction contributions during the remainder of the calendar year.

### Contributions (Article III)

Only contributions described below may be made to this SIMPLE IRA plan. No additional contributions may be made.

#### Salary Reduction Contributions

As indicated in Article III, item 1, salary reduction contributions consist of the amount by which the employee agrees to reduce his or her compensation. You must contribute the salary reduction contributions to the financial institution selected by each eligible employee.

### Matching Contributions

In general, you must contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions. This matching contribution cannot exceed 3% of the employee's compensation. See *Definition of Compensation*, below.

You may reduce this 3% limit to a lower percentage, but not lower than 1%. You cannot lower the 3% limit for more than 2 calendar years out of the 5-year period ending with the calendar year the reduction is effective.

**Note.** If any year in the 5-year period described above is a year before you first established any SIMPLE IRA plan, you will be treated as making a 3% matching contribution for that year for purposes of determining when you may reduce the employer matching contribution.

To elect this option, you must notify the employees of the reduced limit within a reasonable period of time before the applicable 60-day election periods for the year. See *Timing of Salary Reduction Elections* above.

#### Nonelective Contributions

Instead of making a matching contribution, you may, for any year, make a nonelective contribution equal to 2% of compensation for each eligible employee who has at least \$5,000 in compensation for the year. Nonelective contributions may not be based on more than \$250,000\* of compensation.

To elect to make nonelective contributions, you must notify employees within a reasonable period of time before the applicable 60-day election periods for such year. See *Timing of Salary Reduction Elections* above.

**Note.** Insert "\$5,000" in Article III, item 2b(i) to impose the \$5,000 compensation requirement. You may expand the group of employees who are eligible for nonelective contributions by inserting a compensation amount lower than \$5,000.

### Effective Date (Article VII)

Insert in Article VII the date you want the provisions of the SIMPLE IRA plan to become effective. You must insert January 1 of the applicable year unless this is the first year for which you are adopting any SIMPLE IRA plan. If this is the first year for which you are adopting a SIMPLE IRA plan, you may insert any date between January 1 and October 1, inclusive of the applicable year.

## Additional Information

### Timing of Salary Reduction Contributions

The employer must make the salary reduction contributions to the financial institution selected by each eligible employee for his or her SIMPLE IRA no later than the 30th day of the month following the month in which the amounts would otherwise have been payable to the employee in cash.

The Department of Labor has indicated that most SIMPLE IRA plans are also subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). Under Department of Labor regulations at 29 CFR 2510.3-102, salary reduction contributions must be made to each participant's SIMPLE IRA as of the earliest date on which those contributions can reasonably be segregated from the employer's general assets, but in no event later than the 30-day deadline described previously.

### Definition of Compensation

"Compensation" means the amount described in section 6051(a)(3) (wages, tips, and other compensation from the employer subject to federal income tax withholding under section 3401(a)), and amounts paid for domestic service in a private home, local college club, or local chapter of a college fraternity or sorority. Usually, this is the amount shown in box 1 of Form W-2, Wage and Tax Statement. For further information, see Pub. 15, (Circular E), Employer's Tax Guide. Compensation also includes the salary reduction contributions made under this plan, and, if applicable, compensation deferred under a section 457 plan. In determining an employee's compensation for prior years, the employee's elective deferrals under a section 401(k) plan, a SARSEP, or a section 403(b) annuity contract are also included in the employee's compensation.

For self-employed individuals, compensation means the net earnings from self-employment determined under section 1402(a), without regard to section 1402(c)(6), prior to subtracting any contributions made pursuant to this SIMPLE IRA plan on behalf of the individual.

### Employee Notification

You must notify each eligible employee prior to the employee's 60-day election period described above that he or she can make or change salary reduction elections and select the financial institution that will serve as the trustee, custodian, or

\*This is the amount for 2012. For later years, the limit may be increased for cost-of-living adjustments. The IRS announces the increase, if any, in a news release, in the Internal Revenue Bulletin, and on the IRS's website at [IRS.gov](http://IRS.gov).

issuer of the employee's SIMPLE IRA. In this notification, you must indicate whether you will provide:

1. A matching contribution equal to your employees' salary reduction contributions up to a limit of 3% of their compensation;
2. A matching contribution equal to your employees' salary reduction contributions subject to a percentage limit that is between 1 and 3% of their compensation; or
3. A nonelective contribution equal to 2% of your employees' compensation.

You can use the *Model Notification to Eligible Employees* earlier to satisfy these employee notification requirements for this SIMPLE IRA plan. A *Summary Description* must also be provided to eligible employees at this time. This summary description requirement may be satisfied by providing a completed copy of pages 1 and 2 of Form 5304-SIMPLE (including the information described in *Article VI—Procedures for Withdrawals*).

If you fail to provide the employee notification (including the summary description) described above, you will be liable for a penalty of \$50 per day until the notification is provided. If you can show that the failure was due to reasonable cause, the penalty will not be imposed.

If the financial institution's name, address, or withdrawal procedures are not available at the time the employee must be given the summary description, you must provide the summary description without this information. In that case, you will have reasonable cause for not including this information in the summary description, but only if you ensure that it is provided to the employee as soon as administratively feasible.

## Reporting Requirements

You are not required to file any annual information returns for your SIMPLE IRA plan, such as Form 5500, Annual Return/Report of Employee Benefit Plan, or Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan. However, you must report to the IRS which eligible employees are active participants in the SIMPLE IRA plan and the amount of your employees' salary reduction contributions to the SIMPLE IRA plan on Form W-2. These contributions are subject to social security, Medicare, railroad retirement, and federal unemployment tax.

## Deducting Contributions

Contributions to this SIMPLE IRA plan are deductible in your tax year containing the end of the calendar year for which the contributions are made.

Contributions will be treated as made for a particular tax year if they are made for that year and are made by the due date (including extensions) of your income tax return for that year.

## Summary Description

Each year the SIMPLE IRA plan is in effect, the financial institution for the SIMPLE IRA of each eligible employee must provide the employer the information described in section 408(l)(2)(B). This requirement may be satisfied by providing the employer a current copy of Form 5304-SIMPLE (including instructions) together with the financial institution's procedures for withdrawals from SIMPLE IRAs established at that financial institution, including the financial institution's name and address. The summary description must be received by the employer in sufficient time to comply with the *Employee Notification* requirements earlier.

There is a penalty of \$50 per day imposed on the financial institution for each failure to provide the summary description described above. However, if the failure was due to reasonable cause, the penalty will not be imposed.

**Paperwork Reduction Act Notice.** You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** ..... 3 hr., 38 min.  
**Learning about the law or the form** ..... 2 hr., 26 min.  
**Preparing the form** . . . . . 47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:M:S, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send this form to this address. Instead, keep it with your records.

# SIMPLE Individual Retirement Trust Account

(Under section 408(p) of the Internal Revenue Code)

Do not file  
with the Internal  
Revenue Service

Name of participant	Date of birth of participant	Account number
Address of participant		Check if transfer SIMPLE IRA . . . ▶ <input type="checkbox"/> Check if amendment.....▶ <input type="checkbox"/>
Name of trustee	Address or principal place of business of trustee	

The participant named above is establishing a savings incentive match plan for employees of small employers individual retirement account (SIMPLE IRA) under sections 408(a) and 408(p) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The trustee named above has given the participant the disclosure statement required by Regulations section 1.408-6.

The participant and the trustee make the following agreement.

## Article I

The trustee will accept cash contributions made on behalf of the participant by the participant's employer under the terms of a SIMPLE IRA plan described in section 408(p). In addition, the trustee will accept transfers or rollovers from other SIMPLE IRAs of the participant and, after the 2-year period of participation defined in section 72(t)(6), transfers or rollovers from any eligible retirement plan (as defined in section 402(c)(8)(B)) other than a Roth IRA or a designated Roth account. No other contributions will be accepted by the trustee.

## Article II

The participant's interest in the balance in the trust account is nonforfeitable.

## Article III

1. No part of the trust account funds may be invested in life insurance contracts, nor may the assets of the trust account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).
2. No part of the trust account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## Article IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the participant's interest in the trust account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The participant's entire interest in the trust account must be, or begin to be, distributed not later than the participant's required beginning date, April 1 following the calendar year in which the participant reaches age 70<sup>1</sup>/<sub>2</sub>. By that date, the participant may elect, in a manner acceptable to the trustee, to have the balance in the trust account distributed in:
  - (a) A single sum or
  - (b) Payments over a period not longer than the life of the participant or the joint lives of the participant and his or her designated beneficiary.
3. If the participant dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows.
  - (a) If the participant dies on or after the required beginning date and:
    - (i) The designated beneficiary is the participant's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
    - (ii) The designated beneficiary is not the participant's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the participant and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
    - (iii) There is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the participant as determined in the year of the participant's death and reduced by 1 for each subsequent year.
  - (b) If the participant dies before the required beginning date, the remaining interest will be distributed in accordance with paragraph (i) below or, if elected or there is no designated beneficiary, in accordance with paragraph (ii) below.
    - (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the participant's death. If, however, the designated beneficiary is the participant's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the participant would have reached age 70<sup>1</sup>/<sub>2</sub>. But, in such case, if the participant's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with paragraph (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with paragraph (ii) below if there is no such designated beneficiary.
    - (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the participant's death.
4. If the participant dies before his or her entire interest has been distributed and if the designated beneficiary is not the participant's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the participant's required beginning date, is known as the "required minimum distribution" and is determined as follows.
  - (a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the participant reaches age 70<sup>1</sup>/<sub>2</sub>, is the participant's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform

lifetime table in Regulations section 1.401(a)(9)-9. However, if the participant's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the participant's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the participant's (or, if applicable, the participant and spouse's) attained age (or ages) in the year.

(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the participant's death (or the year the participant would have reached age 70<sup>1/2</sup>, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).

(c) The required minimum distribution for the year the participant reaches age 70<sup>1/2</sup> can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

6. The owner of two or more IRAs (other than Roth IRAs) may satisfy the minimum distribution requirements described above by taking from one IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

### **Article V**

1. The participant agrees to provide the trustee with all information necessary to prepare any reports required by sections 408(i) and 408(l)(2) and Regulations sections 1.408-5 and 1.408-6.

2. The trustee agrees to submit to the Internal Revenue Service (IRS) and participant the reports prescribed by the IRS.

3. The trustee also agrees to provide the participant's employer the summary description described in section 408(l)(2) unless this SIMPLE IRA is a transfer SIMPLE IRA.

### **Article VI**

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with sections 408(a) and 408(p) and the related regulations will be invalid.

### **Article VII**

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear below.

### **Article VIII**

#### Amendment and Termination 8.1

A. Each participant who adopts this trust delegates to the trustee the power to amend this trust from time to time in any respect without obtaining the consent or approval of the participant (or beneficiary). Any amendments will be provided to the participant.

Each participant shall be deemed to have consented to any and all such amendments. In addition, the trustee may amend the fee schedule from time to time with advance notice to the participant (or beneficiary).

The participant shall be permitted to revoke this trust in writing within a period not to exceed seven (7) days after the date that the participant adopted this trust. In the event of such revocation, the trustee will return the entire account plus any trustee compensation, taxes and expenses as soon as practical.

B. Neither the participant nor the trustee shall have the right to amend or terminate this trust in such a manner as would cause or permit all or part of the entire interest of the participant to be diverted for purposes other than their exclusive benefit or that of their beneficiary. No participant shall have the right to sell, assign, discount, or pledge as collateral for a loan any asset of this trust.

C. A participant shall have the right to terminate this trust, at any time and from time to time, by delivering to the trustee a signed copy of a statement of termination.

D. Either the trustee or the participant may terminate this trust upon thirty (30) days written notice to the other. Upon removal of the trustee by the participant, the participant shall appoint a successor trustee or custodian that shall have the same powers and duties as are conferred upon the trustee hereunder and in default thereof, such successor trustee or custodian may be appointed by a court of competent jurisdiction.

In the event of resignation of the trustee, if the participant fails to appoint a successor trustee or custodian and complete the transfer of assets within 30 days of the date the trustee mails such termination notice to the last address on file for the participant or the participant mails such notice to the trustee, the trustee may in its discretion, transfer the assets to a successor trustee or custodian of its choosing or to a successor trustee or custodian as may be appointed by a court of competent jurisdiction, or liquidate and/or distribute the assets, less any amounts withheld for trustee compensation, taxes, and expenses, to the participant. The trustee will not be responsible for any penalties, fines, taxes, or tax consequences that may result from such distribution or transfer.

E. Upon the delivery by the resigning or removed trustee to its successor trustee or custodian of all property of the trust, less such reasonable amount as it shall deem necessary to provide for its compensation and any taxes and expenses or advances chargeable or payable out of the trust, the successor trustee or custodian shall thereupon have the same powers and duties as are conferred upon the trustee.

F. No successor trustee or custodian shall have any obligation or liability with respect to the acts or omissions of its predecessors.

The actual appointment and qualification of a successor trustee or custodian to whom the trust assets may be transferred are conditions which must be fulfilled before the resignation or removal of the trustee shall become effective. The transfer of the trust assets shall be made coincidentally with an accounting by the resigned or removed trustee and such resigned or removed trustee shall endorse, transfer, convey and deliver to the successor trustee or custodian all of the funds, securities or other property then held by it under the trust, together with such records as may be reasonably required in order that the successor trustee or custodian may properly administer the trust.

G. This agreement and the trust created hereby will be terminated in the case of complete distribution of the trust. This agreement and the trust created hereby will also terminate at such time, as determined by the trustee based on available information, that the investments in the trust have no value. The trustee will have no liability for making a no value determination.

- H. If the trustee receives any claim to assets held in the trust which is adverse to the participant's interest or the interest of his or her beneficiary, and the trustee, in its absolute discretion, decides the claim is, or may be, meritorious, the trustee may withhold distribution until the claim is resolved to its trustee shall be entitled to reimbursement of all costs, fees and expenses, including reasonable attorney's fees, directly from the trust assets, without the approval or direction of the participant. If necessary, the trustee may liquidate trust assets in order to be reimbursed. As an alternative, the trustee may deposit all or any portion of the assets in the trust into the court. Deposit with the court shall relieve the trustee of any further obligation with respect to the assets deposited. The trustee has the right to be reimbursed from the funds deposited with the court for legal fees and costs incurred. Such reimbursement may be made directly from the trust assets without approval or direction of the participant. If necessary, the trustee may liquidate trust assets in order to be reimbursed as stated above.

#### Miscellaneous 8.2

- A. Notwithstanding anything to the contrary contained in this agreement or in any amendment thereto, no part of the trust other than such part as is required to pay the trustee's compensation, taxes, and administration expenses (including the reimbursement referenced in Section 8.1 (H)), shall be used for, or diverted to, purposes other than for the exclusive benefit of the participant, their beneficiaries, or their estates. The trust account is established for the exclusive benefit of the participant or his or her beneficiary.
- B. The trustee shall not be liable for any act or omission made in connection with the trust except for its intentional misconduct or negligence. Any required notice regarding the trust will be considered effective when the trustee mails it to the last address of the intended recipient which is contained in the trustee's records. Any notice to be given to the trustee will be considered effective when the trustee actually receives it. The participant and/or beneficiaries must notify the trustee of any change of address in a manner acceptable to the trustee.
- C. To the extent the trustee is engaged in any form of litigation, arbitration, or dispute resolution concerning the trust assets or the interest of the trust, the trustee shall be entitled to recover all costs, fees and expenses, including reasonable attorney's fees, directly from the trust assets.
- D. The terms and conditions of this agreement shall be applicable without regard to the community property laws of any state.
- E. The captions of Articles and Sections in this agreement are included for convenience only and shall not be considered a part of, or an aid to, the construction of this trust.
- F. The participant agrees that all lawsuits filed by the participant and/or beneficiaries and the trustee and any of its officers, directors, agents or employees (present or former) concerning or arising from (i) any account maintained with the trustee by the participant; (ii) any transaction involving the participant's account, whether or not such transaction occurred in such account or accounts; or (iii) the construction, performance or breach of this agreement, whether such controversy arose prior, on or subsequent to the date hereof, shall be instituted in the county courts of Lorain County, Ohio where trustee maintains its principal office. Participant agrees to submit to such jurisdiction both in connection with any such suit participant may file and in connection with any suit trustee may file.
- G. The determination that any provision of this agreement is not enforceable in accordance with its terms in a particular jurisdiction shall not affect the validity or enforceability of the remaining provisions of this agreement generally or in any other jurisdiction or as to any other parties, but rather such unenforceable provisions shall be stricken or modified in accordance with such determination only as to such parties and this agreement, as so modified, shall continue to bind the specific parties involved therein and otherwise all other parties in unmodified form.
- H. Trustee is a South Dakota trust company and contributions to this trust shall be deemed to take place in the State of South Dakota.
- I. This agreement is executed by signing the Application and the Form 5305-S (in a manner acceptable to the trustee), which may be executed in any number of counterparts, each one of which shall be deemed to be the original although the others shall not be produced.
- J. This agreement is made pursuant to and shall be construed in accordance with the laws of the State of South Dakota.

#### Designation of Beneficiary 8.3

- A. The participant shall designate a beneficiary on the Application. The participant may change the beneficiary designation by filing a written notice with the trustee in such manner as the trustee deems acceptable. Changes to the beneficiary designation must be received by the trustee during the participant's lifetime and are considered valid when they have been received and accepted by the trustee.
- B. The beneficiary will be entitled to the participant's interest in the event of the participant's death before the complete distribution of the entire interest. If the participant named multiple beneficiaries, the beneficiaries will receive the designated portion of the participant's interest.
- C. Unless the participant designates in writing how distributions are to be paid, the interest in the account will be paid equally to all primary beneficiaries, or contingent beneficiaries if all primary beneficiaries have died before the participant.
- D. If the designation of a beneficiary has not been made by the participant at the time of the participant's death, the beneficiary shall be the spouse of the participant (as determined under Federal tax law), or if there is no spouse living at the time of the participant's death, the beneficiary will be the estate of the participant.
- E. If the beneficiary designated to receive payments is a minor child or declared incapacitated or incompetent by the court, the trustee may make such payment to a court appointed guardian or legally appointed representative. The receipt of such payment by such individual shall be a full and complete discharge to the trustee for any sums so paid.
- F. If the trustee is unable to make a payment to a beneficiary within six months after any such payment is due because the trustee cannot ascertain the whereabouts or the identity of the beneficiary by mailing to the last known address shown on the trustee's records and such beneficiary has not written claim for such payment before the expiration of said six-month period, then the trustee may deposit the beneficiary's funds in a savings account or money market mutual fund established in the name of the beneficiary.
- G. Upon the death of the participant, the beneficiary may designate his or her own beneficiary to receive any remaining assets in the account in the event the beneficiary dies before a total distribution of the interest in the account occurs. Payments to the beneficiary's beneficiary must continue at least as rapidly as they would have been to the original beneficiary.

- H. A designated beneficiary may disclaim his or her interest in the account provided the disclaimer is in a form acceptable to the trustee and complies with Code Section 2518(b).
- I. A beneficiary is responsible for paying any fees, expenses, or taxes of the trust in the same manner and time frame as if they were the original participant.
- J. If the beneficiary of the account is the spouse (designated either by name or relationship or both), the dissolution, annulment or other legal termination of the participant's marriage will automatically revoke such designation. A participant may designate a former spouse as a beneficiary on a form executed following the date the participant's marriage legally terminated, provided the beneficiary designation otherwise satisfies the requirements of this trust.
- K. In the event of a dispute between two or more beneficiaries, the trustee retains the right to apply to a court of competent jurisdiction for judicial settlement or to arbitration pursuant to Section 8.1(F). All fees and expenses incurred by the trustee in connection with such action will be deducted from the assets of the trust after reasonable notice is given to the beneficiaries. Such fees and expenses do not have to be approved by the court or an arbitrator.

Participant's signature \_\_\_\_\_ Date \_\_\_\_\_

(If an individual other than the participant signs this form for the participant, indicate the individual's relationship to the participant.)

Trustee's signature \_\_\_\_\_ Date \_\_\_\_\_

Witness' signature \_\_\_\_\_ Date \_\_\_\_\_

(Use only if signature of the participant or the trustee is required to be witnessed.)

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Form 5305-S is a model trust account agreement that meets the requirements of sections 408(a) and 408(p). However, only Articles I through VII have been reviewed by the IRS. A SIMPLE individual retirement account (SIMPLE IRA) is established after the form is fully executed by both the individual (participant) and the trustee. This account must be created in the United States for the exclusive benefit of the participant and his or her beneficiaries.

**Do not** file Form 5305-S with the IRS. Instead, keep it with your records.

For more information on SIMPLE IRAs, including the required disclosures the trustee must give the participant, see **Pub. 590-A**,

Contributions to Individual Retirement Arrangements (IRAs); **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs); and **Pub 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

### Definitions

**Participant.** The participant is the person who establishes the trust account.

**Trustee.** The trustee must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as trustee.

### Transfer SIMPLE IRA

This SIMPLE IRA is a "transfer SIMPLE IRA" if it is not the original recipient of contributions under any SIMPLE IRA plan. The summary description requirements of section 408(l)(2) do not apply to transfer SIMPLE IRAs.

## Specific Instructions

**Article IV.** Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the participant reaches age 70<sup>1/2</sup> to ensure that the requirements of section 408(a)(6) have been met.

**Article VIII.** Article VIII and any that follow it may incorporate additional provisions that are agreed to by the participant and trustee to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the participant, etc. Attach additional pages if necessary.

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- K. In the event of a dispute between two or more beneficiaries, the trustee retains the right to apply to a court of competent jurisdiction for judicial settlement or to arbitration pursuant to Section 8.1(F). All fees and expenses incurred by the trustee in connection with such action will be deducted from the assets of the trust after reasonable notice is given to the beneficiaries. Such fees and expenses do not have to be approved by the court or an arbitrator.

Participant's signature \_\_\_\_\_ Date \_\_\_\_\_

(If an individual other than the participant signs this form for the participant, indicate the individual's relationship to the participant.)

Trustee's signature \_\_\_\_\_ Date \_\_\_\_\_

Witness' signature \_\_\_\_\_ Date \_\_\_\_\_

(Use only if signature of the participant or the trustee is required to be witnessed.)

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Contributions to Individual Retirement Arrangements (IRAs); **Pub. 590-B**, Distributions from Individual Retirement Arrangements (IRAs); and **Pub 560**, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans).

### Definitions

**Participant.** The participant is the person who establishes the trust account.

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### Transfer SIMPLE IRA

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## Specific Instructions

**Article IV.** Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the participant reaches age 70<sup>1/2</sup> to ensure that the requirements of section 408(a)(6) have been met.

**Article VIII.** Article VIII and any that follow it may incorporate additional provisions that are agreed to by the participant and trustee to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the trustee, trustee's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the participant, etc. Attach additional pages if necessary.



# SIMPLE IRA Disclosure Statement



Equity Trust Company's SIMPLE IRA Disclosure Statement is a summary of the general requirements set forth by the Internal Revenue Service Regulations. These Regulations require that certain information is disclosed to individuals who are establishing an Savings Incentive Match Plan for Employees ("SIMPLE IRA"). By executing the Equity Trust Company Application, you acknowledge receipt of this Disclosure Statement. This Disclosure Statement is not to be construed as giving or replacing legal advice. Please consult with a tax professional concerning any questions related to your SIMPLE IRA with us.

## RIGHT TO REVOKE YOUR SIMPLE IRA

If you receive this Disclosure Statement at the time you establish your SIMPLE IRA, you have the right to revoke your account within seven (7) days of its establishment. If you do not exercise this right within the seven days, we will assume that you have accepted the terms and conditions of the account you have established.

If revoked, you are entitled to a full return of the contribution you made to your SIMPLE IRA. The amount returned to you would not include an adjustment for such items as sales commissions, administrative expenses, or fluctuation in market value. You may make this revocation only by mailing or delivering a written notice to the Custodian at the address listed on the application.

If you send your notice by first class mail, your revocation will be deemed mailed as of the postmark date.

If you have any questions about the procedure for revoking your SIMPLE IRA, please call the Custodian at the telephone number listed on the application.

## REQUIREMENTS OF A SIMPLE IRA - IRC SECTION 408(P)

A. **Cash Contributions** – Your contribution must be in cash, unless it is a rollover contribution.

B. **Maximum Contribution** – The only contributions that may be made to your SIMPLE IRA are employee elective deferrals under a qualified salary reduction agreement, employer contributions, and other contributions allowed by the Code or related regulations, that are made under a SIMPLE IRA plan maintained by your employer.

Employee elective deferrals may not exceed the lesser of 100 percent of your compensation for the calendar year or \$16,500 for 2025. Your employer may make additional contributions to your SIMPLE IRA within the limits prescribed in Internal Revenue Code Section [IRC Section 408(p)]. Your employer is required to provide you with information that describes the terms of its SIMPLE IRA plan.

Your employer is required to either contribute to your SIMPLE IRA through either a matching contribution or a non-elective contribution. For a matching contribution, the employer must make a dollar-for-dollar match, not to exceed 3% of your compensation (to a maximum of \$16,500, or \$20,000 for participants over the age of 50). For a non-elective contribution, your employer can make a contribution of 2% of your compensation, limited to \$350,000 for 2025, this limit is subject to cost-of-living adjustments in future years. Starting in 2024, your employer is able to make an additional 10% nonelective contribution to each eligible employee in a uniform manner, to a max of \$5,000.

For additional information about cost-of-living adjusted limitations for 2025, visit: <https://www.irs.gov/pub/irs-drop/n-24-80.pdf>.

C. **Catch-Up Contributions** – If you are age 50 or older by the close of the taxable year, you may make an additional contribution to your SIMPLE IRA. The maximum additional contribution to your SIMPLE

IRA is \$3,500 per year, with possible cost-of-living adjustments in each subsequent year.

Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in SIMPLE plans. For 2025, this higher catch-up contribution limit is \$5,250.

- D. **Non-Forfeitable** – Your interest in your SIMPLE IRA is non-forfeitable.
- E. **Eligible Custodians** – The Custodian of your SIMPLE IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.
- F. **Commingling Assets** – The assets of your SIMPLE IRA cannot be commingled with other property except in a common trust fund or common investment fund.
- G. **Life Insurance** – No portion of your SIMPLE IRA may be invested in life insurance contracts.
- H. **Collectibles** – You may not invest the assets of your SIMPLE IRA in collectibles [within the meaning of IRC Section 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 Section 408(m)(3)] also are permitted as SIMPLE IRA investments.
- I. **Required Minimum Distributions** – You are required to take minimum distributions from your SIMPLE IRA at certain times in accordance with Treasury Regulation 1.408-8. Below is a summary of the SIMPLE IRA distribution rules.
  1. **RMDs for 2023 and Beyond** - Beginning in 2023, if you were born in 1951 or later, you are required to take a minimum distribution from your SIMPLE IRA for the year in which you reach age 73 and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you attain age 73. The minimum distribution for any taxable year is equal to the amount obtained by dividing the account balance at the end of the prior year by the applicable divisor.
  2. **RMDs Prior to 2023** - If you were born before July 1, 1949, you were required to take your first RMD from your SIMPLE IRA for the year in which you attained age 70½ and for each year thereafter. If you were born on or after July 1, 1949, but before January 1, 1951, you were required to take your first RMD from your SIMPLE IRA for the year in which you attained age 72 and for each year thereafter.
  3. The applicable divisor generally is determined using the Uniform Lifetime Table provided by the IRS. If your spouse is your sole designated beneficiary for the entire calendar year, and is more than 10 years younger than you, the required minimum distribution is determined each year using the actual joint life expectancy of you and your spouse obtained

from the Joint Life Expectancy Table provided by the IRS, rather than the life expectancy divisor from the Uniform Lifetime Table.

We reserve the right to do any one of the following by your required beginning date.

- (a) Make no distribution until you give us a proper withdrawal request
- (b) Distribute your entire SIMPLE IRA to you in a single sum payment
- (c) Determine your required minimum distribution each year based on your life expectancy calculated using the Uniform Lifetime Table, and pay those distributions to you until you direct otherwise

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 further 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. **Beneficiary Distributions** – Upon your death, your beneficiaries of your SIMPLE IRA Account are required to take distributions pursuant to Sections 401(a)(9) of the IRC and Treasury Regulation 1.408-8. These requirements are summarized as follows:

1. **Death of SIMPLE IRA Owner Before January 1, 2020** – Your designated beneficiary is determined based on the beneficiaries designated as of the date of your death, who remain your beneficiaries as of September 30 of the year following the year of your death. If you die,

- (a) on or after your required beginning date, distributions must be made to your beneficiaries over the longer of the single life expectancy of your designated beneficiaries, or your remaining life expectancy. If a beneficiary other than a person or qualified trust as defined in the Treasury Regulations is named, you will be treated as having no designated beneficiary of your SIMPLE IRA for purposes of determining the distribution period. If there is no designated beneficiary of your SIMPLE IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.
- (b) before your required beginning date, the entire amount remaining in your Account will, at the election of your designated beneficiaries, either:
  - (i) be distributed by December 31 of the year containing the fifth anniversary of your death, or
  - (ii) be distributed over the remaining life expectancy of your designated beneficiaries.

If your spouse is your 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 your death, or December 31 of the year life expectancy payments would be required to begin. Your designated beneficiaries, 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 your death. If no election is made, 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 your death. Generally, if your spouse is the designated beneficiary, distributions need not commence until December 31 of the year you would have attained RMD age, if later. If a beneficiary other than a person or qualified trust as defined in the Treasury Regulations is named, you will be treated as having no designated beneficiary of your SIMPLE IRA for purposes of determining the distribution period. If there is no designated beneficiary of your SIMPLE IRA, the entire SIMPLE IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

A spouse beneficiary will have all rights as granted under the Code or applicable Treasury Regulations to treat your SIMPLE IRA as his or her own.

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

If your beneficiary fails to take a required minimum distribution after your death, an additional penalty tax of 25 percent is imposed on the amount of the required minimum distribution that should have been taken but was not. Your beneficiary must file IRS Form 5329 along with his or her income tax return to report and remit any additional taxes to the IRS. If the failure to take an RMD is corrected in a timely manner, the penalty tax is further reduced to 10%.

You should consult a tax advisor and IRS Publication 590 for specific tax rules and consequences regarding your SIMPLE IRA.

2. **Death of SIMPLE IRA Owner On or After January 1, 2020**

– Upon your death, the entire amount in your SIMPLE IRA Account will be distributed by December 31 of the year containing the 10th anniversary of your death unless you have an eligible designated beneficiary under Treasury Regulations or you have no designated beneficiary for purposes of determining a distribution period. This requirement applies to beneficiaries regardless of whether you die before, on, or after your required beginning date. If your beneficiary is an eligible designated beneficiary, the entire amount in your SIMPLE IRA Account can be distributed over the remaining life expectancy of your eligible designated beneficiary (or a period not exceeding that life expectancy).

An eligible designated beneficiary under Treasury Regulations is a designated beneficiary who is (1) your surviving spouse; (2) your child who has not yet reached the age of majority; (3) disabled [determined by a physician that the impairment can be expected to result in death or to be of long, continued and indefinite duration]; or (4) chronically ill [defined as someone who is (1) unable to perform without substantial assistance from another individual at least two activities of daily living for an indefinite period 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 loss of functional capacity, or (3) requires substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment.] Special rules apply to trust beneficiaries and distributions for those trust beneficiaries.

Life expectancy distributions to an eligible designated beneficiary must begin by December 31 of the year following the year of your death. If your spouse, however, is the eligible designated beneficiary, distributions need not begin until the year you would have reached RMD age. If your eligible designated beneficiary is your minor child, the life expectancy payments must begin by December 31 of the year following

the year of your death and will continue until your child reaches the age of majority. Then, the eligible designated beneficiary will have 10 years from that date to distribute the SIMPLE IRA Account.

If you name a beneficiary other than a person (such as a trust, estate or charity), we will treat you as having not designated a beneficiary for your IRA Account for purposes of determining the distribution period. If you die before your required beginning date and there is no designated beneficiary of your SIMPLE IRA Account, the entire SIMPLE IRA must be distributed by December 31 of the year containing the fifth anniversary date of your death. If you die on or after your required beginning date and there is no designated beneficiary of your SIMPLE IRA Account, distributions will begin using your single life expectancy, reduced by one in each subsequent year.

A spouse who is the sole designated beneficiary of your entire SIMPLE IRA will be deemed to elect to treat your SIMPLE IRA as his or her own by either

(i) making contributions to your SIMPLE IRA or (ii) failing to timely remove a required minimum distribution from your SIMPLE IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your SIMPLE IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own SIMPLE IRA.

If your beneficiary fails to take a required minimum distribution after your death, an additional penalty tax of 25 percent is imposed on the amount of the required minimum distribution that should have been taken but was not. Your beneficiary must file IRS Form 5329 with his or her income tax return to report and pay any additional penalty taxes to the IRS.

- K. **Qualifying Longevity Annuity Contracts and RMDs** – A qualifying longevity annuity contract (QLAC) is a deferred annuity contract that, among other requirements, must guarantee lifetime income starting no later than age 85.

When calculating your RMD, you may reduce the prior year end account value by the value of QLACs that your SIMPLE IRA holds as investments.

For more information on QLACs, you may wish to refer to the IRS website at [www.irs.gov](http://www.irs.gov).

#### INCOME TAX CONSEQUENCES OF ESTABLISHING A SIMPLE IRA

- A. **Deductibility for Simple IRA Contributions** – You may not take a deduction for the amounts contributed to your SIMPLE IRA as either employee elective deferrals or employer contributions. However, employee elective deferrals to a SIMPLE IRA will reduce your taxable income. Further, employer SIMPLE IRA contributions, including earnings, will not be taxable to you until you take a distribution from your SIMPLE IRA.

Participation in your employer's SIMPLE IRA plan renders you an active participant for purposes of determining whether or not you can deduct contributions to a Traditional IRA.

- B. **Contribution Deadline** – SIMPLE IRA deferral contributions must be deposited into the SIMPLE IRA as soon as administratively possible, but in no event later than 30 days following the month in which you would have otherwise received the money in cash. Employer matching or non-elective contributions must be deposited no later than the due date for filing the employer's tax return, including extensions.
- C. **Tax Credit for Contributions** – You may be eligible to receive a tax credit for your SIMPLE IRA deferrals. 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 (3)

not a full-time student. This credit may be up to \$1,000 but is subject to limitations based upon modified adjusted gross income and filing status. The credit is based upon your income and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, please refer to IRS Form 8880 to determine your credit rate.

- D. **Tax-Deferred Earnings** – The investment earnings of your SIMPLE IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).
- E. **Excess Contributions** – If you contribute more than the maximum allowable limit for the tax year, you have an excess contribution and must correct it. Excess deferrals, adjusted for earnings, must be distributed from your SIMPLE IRA.

If your employer mistakenly contributes too much to your SIMPLE IRA as an employer contribution, your employer may effect distribution of the employer excess amount, adjusted for earnings through the date of distribution. The amount distributed to the employer is not includible in your gross income.

Excess contributions not returned could subject you to an excise tax.

- F. **Income Tax Withholding** – Any withdrawal from your SIMPLE IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your SIMPLE IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld from your SIMPLE IRA.
- G. **Early Distribution Penalty Tax** – Generally, if you receive a distribution from your SIMPLE IRA before you attain age 59½, an additional early distribution penalty tax of 10 percent (25 percent if less than two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer) will apply to the taxable amount of the distribution. However, you will not receive an early distribution penalty tax if the distribution is due to: (1) death [no penalty payment for your beneficiary]; (2) a disability [evidenced by physician attestation that your impairment can be expected to result in death or to be of long, continued, and indefinite duration]; (3) substantially equal periodic payments at least annually by you over your life expectancy or the joint life expectancy of your designated beneficiary so long as you continue these payments for the longer of five years or until you reach age 59½; (4) unreimbursed medical expenses in excess of 10% of your adjusted gross income; distribution penalty tax. The medical expenses may be for you, your spouse, or any dependent listed on your tax return; (5) health insurance premiums paid by qualified unemployed individuals; (6) qualified higher education expenses; (7) acquisition costs for a first-time homebuyer for a principal residence subject to certain requirements; (8) an IRS levy; (9) qualified reservist distributions if you are called to active duty for more than 179 days or an indefinite period; qualified birth or adoption; (11) terminal illness; (12) qualified disaster recovery distribution; (13) domestic abuse; and (14) emergency personal expenses.
- 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 a penalty tax exception.
- H. **Rollovers and Conversions** – Your SIMPLE IRA may be rolled over to another SIMPLE IRA, Traditional IRA, or an eligible employer-sponsored retirement plan of yours, may receive rollover contributions, or may be converted to a Roth IRA, so long as you comply with the applicable rollover and conversion rules established by the IRS. A rollover occurs when your cash or assets are moved to a SIMPLE IRA from another SIMPLE IRA, Traditional 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. The amount rolled over is not subject to taxation or the additional 10 percent early distribution penalty tax. Conversion on the other hand is a taxable event where assets in a SIMPLE IRA are moved to a Roth IRA. As the requirements can be complicated, you should see a tax advisor if you have questions.

1. **SIMPLE IRA to SIMPLE IRA Rollover.** - Assets distributed from your SIMPLE IRA may be rolled over to a SIMPLE IRA if you meet the requirements of IRC Section 408(d)(3). For example, a SIMPLE IRA rollover to a SIMPLE IRA is required to be completed within 60 days after the distribution is received.

Regardless of the number of IRAs you own, you are only permitted to roll over one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period.

2. **Traditional IRA to SIMPLE IRA Rollovers.** - Funds distributed from your Traditional IRA may be rolled over to a SIMPLE IRA if you meet the requirements of IRC Section 408(d)(3) and two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. A Traditional IRA rollover to SIMPLE IRA must occur within 60 days after you receive the distribution.

Regardless of the number of IRAs you own, you are only permitted to roll over one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period.

3. **Employer-Sponsored Retirement Plan to SIMPLE IRA Rollovers.** - You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan to a SIMPLE IRA provided two years have passed since you first participated in the SIMPLE IRA plan sponsored by your employer. An eligible rollover distribution is defined generally as any distribution from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, 457(b) eligible governmental deferred compensation plan, or federal Thrift Savings Plan unless it is a required minimum distribution, hardship distribution, part of a certain series of substantially equal periodic payments, corrective distributions of excess contributions, excess deferrals, excess annual additions and any income allocable to the excess, deemed loan distribution, dividends on employer securities, the cost of life insurance coverage, or a distribution of Roth elective deferrals from a 401(k), 403(b), governmental 457(b), or federal Thrift Savings Plan.

If you elect to receive your rollover distribution prior to placing it in a SIMPLE IRA, thereby conducting an indirect rollover, your plan administrator generally will be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up out of pocket the amount withheld, and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution must be rolled over to your SIMPLE IRA not later than 60 days after you receive the distribution. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax, and if you are under age 59 1/2, the 10 percent early distribution penalty tax (unless an exception to the penalty applies).

As an alternative to the indirect rollover, your employer generally must give you the option to directly roll over your employer-sponsored retirement plan balance to a SIMPLE IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the SIMPLE IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20 percent withholding requirements that do not apply to direct rollovers.

4. **SIMPLE IRA to Traditional IRA Rollovers.** - Assets distributed

from your SIMPLE IRA may be rolled over to your Traditional IRA without IRS penalty tax, provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with SIMPLE IRA-to-SIMPLE IRA rollovers, the requirements of IRC Section 408(d)(3) must be met. A SIMPLE IRA to-Traditional IRA rollover must be completed within 60 days after you receive the distribution.

Regardless of the number of IRAs you own, you are only permitted to roll over only one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period.

5. **SIMPLE IRA-to-Employer-Sponsored Retirement Plan Rollovers.** - You may roll over, directly or indirectly, any eligible rollover distribution from a SIMPLE IRA to an employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan, provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. The employer-sponsored retirement plan, however, must allow for such rollover contributions. A SIMPLE IRA may not receive rollovers from employer-sponsored retirement plans.

6. **SIMPLE IRA to Roth IRA Conversions.** - You are eligible to convert all or any portion of your existing SIMPLE IRA(s) into your Roth IRA(s), provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. If you convert to a Roth IRA, the amount of the conversion from your SIMPLE IRA to your Roth IRA will be treated as a distribution for income tax purposes, and is includible in your gross income. Although the conversion amount generally is included in income, the 10 percent early distribution penalty tax will not apply to conversions from a SIMPLE IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent early distribution penalty tax. If you are age 70 1/2 or older you must remove your required minimum distribution before converting your SIMPLE IRA.

7. **Written Election.** - At the time you make a rollover to a SIMPLE 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.

- I. **Recharacterizations** - If you make a contribution to a SIMPLE IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income, you may elect to treat the original contribution as having been made to the Roth IRA. You can also recharacterize a contribution from a Roth IRA to a SIMPLE IRA. The deadline for completing a recharacterization is your tax filing deadline for the year for which the original contribution was made. You may not recharacterize a Roth IRA conversion.

J. **Repayments of Certain Distributions**

1. **Qualified Birth or Adoption Distributions.** - If you have taken a qualified birth or adoption distribution, you may generally pay all or a portion of the aggregate amount of such distribution to a SIMPLE IRA at any time during the three-year period beginning on the day after the date on which such distribution was received. In the case of a qualified birth or adoption distribution made on or before December 29, 2022, the deadline to repay the distribution is December 31, 2025.

2. **Terminal Illness Distributions.** - If you have taken a distribution due to a terminal illness, you may generally pay all or a portion of the aggregate amount of such distribution to a SIMPLE IRA at any time during the three-year period beginning on the day after the date on which such distribution was received.

3. **Domestic Abuse Distributions.** - Beginning in 2024, if you

have taken a distribution because you are a victim of domestic abuse, you may generally pay all or a portion of the aggregate amount of such distribution to a SIMPLE IRA at any time during the three year period beginning on the day after the date on which such distribution was received.

4. **Emergency Personal Expense Distributions.** - Beginning in 2024, if you had taken an emergency personal expense distribution, the distribution may be repaid within a three-year period. No further emergency personal expense distributions are allowed during the immediately following three calendar years unless repayment occurs, or you have made SIMPLE IRA contributions after the previous distribution in an amount at least equal to the previous distribution that has not been repaid.
5. **Qualified Disaster Recovery Distributions.** - If you have taken a qualified disaster recovery distribution, the distribution may be recontributed to a SIMPLE IRA at any time during the three year period beginning on the day after the date on which such distribution was received.

For further information, you may wish to obtain IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), or refer to the IRS website at [www.irs.gov](http://www.irs.gov).

- K. **Not Tax Advice** – Nothing contained within this Disclosure Statement or Custodial Agreement should be construed as tax or investment advice. Due to the specific and complex tax rules under Publication 590 and other regulations, you should seek advice from your tax or investment advisor for details on the specific rules and the tax treatment of your assets.

#### LIMITATIONS AND RESTRICTIONS

- A. **Deduction of Rollovers and Transfers** – A deduction is not allowed for rollover or transfer contributions.
- B. **Gift Tax** – Transfers of your SIMPLE IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under IRC Section 2501.
- C. **Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by I RC Sec. 402 do not apply to SIMPLE IRA distributions.
- D. **Prohibited Transactions** – If you or your beneficiary engage in a prohibited transaction with your SIMPLE IRA, as described in IRC Section 4975, your entire account will lose its tax-deferred status, and you must include the fair market value of your account in your gross income for that taxable year. You may also incur a tax penalty. Examples of a prohibited transaction include using your SIMPLE IRA assets to buy property for personal use, lending money from your SIMPLE IRA to a disqualified person and taking a loan from your SIMPLE IRA. Please refer to a tax consultant for advice on questions of prohibited transactions.
- E. **Pledging/Security** – If you pledge any portion of your SIMPLE 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 INFORMATION

- A. **IRS Plan Approval** – The agreement used to establish this SIMPLE IRA has 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. **No Prediction, Representation or Guarantee of Future Value** – The value of your SIMPLE IRA at any time will depend on the amount of contributions to it, the performance of its investments as selected by you or your Authorized Agent, and the time and amount of charges to and payments from it. Equity Trust does not

predict, represent or guarantee the value of your IRA at any future time.

- C. **Non-Deposit Investments Not Secured by FDIC** – Non-deposit investments, such as, but not limited to stocks, bonds, mutual funds, real property and private placements, of the SIMPLE IRA are not FDIC insured and are subject to investment risks, including the loss of principal.
- D. **Disaster Related Relief** – If you qualify for disaster related relief as specifically provided by Congress, you may be eligible for favorable tax treatment on distributions, rollovers, and other transactions related to your SIMPLE IRA Account. Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs) from the IRS will provide additional information for you for these favorable tax treatment opportunities, as well as the IRS website at [www.irs.gov](http://www.irs.gov). Qualified disaster relief may include penalty-tax free early distributions made during specified time frames for each disaster, the ability to include distributions in your gross income ratably over multiple years, the ability to roll over distributions to an eligible retirement plan without regard to the 60-day rollover rule, and more.

**Qualified Disaster Recovery Distributions.** If your principal residence is located in a qualified disaster area and you have sustained an economic loss by reason of such disaster, you may receive up to \$22,000 per disaster in aggregate distributions from your retirement plans and IRAs as qualified disaster recovery distributions. A qualified disaster is any major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act after January 26, 2021. These distributions are not subject to the 10 percent early distribution penalty tax. In addition, unless you elect otherwise, any amount required to be included in your gross income for such taxable year shall be included ratably over a three-taxable year period, beginning with the taxable year of the distribution. Qualified disaster recovery distributions may be repaid at any time generally within a three-year period beginning on the day after the date the distribution was received.

**Repayments of Withdrawals for Home Purchase.** If you received a qualified first-time homebuyer distribution to purchase or construct a principal residence in the qualified disaster area, but which was not used on account of the qualified disaster, you are able to repay the distribution within 180 days of the applicable date of such disaster. The distribution must have been received during the period (1) beginning 180 days before the first day of the FEMA declared incident period, and (2) ending 30 days after the last day of the FEMA declared incident period.

For additional information on specific disasters, including a complete listing of disaster areas, qualification requirements for relief, and allowable disaster-related SIMPLE IRA transactions, 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).

- E. **Qualified Reservist Distributions** – If you are an eligible qualified reservist who has taken penalty free qualified reservist distributions from your SIMPLE IRA or retirement plan, you may recontribute those amounts to an IRA generally within a two-year period from your date of return.
- F. **Additional Information** – You may obtain further information on SIMPLE IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), by calling 1-800-TAXFORM, by visiting any district office of the Internal Revenue Service or by visiting [www.irs.gov](http://www.irs.gov) on the Internet.

<b>Annual Fee</b>	
Annual Fee per Account	\$ 15
<i>Annual fees are charged on a calendar year basis and are not pro-rated.</i>	
Services Include:	
<ul style="list-style-type: none"> <li>• IRS approved retirement plans and trust/custodial documents. Maintain such trust/custodial documents in compliance with applicable federal laws and regulations.</li> <li>• Maintaining customer data, including beneficiary designation.</li> <li>• Annual required minimum distribution notices and, upon request, calculate required minimum distribution amounts.</li> <li>• Remit and report tax withholding to appropriate agencies under our taxpayer ID.</li> <li>• Provide IRS Forms 1099 and 5498, as required.</li> <li>• Report fair market value of assets to IRS, as required.</li> </ul>	
<b>Other Charges</b>	
Account Closing Fee	\$ 20
Outgoing Wire Processing	\$ 25
Tax Form Corrections	\$ 25
Processing on Terminated Trust	\$ 25
<i>Processing on terminated accounts after the account has been closed more than 6 months</i>	
Reinstatement of Closed Account	\$ 50
Special services not otherwise provided above	As agreed

**Please Note:** *In the event account fees become delinquent and it becomes necessary to collect the balance through the services of a collection agency, you will be held responsible for their fees.*

Trustee fees are dependent on the Brokerage Firm who services your account. Please contact your Brokerage Firm for all fees applicable to your account. If you should transfer your account to another Brokerage Firm, a current schedule of fees should be requested.