NAVY FEDERAL Credit Union

Traditional IRA Financial Disclosure

Deposits to an IRA are invested in a savings account that earns dividends. The accompanying charts project possible growth assuming, as an example, that a dividend rate of 0.10% per annum, compounded monthly, is paid. All values are computed with the assumption that no interim withdrawals are made. The values are only projections and are not guaranteed; however, Navy Federal has never failed to pay dividends at the rates declared in advance.

IRA Savings and Money Market Savings Accounts: Dividends are a division and distribution of earnings among members after all expenses have been paid and the required amount has been set aside for reserves. Dividend rates are declared prospectively by the Board of Directors in the month preceding the dividend period. These prospective dividend rates may change at the determination of the Board. Navy Federal also provides the annual percentage yield (APY) for each dividend rate declared by the Board. Payment of all dividends is, of course, dependent on the availability of earnings at the end of the period. Dividends are earned from day-of-deposit to day-of-withdrawal.

Dividends are computed using the monthly balance method which is applied to the full amount in your account and credited the last calendar day of the month in which they are earned. The dividend period is monthly, beginning the first calendar day of the month and ending the last calendar day of the month. The dividend rate and the annual percentage yield may be obtained by calling Navy Federal toll-free in the U.S. at 1-888-842-6328, or visiting us online at **navyfederal.org**. Fees and charges that may be assessed are disclosed on Navy Federal's current *Schedule of Fees and Charges.* The first chart projects the cumulative value of an IRA at the end of each of the first five years after establishment of an IRA Savings or IRA Money Market Savings Account. Column A of Charts I and II indicates the projected value of an account assuming an annual contribution of $1,000 at the beginning of each year. Column B of each chart reflects the projected value assuming a one-time rollover (or transfer) contribution of $1,000 is made on the first of the first year and no additional funds are contributed. Deposits to an IRA are invested

Chart I

Column A — $1,000 Annual Contribution Contributory Projection

.10% Dividend Rate and .10% APY

At End of Year	Projected Value
1	$1,001.00
2	$2,003.00
3	$3,006.01
4	$4,010.01
5	$5,015.03

Column B — One-time $1,000 Contribution Rollover Projection

.10% Dividend Rate and .10% APY

At End of Year	Projected Value
1	$1,001.00
2	$1,002.00
3	$1,003.00
4	$1,004.01
5	$1,005.01

Chart II

Column A — $1,000 Annual Contribution Contributory Projection

.10% Dividend Rate and .10% APY

Present Age	Value of Account at End of Year in Which You Reach Age		
	60	65	70
20	$41,873.00	$47,097.91	$52,349.00
21	$40,831.15	$46,050.83	$51,296.68
22	$39,790.34	$45,004.81	$50,245.41
23	$38,750.57	$43,959.83	$49,195.19
24	$37,711.84	$42,915.89	$48,146.03
25	$36,674.15	$41,873.00	$47,097.91
26	$35,637.49	$40,831.15	$46,050.83
27	$34,601.88	$39,790.34	$45,004.81
28	$33,567.29	$38,750.57	$43,959.83
29	$32,533.74	$37,711.84	$42,915.89
30	$31,501.23	$36,674.15	$41,873.00
31	$30,469.74	$35,637.49	$40,831.15
32	$29,439.29	$34,601.88	$39,790.34
33	$28,409.87	$33,567.29	$38,750.57
34	$27,381.47	$32,533.74	$37,711.84
35	$26,354.11	$31,501.23	$36,674.15
36	$25,327.77	$30,469.74	$35,637.49
37	$24,302.45	$29,439.29	$34,601.88
38	$23,278.16	$28,409.87	$33,567.29
39	$22,254.90	$27,381.47	$32,533.74
40	$21,232.65	$26,354.11	$31,501.23
41	$20,211.43	$25,327.77	$30,469.74
42	$19,191.23	$24,302.45	$29,439.29
43	$18,172.05	$23,278.16	$28,409.87
44	$17,153.89	$22,254.90	$27,381.47
45	$16,136.75	$21,232.65	$26,354.11
46	$15,120.62	$20,211.43	$25,327.77
47	$14,105.50	$19,191.23	$24,302.45
48	$13,091.41	$18,172.05	$23,278.16
49	$12,078.32	$17,153.89	$22,254.90
50	$11,066.25	$16,136.75	$21,232.65
51	$10,055.19	$15,120.62	$20,211.43
52	$9,045.14	$14,105.50	$19,191.23
53	$8,036.10	$13,091.41	$18,172.05
54	$7,028.07	$12,078.32	$17,153.89
55	$6,021.04	$11,066.25	$16,136.75
56	$5,015.03	$10,055.19	$15,120.62
57	$4,010.01	$9,045.14	$14,105.50
58	$3,006.01	$8,036.10	$13,091.41
59	$2,003.00	$7,028.07	$12,078.32
60	$1,001.00	$6,021.04	$11,066.25

Column B — One-time $1,000 Contribution Rollover Projection

10% Dividend Rate and .10% APY

Present Age	Value of Account at End of Year in Which You Reach Age		
	60	65	70
20	$1,041.85	$1,047.07	$1,052.32
21	$1,040.81	$1,046.03	$1,051.27
22	$1,039.77	$1,044.98	$1,050.22
23	$1,038.73	$1,043.94	$1,049.17
24	$1,037.69	$1,042.89	$1,048.12
25	$1,036.65	$1,041.85	$1,047.07
26	$1,035.62	$1,040.81	$1,046.03
27	$1,034.58	$1,039.77	$1,044.98
28	$1,033.55	$1,038.73	$1,043.94
29	$1,032.52	$1,037.69	$1,042.89
30	$1,031.48	$1,036.65	$1,041.85
31	$1,030.45	$1,035.62	$1,040.81
32	$1,029.42	$1,034.58	$1,039.77
33	$1,028.39	$1,033.55	$1,038.73
34	$1,027.37	$1,032.52	$1,037.69
35	$1,026.34	$1,031.48	$1,036.65
36	$1,025.31	$1,030.45	$1,035.62
37	$1,024.29	$1,029.42	$1,034.58
38	$1,023.27	$1,028.39	$1,033.55
39	$1,022.24	$1,027.37	$1,032.52
40	$1,021.22	$1,026.34	$1,031.48
41	$1,020.20	$1,025.31	$1,030.45
42	$1,019.18	$1,024.29	$1,029.42
43	$1,018.16	$1,023.27	$1,028.39
44	$1,017.14	$1,022.24	$1,027.37
45	$1,016.13	$1,021.22	$1,026.34
46	$1,015.11	$1,020.20	$1,025.31
47	$1,014.10	$1,019.18	$1,024.29
48	$1,013.08	$1,018.16	$1,023.27
49	$1,012.07	$1,017.14	$1,022.24
50	$1,011.06	$1,016.13	$1,021.22
51	$1,010.05	$1,015.11	$1,020.20
52	$1,009.04	$1,014.10	$1,019.18
53	$1,008.03	$1,013.08	$1,018.16
54	$1,007.02	$1,012.07	$1,017.14
55	$1,006.02	$1,011.06	$1,016.13
56	$1,005.01	$1,010.05	$1,015.11
57	$1,004.01	$1,009.04	$1,014.10
58	$1,003.00	$1,008.03	$1,013.08
59	$1,002.00	$1,007.02	$1,012.07
60	$1,001.00	$1,006.02	$1,011.06

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in a Certificate account that earns dividends. The accompanying charts project possible growth assuming, as an example, that a dividend rate of 0.10% per annum, compounded daily, is paid. All values are computed with the assumption that no interim withdrawals are made. The values are only projections and are not guaranteed; however, Navy Federal has never failed to pay dividends at the rates declared in advance.

Certificate Accounts: Dividends are a division and distribution of earnings among members after all expenses have been paid and the required amount has been set aside for reserves. Dividend rates are declared prospectively by the Board of Directors in the month preceding the dividend period. These prospective dividend rates may change at the determination of the Board. Navy Federal also provides the annual percentage yield (APY) for each dividend rate declared by the Board. Payment of all dividends is, of course, dependent on the availability of earnings at the end of the period. Dividends at Navy Federal are earned from day-of-deposit to day-of-withdrawal.

Dividends are computed using the daily balance method by applying the daily periodic rate to the full amount in your account at the end of each day. Dividends are credited the last calendar day of the month in which they are earned. The dividend period is monthly, beginning the first calendar day of the month and ending the last calendar day of the month. The dividend rate and the annual percentage yield may be obtained by calling Navy Federal toll-free in the U.S. at 1-888-842-6328, or visiting us online at **navyfederal.org**. Fees and charges that may be assessed are disclosed on Navy Federal's current *Schedule of Fees and Charges.* The first chart projects the cumulative value of an IRA at the end of each of the first five years after establishment of an IRA Certificate. Column A of Charts III and IV indicates the projected value of an account assuming an annual contribution of $1,000 at the beginning of each year. Column B of each chart reflects the projected value assuming a one-time rollover (or transfer) contribution of $1,000 is made on the first of the first year and no additional funds are contributed.

Chart III

Column A — $1,000 Annual Contribution Contributory Projection

.10% Dividend Rate and .10% APY

At End of Year	Projected Value
1	$1,001.00
2	$2,003.00
3	$3,006.01
4	$4,010.01
5	$5,015.03

Column B — One-time $1,000 Contribution Rollover Projection

.10% Dividend Rate and .10% APY

At End of Year	Projected Value
1	$1,001.00
2	$1,002.00
3	$1,003.00
4	$1,004.01
5	$1,005.01

Chart IV

Column A — $1,000 Annual Contribution Contributory Projection

.10% Dividend Rate and .10% APY

Present Age	Value of Account at End of Year in Which You Reach Age		
	60	65	70
20	$41,873.03	$47,097.95	$52,349.06
21	$40,831.18	$46,050.88	$51,296.73
22	$39,790.37	$45,004.85	$50,245.46
23	$38,750.60	$43,959.87	$49,195.24
24	$37,711.87	$42,915.93	$48,146.07
25	$36,674.18	$41,873.03	$47,097.95
26	$35,637.52	$40,831.18	$46,050.88
27	$34,601.90	$39,790.37	$45,004.85
28	$33,567.32	$38,750.60	$43,959.87
29	$32,533.77	$37,711.87	$42,915.93
30	$31,501.25	$36,674.18	$41,873.03
31	$30,469.76	$35,637.52	$40,831.18
32	$29,439.31	$34,601.90	$39,790.37
33	$28,409.88	$33,567.32	$38,750.60
34	$27,381.49	$32,533.77	$37,711.87
35	$26,354.12	$31,501.25	$36,674.18
36	$25,327.78	$30,469.76	$35,637.52
37	$24,302.46	$29,439.31	$34,601.90
38	$23,278.17	$28,409.88	$33,567.32
39	$22,254.91	$27,381.49	$32,533.77
40	$21,232.66	$26,354.12	$31,501.25
41	$20,211.44	$25,327.78	$30,469.76
42	$19,191.24	$24,302.46	$29,439.31
43	$18,172.06	$23,278.17	$28,409.88
44	$17,153.90	$22,254.91	$27,381.49
45	$16,136.75	$21,232.66	$26,354.12
46	$15,120.62	$20,211.44	$25,327.78
47	$14,105.51	$19,191.24	$24,302.46
48	$13,091.41	$18,172.06	$23,278.17
49	$12,078.33	$17,153.90	$22,254.91
50	$11,066.25	$16,136.75	$21,232.66
51	$10,055.19	$15,120.62	$20,211.44
52	$9,045.14	$14,105.51	$19,191.24
53	$8,036.10	$13,091.41	$18,172.06
54	$7,028.07	$12,078.33	$17,153.90
55	$6,021.05	$11,066.25	$16,136.75
56	$5,015.03	$10,055.19	$15,120.62
57	$4,010.02	$9,045.14	$14,105.51
58	$3,006.01	$8,036.10	$13,091.41
59	$2,003.00	$7,028.07	$12,078.33
60	$1,001.00	$6,021.05	$11,066.25

Column B — One-time $1,000 Contribution Rollover Projection

.10% Dividend Rate and .10% APY

Present Age	Value of Account at End of Year in Which You Reach Age		
	60	65	70
20	$1,041.85	$1,047.07	$1,052.32
21	$1,040.81	$1,046.03	$1,051.27
22	$1,039.77	$1,044.98	$1,050.22
23	$1,038.73	$1,043.94	$1,049.17
24	$1,037.69	$1,042.89	$1,048.12
25	$1,036.66	$1,041.85	$1,047.07
26	$1,035.62	$1,040.81	$1,046.03
27	$1,034.58	$1,039.77	$1,044.98
28	$1,033.55	$1,038.73	$1,043.94
29	$1,032.52	$1,037.69	$1,042.89
30	$1,031.49	$1,036.66	$1,041.85
31	$1,030.45	$1,035.62	$1,040.81
32	$1,029.42	$1,034.58	$1,039.77
33	$1,028.40	$1,033.55	$1,038.73
34	$1,027.37	$1,032.52	$1,037.69
35	$1,026.34	$1,031.49	$1,036.66
36	$1,025.32	$1,030.45	$1,035.62
37	$1,024.29	$1,029.42	$1,034.58
38	$1,023.27	$1,028.40	$1,033.55
39	$1,022.24	$1,027.37	$1,032.52
40	$1,021.22	$1,026.34	$1,031.49
41	$1,020.20	$1,025.32	$1,030.45
42	$1,019.18	$1,024.29	$1,029.42
43	$1,018.16	$1,023.27	$1,028.40
44	$1,017.15	$1,022.24	$1,027.37
45	$1,016.13	$1,021.22	$1,026.34
46	$1,015.11	$1,020.20	$1,025.32
47	$1,014.10	$1,019.18	$1,024.29
48	$1,013.08	$1,018.16	$1,023.27
49	$1,012.07	$1,017.15	$1,022.24
50	$1,011.06	$1,016.13	$1,021.22
51	$1,010.05	$1,015.11	$1,020.20
52	$1,009.04	$1,014.10	$1,019.18
53	$1,008.03	$1,013.08	$1,018.16
54	$1,007.02	$1,012.07	$1,017.15
55	$1,006.02	$1,011.06	$1,016.13
56	$1,005.01	$1,010.05	$1,015.11
57	$1,004.01	$1,009.04	$1,014.10
58	$1,003.00	$1,008.03	$1,013.08
59	$1,002.00	$1,007.02	$1,012.07
60	$1,001.00	$1,006.02	$1,011.06

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IRA Certificates: The IRA Certificate has a minimum balance requirement as shown on your IRA application form and will earn dividends for each monthly dividend period at the dividend rate and APY specified, if held to maturity. If the balance falls below the minimum requirement, the Certificate will be closed and the funds transferred to IRA savings. Dividends are computed from day-of-deposit to day-of-withdrawal on the actual dollar value of the Certificate using the daily balance method, compounded daily, and credited to the IRA Certificate monthly on the last calendar day of the month in which they were earned, unless another dividend distribution option has been chosen. The APY assumes dividends remain in the account until maturity. Early withdrawals reduce earnings. The following charts give a projection of the growth of the value of your IRA by showing the amount available to you at the end of each year. The first chart assumes a contribution of $1,000 is made on the first day of each year to your IRA. The second chart assumes that the only contribution to your IRA is a one-time rollover (or transfer) of $1,000 made on the first day of the first year. A loss of dividend penalty may be charged on a withdrawal from an IRA Certificate prior to maturity. These projections assume the penalty is either a one-month, a three-month, or a six-month loss of dividends on the entire amount withdrawn.

Chart V

Regular IRA Financial Projections

.10% Dividend Rate and .10% APY

No Years	Account Value	3 Mo. Penalty	6 Mo. Penalty	12 Mo. Penalty
1	$1,001.00	$1,000.75	$1,000.50	$1,000.00
2	$2,003.00	$2,002.50	$2,002.00	$2,001.00
3	$3,006.01	$3,005.26	$3,004.50	$3,003.00
4	$4,010.02	$4,009.01	$4,008.01	$4,006.00
5	$5,015.03	$5,013.77	$5,012.52	$5,010.01
6	$6,021.05	$6,019.54	$6,018.04	$6,015.02
7	$7,028.07	$7,026.31	$7,024.56	$7,021.04
8	$8,036.10	$8,034.09	$8,032.08	$8,028.07
9	$9,045.14	$9,042.88	$9,040.62	$9,036.10
10	$10,055.19	$10,052.68	$10,050.17	$10,045.14
11	$11,066.25	$11,063.49	$11,060.72	$11,055.19
12	$12,078.33	$12,075.31	$12,072.29	$12,066.25
13	$13,091.41	$13,088.14	$13,084.87	$13,078.32
14	$14,105.51	$14,101.98	$14,098.46	$14,091.40
15	$15,120.62	$15,116.84	$15,113.06	$15,105.50
16	$16,136.75	$16,132.72	$16,128.68	$16,120.61
17	$17,153.90	$17,149.61	$17,145.32	$17,136.74
18	$18,172.06	$18,167.52	$18,162.97	$18,153.89
19	$19,191.24	$19,186.44	$19,181.65	$19,172.05
20	$20,211.44	$20,206.39	$20,201.34	$20,191.23
21	$21,232.66	$21,227.36	$21,222.05	$21,211.43
22	$22,254.91	$22,249.34	$22,243.78	$22,232.65
23	$23,278.17	$23,272.35	$23,266.54	$23,254.90
24	$24,302.46	$24,296.39	$24,290.31	$24,278.16
25	$25,327.78	$25,321.45	$25,315.12	$25,302.45
26	$26,354.12	$26,347.53	$26,340.94	$26,327.77
27	$27,381.49	$27,374.64	$27,367.80	$27,354.11
28	$28,409.88	$28,402.78	$28,395.68	$28,381.47
29	$29,439.31	$29,431.95	$29,424.59	$29,409.87
30	$30,469.76	$30,462.15	$30,454.53	$30,439.29
31	$31,501.25	$31,493.37	$31,485.50	$31,469.75
32	$32,533.77	$32,525.63	$32,517.50	$32,501.23
33	$33,567.32	$33,558.92	$33,550.53	$33,533.75
34	$34,601.90	$34,593.25	$34,584.60	$34,567.30
35	$35,637.52	$35,628.61	$35,619.70	$35,601.88
36	$36,674.18	$36,665.01	$36,655.84	$36,637.50
37	$37,711.87	$37,702.44	$37,693.01	$37,674.16
38	$38,750.60	$38,740.91	$38,731.23	$38,711.85
39	$39,790.37	$39,780.42	$39,770.48	$39,750.58
40	$40,831.18	$40,820.97	$40,810.77	$40,790.35
41	$41,873.03	$41,862.57	$41,852.10	$41,831.16
42	$42,915.93	$42,905.20	$42,894.47	$42,873.01
43	$43,959.87	$43,948.88	$43,937.89	$43,915.91
44	$45,004.85	$44,993.60	$44,982.35	$44,959.84
45	$46,050.88	$46,039.36	$46,027.85	$46,004.83
46	$47,097.95	$47,086.18	$47,074.40	$47,050.85
47	$48,146.07	$48,134.04	$48,122.00	$48,097.93
48	$49,195.24	$49,182.94	$49,170.65	$49,146.05
49	$50,245.46	$50,232.90	$50,220.34	$50,195.22
50	$51,296.73	$51,283.91	$51,271.09	$51,245.44
51	$52,349.06	$52,335.97	$52,322.88	$52,296.71
52	$53,402.43	$53,389.08	$53,375.73	$53,349.03
53	$54,456.86	$54,443.25	$54,429.63	$54,402.41
54	$55,512.35	$55,498.47	$55,484.59	$55,456.83
55	$56,568.89	$56,554.75	$56,540.60	$56,512.32
56	$57,626.49	$57,612.08	$57,597.67	$57,568.86
57	$58,685.14	$58,670.47	$58,655.80	$58,626.46
58	$59,744.86	$59,729.92	$59,714.98	$59,685.11
59	$60,805.63	$60,790.43	$60,775.23	$60,744.83
60	$61,867.47	$61,852.00	$61,836.53	$61,805.60
61	$62,930.37	$62,914.63	$62,898.90	$62,867.44
62	$63,994.33	$63,978.33	$63,962.33	$63,930.33

Chart VI

Rollover or Transfer IRA Financial Projections

.10% Dividend Rate and .10% APY

No Years	Account Value	3 Mo. Penalty	6 Mo. Penalty	12 Mo. Penalty
1	$1,001.00	$1,000.75	$1,000.50	$1,000.00
2	$1,002.00	$1,001.75	$1,001.50	$1,001.00
3	$1,003.00	$1,002.75	$1,002.50	$1,002.00
4	$1,004.01	$1,003.76	$1,003.51	$1,003.00
5	$1,005.01	$1,004.76	$1,004.51	$1,004.01
6	$1,006.02	$1,005.77	$1,005.52	$1,005.01
7	$1,007.02	$1,006.77	$1,006.52	$1,006.02
8	$1,008.03	$1,007.78	$1,007.53	$1,007.02
9	$1,009.04	$1,008.79	$1,008.54	$1,008.03
10	$1,010.05	$1,009.80	$1,009.55	$1,009.04
11	$1,011.06	$1,010.81	$1,010.56	$1,010.05
12	$1,012.07	$1,011.82	$1,011.57	$1,011.06
13	$1,013.08	$1,012.83	$1,012.58	$1,012.07
14	$1,014.10	$1,013.84	$1,013.59	$1,013.08
15	$1,015.11	$1,014.86	$1,014.61	$1,014.10
16	$1,016.13	$1,015.87	$1,015.62	$1,015.11
17	$1,017.15	$1,016.89	$1,016.64	$1,016.13
18	$1,018.16	$1,017.91	$1,017.65	$1,017.14
19	$1,019.18	$1,018.93	$1,018.67	$1,018.16
20	$1,020.20	$1,019.95	$1,019.69	$1,019.18
21	$1,021.22	$1,020.97	$1,020.71	$1,020.20
22	$1,022.24	$1,021.99	$1,021.73	$1,021.22
23	$1,023.27	$1,023.01	$1,022.75	$1,022.24
24	$1,024.29	$1,024.03	$1,023.78	$1,023.27
25	$1,025.32	$1,025.06	$1,024.80	$1,024.29
26	$1,026.34	$1,026.08	$1,025.83	$1,025.31
27	$1,027.37	$1,027.11	$1,026.85	$1,026.34
28	$1,028.40	$1,028.14	$1,027.88	$1,027.37
29	$1,029.42	$1,029.17	$1,028.91	$1,028.40
30	$1,030.45	$1,030.20	$1,029.94	$1,029.42
31	$1,031.49	$1,031.23	$1,030.97	$1,030.45
32	$1,032.52	$1,032.26	$1,032.00	$1,031.48
33	$1,033.55	$1,033.29	$1,033.03	$1,032.52
34	$1,034.58	$1,034.33	$1,034.07	$1,033.55
35	$1,035.62	$1,035.36	$1,035.10	$1,034.58
36	$1,036.66	$1,036.40	$1,036.14	$1,035.62
37	$1,037.69	$1,037.43	$1,037.17	$1,036.66
38	$1,038.73	$1,038.47	$1,038.21	$1,037.69
39	$1,039.77	$1,039.51	$1,039.25	$1,038.73
40	$1,040.81	$1,040.55	$1,040.29	$1,039.77
41	$1,041.85	$1,041.59	$1,041.33	$1,040.81
42	$1,042.89	$1,042.63	$1,042.37	$1,041.85
43	$1,043.94	$1,043.68	$1,043.42	$1,042.89
44	$1,044.98	$1,044.72	$1,044.46	$1,043.94
45	$1,046.03	$1,045.77	$1,045.50	$1,044.98
46	$1,047.07	$1,046.81	$1,046.55	$1,046.03
47	$1,048.12	$1,047.86	$1,047.60	$1,047.07
48	$1,049.17	$1,048.91	$1,048.65	$1,048.12
49	$1,050.22	$1,049.96	$1,049.70	$1,049.17
50	$1,051.27	$1,051.01	$1,050.75	$1,050.22
51	$1,052.32	$1,052.06	$1,051.80	$1,051.27
52	$1,053.38	$1,053.11	$1,052.85	$1,052.32
53	$1,054.43	$1,054.17	$1,053.90	$1,053.38
54	$1,055.48	$1,055.22	$1,054.96	$1,054.43
55	$1,056.54	$1,056.28	$1,056.01	$1,055.48
56	$1,057.60	$1,057.33	$1,057.07	$1,056.54
57	$1,058.66	$1,058.39	$1,058.13	$1,057.60
58	$1,059.71	$1,059.45	$1,059.19	$1,058.66
59	$1,060.78	$1,060.51	$1,060.24	$1,059.71
60	$1,061.84	$1,061.57	$1,061.31	$1,060.77
61	$1,062.90	$1,062.63	$1,062.37	$1,061.84
62	$1,063.96	$1,063.70	$1,063.43	$1,062.90

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NAVY FEDERAL Credit Union

Traditional Individual Retirement Trust Agreement

Form 5305 Under Section 408(a) of the Internal Revenue Code — Form (Rev. April 2017)

The Grantor named on the Application is establishing a Traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death.

The Trustee named on the Application has given the Grantor the disclosure statement required by Regulations section 1.408-6.

The Grantor has assigned the trust account the sum indicated on the Application.

The Grantor and the Trustee make the following agreement:

Article I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the Trustee will accept only cash contributions up to $7,000 per year for 2025 and $7,500 for 2026. For individuals who have reached the age of 50 by the end of the year, the contribution limit is $8,000 for 2025 and $8,600 for 2026. For years after 2026, these limits will be increased to reflect a cost-of-living adjustment, if any.

Article II

The Grantor'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 Grantor'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 Grantor's entire interest in the trust account must be, or begin to be, distributed not later than the Grantor's required beginning date, April 1, following the calendar year in which the Grantor reaches age 70½ or older in 2019, age 72 in 2021 or 2022, or age 73 in 2023. By that date, the Grantor 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 Grantor or the joint lives of the Grantor and his or her designated beneficiary.
3. If the Grantor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:
   (a) If the Grantor dies on or after the required beginning date and:
      (i) the designated beneficiary is the Grantor'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 one 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 Grantor'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 Grantor and reduced by one 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 Grantor as determined in the year of the Grantor's death and reduced by one for each subsequent year.
   (b) If the Grantor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (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 Grantor's death. If, however, the designated beneficiary is the Grantor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the Grantor would have reached age 70½ or older in 2019, age 72 in 2021 or 2022, or age 73 in 2023. But, in such case, if the Grantor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (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 (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 Grantor's death.
4. If the Grantor dies before his or her entire interest has been distributed and if the designated beneficiary is not the Grantor'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 Grantor'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 Grantor reaches age 70½ or older in 2019, age 72 in 2021 or 2022, or age 73 in 2023, is the Grantor'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 Grantor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the Grantor'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 Grantor's (or, if applicable, the Grantor 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 Grantor's death (or the year the Grantor would have reached age 70½ or older in 2019, age 72 in 2021 or 2022, or age 73 in 2023, 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 Grantor reaches age 70½ or older in 2019, age 72 in 2021 or 2022, or age 73 in 2023 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 Traditional IRAs may satisfy the minimum distribution requirements described above by taking from one Traditional IRA the amount required to satisfy the requirement for another in accordance with the Regulations under section 408(a)(6).

Article V

1. The Grantor agrees to provide the Trustee with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.
2. The Trustee agrees to submit to the Internal Revenue Service (IRS) and Grantor the reports prescribed by the IRS.

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 section 408(a) and the related Regulations will be invalid.

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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 on the Application.

Article VIII

8.01 *Definitions*: In this part of this Agreement (Article VIII), the words "you" and "your" mean the Grantor, the words "we," "us," and "our" mean the Trustee, "Code" means the Internal Revenue Code, and "Regulations" means the Treasury Regulations.

8.02 *Notices and Change of Address*: Any required notice regarding this IRA will be considered effective when we send it to the intended recipient at the last address which we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.

8.03 *Representations and Responsibilities*: You represent and warrant to us that any information you have given or will give us with respect to this Agreement is complete and accurate. Further, you agree that any directions you give us, or action you take will be proper under this Agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, or if we receive ambiguous directions regarding any transaction, or we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We shall not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act. We shall not be responsible for any penalties, taxes, judgments, or expenses you incur in connection with your IRA. We have no duty to determine whether your contributions or distributions comply with the Code, Regulations, rulings, or this Agreement. We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this Agreement (e.g., attorney-in-fact, executor, administrator, investment manager); however, we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. We shall not be responsible for losses of any kind that may result from directions, actions, or failures to act by your authorized agent, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act by your authorized agent. You will have sixty (60) days after you receive any documents, statements, or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If you do not notify us within 60 days, the documents, statements, or other information shall be deemed correct and accurate, and we shall have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this Agreement, we are acting as your agent. Unless otherwise specified in this Agreement, you acknowledge and agree that nothing in this Agreement shall be construed as conferring fiduciary status upon us. We shall not be required to perform any additional services unless specifically agreed to under the terms and conditions of this Agreement, or as required under the Code and the Regulations promulgated thereunder with respect to IRAs. You agree to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this Agreement.

To the extent written instructions or notices are required under this Agreement, we may accept or provide such information in any other form permitted by the Code or applicable Regulations.

8.04 *Investment of Amounts in the IRA*:

Grantor Management of Investment—You have exclusive responsibility for and control over the investment of the assets of your IRA. All transactions shall be subject to any and all restrictions or limitations, direct or indirect, which are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearing house where the transaction is executed; our policies and practices; and this Agreement. After your death, your beneficiary(ies) shall have the right to direct the investment of your IRA assets, subject to the same conditions that applied to you during your lifetime under this Agreement (including, without limitation, Section 8.03 of this article). We shall have no discretion to direct any investment in your IRA. We assume no responsibility for rendering investment advice with respect to your IRA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your IRA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we shall have the right to hold any uninvested amounts in cash, and we shall have no responsibility to invest uninvested cash unless and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your IRA unless you provide timely written directions acceptable to us.

You will select the type of investment for your IRA assets, provided, however, that your selection of investments shall be limited to those types of investments that we are authorized by our charter, articles of incorporation, or bylaws to offer, and do in fact offer for investment in IRAs.

8.05 *Beneficiary(ies)*: If you die before you receive all of the amounts in your IRA, payments from your IRA will be made to your beneficiary(ies).

You may designate one or more persons or entities as beneficiary of your IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Unless otherwise specified, each beneficiary designation you file with us will cancel all previous ones. The consent of a beneficiary(ies) shall not be required for you to revoke a beneficiary designation. If you have designated both primary and contingent beneficiaries and no primary beneficiary(ies) survives you, the contingent beneficiary(ies) shall acquire the designated share of your IRA. If you do not designate a beneficiary, or if all of your primary and contingent beneficiary(ies) predecease you, your estate will be the beneficiary.

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

We may allow, if permitted by state law, an original IRA beneficiary(ies) (the beneficiary(ies) who is entitled to receive distribution(s) from an inherited IRA at the time of your death) to name a successor beneficiary(ies) for the inherited IRA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during the original IRA beneficiary's(ies') lifetime. Unless otherwise specified, each beneficiary designation form that the original IRA beneficiary(ies) files with us will cancel all previous ones. The consent of a successor beneficiary(ies) shall not be required for the original IRA beneficiary(ies) to revoke a successor beneficiary(ies) designation. If the original IRA beneficiary(ies) does not designate a successor beneficiary(ies), his or her estate will be the successor beneficiary. In no event shall the successor beneficiary(ies) be able to extend the distribution period beyond that required for the original IRA beneficiary.

8.06 *Required Minimum Distributions*: Your required minimum distribution is calculated using the Uniform Lifetime Table in Regulations section 1.401(a)(9)-9. However, if your spouse is your sole designated beneficiary and is more than 10 years younger than you, your required minimum distribution is calculated each year using the joint and last survivor table in Regulations section 1.401(a)(9)-9.

If you fail to request your required minimum distribution by your required beginning date, we can, at our complete and sole discretion, do any one of the following:

- Make no distribution until you give us a proper withdrawal request;
- Distribute your entire IRA to you in a single sum payment; or
- Determine your required minimum distribution from your IRA each year based on your life expectancy, calculated using the Uniform Lifetime Table in Regulations section 1.401(a)(9)-9, and pay those distributions to you until you direct otherwise.

We will not be liable for any penalties or taxes related to your failure to take a required minimum distribution.

8.07 *Termination of Agreement, Resignation, or Removal of Trustee*: Either party may terminate this Agreement at any time by giving written notice to the other. We can resign as Trustee at any time effective 30 days after we mail written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your IRA to another financial organization. If you do not complete a transfer of your IRA within 30 days from the date we mail the notice to you, we have the right to transfer your IRA assets to a successor IRA custodian or trustee that we choose in our sole discretion, or we may pay your IRA to you in a single sum. We shall not be liable for any actions or failures to act on the part of any successor custodian or trustee, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this Agreement is terminated, we may charge your IRA a reasonable amount of money that we believe is necessary to cover any associated costs, including, but not limited to, one or more of the following:

- Any fees, expenses, or taxes chargeable against your IRA;
- Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your IRA.

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If we are required to comply with Regulations section 1.408–2(e), and we fail to do so, or we are not keeping the records, making the returns, or sending the statements as are required by forms or Regulations, the IRS may, after notifying you, require you to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your IRA to you in cash or property if the balance of your IRA drops below the minimum balance required under the applicable investment or policy established.

8.08 *Successor Trustee*: If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion which includes your IRA) is bought by another organization, that organization (or agency) shall automatically become the trustee or custodian of your IRA, but only if it is the type of organization authorized to serve as an IRA trustee or custodian.

8.09 *Amendments*: We have the right to amend this Agreement at any time. Any amendment we make to comply with the Code and related Regulations does not require your consent. You will be deemed to have consented to any other amendment unless, within 30 days from the date we mail the amendment, you notify us in writing that you do not consent.

8.10 *Withdrawals or Transfers*: Unless you are instructed otherwise, all requests for withdrawals or transfers shall be in writing on a form provided by or acceptable to us. The method of distribution must be specified. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals shall be subject to all applicable tax and other laws and Regulations, including possible early withdrawal penalties or surrender charges and withholding requirements.

8.11 *Transfers from Other Plans*: We can receive amounts transferred to this IRA from the custodian or trustee of another IRA. In addition, we can accept direct rollovers of eligible rollover distributions from employer-sponsored retirement plans as permitted by the Code. We reserve the right not to accept any transfer or direct rollover.

8.12 *Liquidation of Assets*: We have the right to liquidate assets in your IRA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against your IRA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree not to hold us liable for any adverse consequences that result from our decision.

8.13 *Restrictions on the Fund*: Neither you nor any beneficiary may sell, transfer, or pledge any interest in your IRA in any manner whatsoever, except as provided by law or this Agreement.

The assets in your IRA shall not be responsible for the debts, contracts, or torts of any person entitled to distributions under this Agreement.

8.14 *What Law Applies*: This Agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this Agreement, the law of our domicile shall govern.

If any part of this Agreement is held to be illegal or invalid, the remaining parts shall not be affected. Neither your nor our failure to enforce at any time or for any period of time any of the provisions of this Agreement shall be construed as a waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.

General Instructions

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

Purpose of Form

Form 5305 is a model trust account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (Traditional IRA) is established after the form is fully executed by both the individual (Grantor) and the Trustee and must be completed no later than the due date (excluding extensions) of the individual's income tax return for the tax year. This account must be created in the United States for the exclusive benefit of the Grantor and his or her beneficiaries.

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

For more information on IRAs, including the required disclosures the Trustee must give the Grantor, see **Pub. 590**, *Individual Retirement Arrangements (IRAs)*.

Definitions

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.

Grantor. The grantor is the person who establishes the trust account.

Identifying Number

The Grantor's Social Security Number will serve as the identifying number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

Traditional IRA for Nonworking Spouse

Form 5305 may be used to establish the IRA trust for a nonworking spouse. Contributions to an IRA trust account for a nonworking spouse must be made to a separate IRA trust account established by the nonworking spouse.

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 Grantor reaches age 70½ 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 Grantor 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 Grantor, etc. Attach additional pages if necessary.

Disclosure Statement

Right to Revoke Your IRA

If you receive this Disclosure Statement at the time you establish your IRA, you have the right to revoke your IRA within seven (7) days of its establishment. If revoked, you are entitled to a full return of the contribution you made to your 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 Trustee 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.

We are required to report to the IRS the contributions and distributions from a revoked IRA.

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

Requirements of an IRA

A. *Cash Contributions*—Your contribution must be in cash unless it is a rollover contribution. Stock certificates will not be allowed.

B. *Maximum Contribution*—The total amount you may contribute to an IRA for any taxable year cannot exceed the lesser of 100 percent of your compensation or $7,000 for 2025 and $7,500 for 2026 with possible cost-of-living adjustments each year thereafter. If you also maintain a Roth IRA, the maximum contribution to your Traditional IRAs (i.e., IRAs subject to Internal Revenue Code (sections 408(a) or 408(b)) is reduced by any contributions you make to your Roth IRA. Your total annual contribution to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100 percent of your compensation.

C. *Contribution Eligibility*—For tax years beginning before 2020, you are eligible to make a regular contribution to your IRA if you have compensation and have not attained age 70½ by the end of the taxable year for which the contribution is made. For 2020 and later tax years, you may make a regular contribution to your IRA at any age if you have compensation.

D. *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 IRA. The maximum additional contribution is $1,100 per year.

E. *Nonforfeitability*—Your interest in your IRA is nonforfeitable.

F. *Eligible Trustees*—The Trustee of your IRA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

G. *Commingling Assets*—The assets of your IRA cannot be commingled with other property except in a common trust fund or common investment fund.

H. *Life Insurance*—No portion of your IRA may be invested in life insurance contracts.

I. *Collectibles*—You may not invest the assets of your IRA in collectibles (within the meaning of Code 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 Code section 408(m)(3)) are also permitted as IRA investments.

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J. *Required Minimum Distributions*—You are required to take minimum distributions from your IRA at certain times in accordance with Regulations section 1.408-8. Below is a summary of the IRA distribution rules.

1. If you reached age 70½ or older in 2019, you are required to take a minimum distribution from your IRA for the year in which you reach age 70½ 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 70½. If you reached age 72 in 2021-2022, you are required to take a minimum distribution from your IRA for the year in which you reach age 72 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 72. If you reached age 73 in 2024 or later, you are required to take a minimum distribution from your 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. The applicable divisor is generally determined using the Uniform Lifetime Table provided by the IRS. If your spouse is your sole designated beneficiary 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 IRA to you in a single sum payment; or

   (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 a required minimum distribution, an additional penalty tax of 50 percent is imposed on the amount of the required minimum distribution that should have been taken but was not. You must file IRS Form 5329 along with your income tax return to report and remit any additional taxes to the IRS.

K. *Beneficiary Distributions*—Upon your death, your beneficiaries are required to take distributions according to IRC Sec. 401(a)(9) and Treasury Regulation 1.408-8. These requirements are described below.

1. Death of 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 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 IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.

   If you die before your required beginning date, the entire amount remaining in your account will, at the election of your designated beneficiaries, either:

   (a) be distributed by December 31 of the year containing the fifth anniversary of your death, or

   (b) 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 (a) or (b) 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 (a) or (b) 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 (b). In the case of distributions under option (b), 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 age 73 *(age 70½ if you would have attained age 70½ before 2020 or age 72 if you would have attained age 72 between 2020 and 2022)*, 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 IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by December 31 of the year containing the fifth anniversary of your death.

2. Death of IRA Owner On or After January 1, 2020—The entire amount remaining in your account will generally be distributed by December 31 of the year containing the tenth anniversary of your death unless you have an eligible designated beneficiary 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 remaining in your account may be distributed (in accordance with the Treasury Regulations) over the remaining life expectancy of your eligible designated beneficiary (or over a period not extending beyond the life expectancy of such beneficiary).

   An eligible designated beneficiary is any designated beneficiary who is:

   - your surviving spouse,
   - your child who has not reached the age of majority,
   - disabled (A physician must determine that your impairment can be expected to result in death or to be of long, continued, and indefinite duration),
   - an individual who is not more than 10 years younger than you, or
   - chronically ill (A chronically ill individual is someone who (1) is unable to perform (without substantial assistance from another individual) at least two activities of daily living for an indefinite period 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).

   A spouse who is the sole designated beneficiary of your entire IRA will be deemed to elect to treat your IRA as his or her own by either (1) making contributions to your IRA or (2) failing to timely remove a required minimum distribution from your IRA. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

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

   If your beneficiary fails to remove 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.

3. If the total balance of the IRA assets is less than $5,000, Navy Federal will pay out the entire balance to the beneficiary as an immediate lump sum distribution. Navy Federal will automatically withhold the minimum Federal taxes of 10 percent and any applicable State taxes at the time of distribution.

L. *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. The total premiums paid to QLACs in your IRAs must not exceed 25 percent (up to $210,000) of the combined value of your IRAs (excluding Roth IRAs). The $210,000 limit is subject to cost-of-living adjustments each year.

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

For more information on QLACs, you may wish to refer to the IRS website at **www.irs.gov**.

M. *Waiver of 2020 RMD*—In spite of the general rules described above, if you are an IRA owner age 70½ or older, you are not required to remove an RMD for calendar year 2020. This RMD waiver also applies to IRA owners who attained age 70½ in 2019 but did not take their first RMD before January 1, 2020. In addition, no beneficiary life expectancy payments are required for calendar year calendar year 2020. If the five-year rule applies to an IRA with respect to any decedent, the five-year period is determined without regard to calendar year 2020. For example, if an IRA owner died in 2017, the beneficiary's five-year period ends in 2023 instead of 2022.

Income Tax Consequences of Establishing an IRA

A. *IRA Deductibility*—If you are eligible to contribute to your IRA, the amount of the contribution for which you may take a tax deduction will depend upon whether you (or, in some cases, your spouse) are an active participant in an employer-maintained retirement plan. If you (and your spouse, if married)

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are not an active participant, your entire IRA contribution will be deductible. If you are an active participant (or are married to an active participant), the deductibility of your contribution will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the contribution was made. MAGI is determined on your income tax return using your adjusted gross income but disregarding any deductible IRA contribution.

Definition of Active Participant: Generally, you will be an active participant if you are covered by one or more of the following employer-maintained retirement plans:

1. A qualified pension, profit sharing, 401(k), or stock bonus plan;
2. A qualified annuity plan of an employer;
3. A simplified employee pension (SEP) plan;
4. A retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under Code section 457);
5. A tax-sheltered annuity for employees of certain tax-exempt organizations or public schools;
6. A plan meeting the requirements of Code section 501(c)(18);
7. A qualified plan for self-employed individuals (H.R. 10 or Keogh Plan); or
8. A savings incentive match plan for employees of small employers (SIMPLE) IRA plan or a SIMPLE 401(k) plan.

If you do not know whether your employer maintains one of these plans or whether you are an active participant in it, check with your employer or your tax advisor. Also, the IRS Form W-2, Wage and Tax Statement, that you receive at the end of the year from your employer will indicate whether you are an active participant.

If you are an active participant and are single, and have MAGI within the applicable phase-out range listed below, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out range maximum for the applicable year (specified below), and subtract your MAGI; (2) divide this total by the difference between the phase-out maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of $85,000 in 2026, your maximum deductible contribution is $4,500 (*the 2026 phase-out range maximum of $91,000 minus your MAGI of $85,000, divided by the difference between the maximum and minimum phase-out range limits of $10,000, and multiplied by the contribution limit of $7,500*).

If you are an active participant, are married to a non-active participant and you file a joint income tax return, and have MAGI within the applicable phase-out range listed below, the deductible amount of your contribution is determined as follows: (1) begin with the appropriate phase-out maximum for the applicable year (specified below) and subtract your MAGI; (2) divide this total by the difference between the phase-out range maximum and minimum; (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take. For example, if you are age 30 with MAGI of $135,000 in 2026, your maximum deductible contribution is $5,250 (*the 2026 phase-out maximum of $149,000 minus your MAGI of $135,000, divided by the difference between the maximum and minimum phase-out limits of $20,000, and multiplied by the contribution limit of $7,500*).

If you are an active participant, are married, and you file a separate income tax return, your MAGI phase-out range is generally $0-$10,000. However, if you lived apart for the entire tax year, you are treated as a single filer.

Tax Year	Joint Filers Phase-out Range* *(minimum)(maximum)*	Single Taxpayers Phase-out Range* *(minimum)(maximum)*
2021	$105,000 – $125,000	$66,000 – $76,000
2022	$109,000 – $129,000	$68,000 – $78,000
2023	$116,000 – $136,000	$73,000 – $83,000
2024	$123,000 – $143,000	$77,000 – $87,000
2025	$126,000 – $146,000	$79,000 – $89,000
2026	$129,000 – $149,000	$81,000 – $91,000

***MAGI limits may be subject to cost-of-living increases each year**.

The MAGI phase-out range for an active participant who is married to an active participant and files a joint income tax return is $236,000 to $246,000 for 2025 and $242,000 to $252,000 for 2026. If you are not an active participant in an employer-sponsored retirement plan, are married to someone who is an active participant, and file a joint income tax return with MAGI between the applicable phase-out range for the year, your maximum deductible contribution is determined as follows. (1) Begin with the appropriate MAGI phase-out maximum for the year and subtract your MAGI; (2) divide this total by the difference between the phase-out range maximum and minimum; and (3) multiply this number by the maximum allowable contribution for the applicable year, including catch-up contributions if you are age 50 or older. The resulting figure will be the maximum IRA deduction you may take.

You must round the resulting deduction to the next highest $10 if the number is not a multiple of 10. If your resulting deduction is between $0 and $200, you may round up to $200.

B. *Contribution Deadline*—The deadline for making an IRA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar-year taxpayer and you make your IRA contribution on or before your tax filing deadline, your contribution is considered to have been made for the previous tax year if you designate it as such.

If you are a member of the Armed Forces serving in a combat zone, hazardous duty area, or contingency operation, you may have an extended contribution deadline of 180 days after the last day served in the area. In addition, your contribution deadline for a particular tax year is also extended by the number of days that remained to file that year's tax return as of the date you entered the combat zone. This additional extension to make your IRA contribution cannot exceed the number of days between January 1 and your tax filing deadline, not including extensions.

C. *Tax Credit for Contributions*—You may be eligible to receive a tax credit for your Traditional IRA contributions. This credit will be allowed in addition to any tax deduction that may apply, and may not exceed $1,000 in a given year. You may be eligible for this tax credit if you are:

- age 18 or older as of the close of the taxable year;
- not a dependent of another taxpayer; and
- not a full-time student.

The credit is based upon your income (see chart below), and will range from 0 to 50 percent of eligible contributions. In order to determine the amount of your contributions, add all of the contributions made to your Traditional or Roth IRA and reduce these contributions by any distributions that you have taken during the testing period. The testing period begins two years prior to the year for which the credit is sought and ends on the tax return due date (including extensions) for the year for which the credit is sought. In order to determine your tax credit, multiply the applicable percentage from the chart below by the amount of your contributions that do not exceed $2,000.

2025 Adjusted Gross Income*			
Joint Return	Head of a Household	All Other Cases	Applicable Percentage
$1 - 47,500	$1 - 35,625	$1 - 23,750	50
$47,501 - 51,000	$35,626 - 38,250	$23,751 - 25,500	20
$51,001 - 79,000	$38,251 - 59,250	$25,501 - 39,500	10
Over $79,000	Over $59,250	Over $39,500	0

2026 Adjusted Gross Income*			
Joint Return	Head of a Household	All Other Cases	Applicable Percentage
$1 - 48,500	$1 - 36,375	$1 - 24,250	50
$48,501 - 52,500	$36,376 - 39,375	$24,251 - 26,250	20
$52,501 - 80,500	$39,376 - 60,375	$26,251 - 40,250	10
Over $80,500	Over $60,375	Over $40,250	0

***Adjusted gross income includes foreign-earned income and income from Guam, America Samoa, North Mariana Islands, and Puerto Rico. AGI limits are subject to cost-of-living adjustments each year.**

D. *Excess Contributions*—An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed upon the excess amount. The procedure for correcting an excess is determined by the timeliness of the correction as identified below.

1. **Removal Before Your Tax Filing Deadline.** An excess contribution may be corrected by withdrawing the excess amount, along with the earnings attributable to the excess, before your tax filing deadline, including extensions, for the year for which the excess contribution was

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made. An excess withdrawn under this method is not taxable to you, but you must include the earnings attributable to the excess in your taxable income in the year in which the contribution was made. The six percent excess contribution penalty tax will be avoided.

2. **Removal After Your Tax Filing Deadline.** If you are correcting an excess contribution after your tax filing deadline, including extensions, remove only the amount of the excess contribution. The six percent excess contribution penalty tax will be imposed on the excess contribution for each year it remains in the IRA. An excess withdrawal under this method will only be taxable to you if the total contributions made in the year of the excess exceed the annual applicable contribution limit.
3. **Carry Forward to a Subsequent Year.** If you do not withdraw the excess contribution, you may carry forward the contribution for a subsequent tax year. To do so, you under-contribute for that tax year and carry the excess contribution amount forward to that year on your tax return. The six percent excess contribution penalty tax will be imposed on the excess amount for each year that it remains as an excess contribution at the end of the year.

You must file IRS Form 5329 along with your income tax return to report and remit any additional taxes to the IRS.

E. *Tax-Deferred Earnings*—The investment earnings of your IRA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

F. *Nondeductible Contributions*—You may make nondeductible contributions to your IRA to the extent that deductible contributions are not allowed. The sum of your deductible and nondeductible IRA contributions cannot exceed your contribution limit (the lesser of the allowable contribution limit described previously, or 100 percent of compensation). You may elect to treat deductible IRA contributions as nondeductible contributions.

If you make nondeductible contributions for a particular tax year, you must report the amount of the nondeductible contribution along with your income tax return using IRS Form 8606. Failure to file IRS Form 8606 will result in a $50 per failure penalty.

If you overstate the amount of designated nondeductible contributions for any taxable year, you are subject to a $100 penalty unless reasonable cause for the overstatement can be shown.

G. *Taxation of Distributions*—The taxation of IRA distributions depends on whether or not you have ever made nondeductible IRA contributions. If you have only made deductible contributions, any IRA distribution will be fully included in income.

If you have ever made nondeductible contributions to any IRA, the following formula must be used to determine the amount of any IRA distribution excluded from income.

(Aggregate Nondeductible Contributions)

$$\frac{\text{x (Amount Withdrawn)}}{\text{Aggregate IRA Balance}} = \text{Amount Excluded from Income}$$

Note: Aggregate nondeductible contributions include all nondeductible contributions made by you through the end of the year of the distribution (which have not previously been withdrawn and excluded from income). Also note that the aggregate IRA balance includes the total balance of all of your Traditional and SIMPLE IRAs as of the end of the year of distribution and any distributions occurring during the year.

H. *Income Tax Withholding*—Any withdrawal from your IRA is subject to federal income tax withholding. You may, however, elect not to have withholding apply to your IRA withdrawal. If withholding is applied to your withdrawal, not less than 10 percent of the amount withdrawn must be withheld.

I. *Early Distribution Penalty Tax*—If you receive an IRA distribution before you attain age 59½, an additional early distribution penalty tax of 10 percent will apply to the taxable amount of the distribution unless one of the following exceptions apply.

1. **Death.** After your death, payments made to your beneficiary are not subject to the 10 percent early distribution penalty tax.
2. **Disability.** If you are disabled at the time of distribution, you are not subject to the additional 10 percent early distribution penalty tax. In order to be disabled, a physician must determine that your impairment can be expected to result in death or to be of long, continued, and indefinite duration.
3. **Substantially equal periodic payments.** You are not subject to the additional 10 percent early distribution penalty tax if you are taking a series of substantially equal periodic payments (at least annual payments) over your life expectancy or the joint life expectancy of you and your beneficiary. You must continue these payments for the longer of five years or until you reach age 59½.
4. **Unreimbursed medical expenses.** If you take payments to pay for unreimbursed medical expenses that exceed a specified percentage of your adjusted gross income, you will not be subject to the 10 percent early distribution penalty tax. For further detailed information and effective dates you may obtain IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), from the IRS. The medical expenses may be for you, your spouse, or any dependent listed on your tax return.
5. **Health insurance premiums.** If you are unemployed and have received unemployment compensation for 12 consecutive weeks under a federal or state program, you may take payments from your IRA to pay for health insurance premiums without incurring the 10 percent early distribution penalty tax.
6. **Higher education expenses.** Payments taken for certain qualified higher education expenses for you, your spouse, or the children or grandchildren of you or your spouse, will not be subject to the 10 percent early distribution penalty tax.
7. **First-time homebuyer.** You may take payments from your IRA to use toward qualified acquisition costs of buying or building a principal residence. The amount you may take for this reason may not exceed a lifetime maximum of $10,000. The payment must be used for qualified acquisition costs within 120 days of receiving the distribution.
8. **IRS levy.** Payments from your IRA made to the U.S. government in response to a federal tax levy are not subject to the 10 percent early distribution penalty tax.
9. **Qualified Reservist distributions.** If you are a qualified Reservist member called to Active Duty for more than 179 days or an indefinite period, the payments you take from your IRA during the Active Duty period are not subject to the 10 percent early distribution penalty tax.
10. **Qualified birth or adoption.** Payments from your IRA for the birth of your child or the adoption of an eligible adoptee will not be subject to the 10 percent early distribution penalty tax if the distribution is taken during the one-year period beginning on the date of birth of your child or the date on which your legal adoption of an eligible adoptee is finalized. An eligible adoptee means any individual (other than your spouse's child) who has not attained age 18 or is physically or mentally incapable of self-support. The aggregate amount you may take for this reason may not exceed $5,000 for each birth or adoption.
11. **Emergency personal expenses distributions.** You are restricted to one emergency personal expense distribution per calendar year. The maximum amount eligible for distribution is limited to the lesser of $1,000, or your vested benefit (or IRA account balance) that exceeds $1,000. The determination of what is considered an unforeseeable or immediate financial need relating to a necessary personal or family emergency expense is based on the relevant facts and circumstances for each individual, which may include situations that involve: medical care; accident or loss of property due to casualty; imminent foreclosure or eviction from a primary residence; burial or funeral expenses; auto repairs; or any other necessary emergency personal expenses. Once you take an emergency personal expense distribution from your eligible retirement plan, you may not take another emergency personal expense distribution from that plan for the next three calendar years, unless you repay the distribution amount or make contributions covering the amount that was distributed.
12. **Domestic abuse victim distribution.** Available to individuals during a one-year period beginning on any date on which the person is a victim of domestic abuse by a spouse or domestic partner. The IRS definition of domestic abuse is "physical, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate, or intimidate the victim, or to undermine the victim's ability to reason independently, including by means of abuse of the victim's child or another member living in the household." Domestic abuse victims may request a distribution not to exceed the lesser of $10,000 (indexed), or 50 percent of their vested benefit (or IRA account balance).

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 regarding beneficiaries' required minimum distributions.

J. *Rollovers and Conversions*—Your IRA may be rolled over to another IRA in your name, may receive rollover contributions, and may be converted to a Roth IRA, provided that all of the applicable rollover and conversion rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property to your IRA from another 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. Conversion is a term used to describe the movement of Traditional

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IRA assets to a Roth IRA. A conversion is generally a taxable event. The rollover and conversion rules are summarized below. These transactions are often complex. If you have any questions regarding a rollover or conversion, please see a competent tax advisor.

1. **Traditional IRA to Traditional IRA Rollovers:** Assets distributed from your Traditional IRA may be rolled over to the same Traditional IRA or another Traditional IRA of yours if the requirements of Code Sec. 408(d)(3) are met. A proper IRA-to-IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. In the case of a distribution for a first-time homebuyer where there was a delay or cancellation of the purchase, the 60-day rollover period may be extended to 120 days.

   You are permitted to roll over only one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period, regardless of the number of IRAs you own. A distribution may be rolled over to the same IRA or to another IRA that is eligible to receive the rollover. For more information on rollover limitations, you may wish to obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs*), from the IRS or refer to the IRS website at **www.irs.gov**.

2. **SIMPLE IRA to Traditional IRA Rollovers:** Assets distributed from your SIMPLE IRA may be rolled over to your 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 Traditional IRA to Traditional IRA rollovers, the requirements of Code Sec. 408(d)(3) must be met. A proper SIMPLE IRA to IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.

   You are permitted to roll over only one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period, regardless of the number of IRAs you own. A distribution may be rolled over to the same IRA or to another IRA that is eligible to receive the rollover. For more information on rollover limitations, 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**.

3. **Employer-Sponsored Retirement Plan to Traditional IRA Rollovers:** You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan. 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 an IRA, thereby conducting an indirect rollover, your plan administrator will generally be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up the amount withheld, out of pocket, 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 IRA not later than 60 days after you receive distribution. In the case of a plan loan offset due to plan termination or severance from employment, the deadline for completing the rollover is your tax return due date (including extensions) for the year in which the offset occurs. Alternatively, you may claim the withheld amount as income, and pay the applicable income tax, and if you are under age 59½, 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 an IRA. If you elect the direct rollover option, your eligible rollover distribution will be paid directly to the IRA (or other eligible employer-sponsored retirement plan) that you designate. The 20 percent withholding requirements do not apply to direct rollovers.

4. **Beneficiary Rollovers from Employer-Sponsored Retirement Plans:** If you are a spouse or nonspouse beneficiary of a deceased employer-sponsored retirement plan participant, or the trustee of an eligible type of trust named as beneficiary of such participant, you may directly roll over inherited assets from a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan to an inherited IRA, as permitted by the IRS. The IRA must be maintained as an inherited IRA, subject to the beneficiary distribution requirements.

5. **Traditional IRA-to-SIMPLE IRA Rollovers:** Assets distributed from your Traditional IRA may be rolled over to a SIMPLE IRA if the requirements of IRC Sec. 408(d)(3) are met and two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. A proper Traditional IRA-to-SIMPLE IRA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. In the case of a distribution for a first-time homebuyer where there was a delay or cancellation of the purchase, the 60-day rollover period may be extended to 120 days.

   You are permitted to roll over only one distribution from an IRA (Traditional, Roth, or SIMPLE) in a 12-month period, regardless of the number of IRAs you own. A distribution may be rolled over to the same IRA or to another IRA that is eligible to receive the rollover. For more information on rollover limitations, you may obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at **www.irs.gov**.

6. **Traditional IRA to Employer-Sponsored Retirement Plan Rollovers:** You may roll over, directly or indirectly, any taxable eligible rollover distribution from an IRA to your qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, or 457(b) eligible governmental deferred compensation plan so long as the employer-sponsored retirement plan accepts such rollover contributions.

7. **Traditional IRA to Roth IRA Conversions:** If you convert to a Roth IRA, the amount of the conversion from your Traditional IRA to your Roth IRA will be treated as a distribution for income tax purposes, and is includible in your gross income (except for any nondeductible contributions). Although the conversion amount generally is included in income, the 10 percent early distribution penalty tax will not apply to conversions from a Traditional IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10 percent penalty tax. If you are required to take a required minimum distribution for the year, you must remove your required minimum distribution before converting your Traditional IRA.

8. **Qualified HSA Funding Distribution:** If you are eligible to contribute to a health savings account (HSA), you may be eligible to take a one-time tax-free qualified HSA funding distribution from your IRA and directly deposit it to your HSA. The amount of the qualified HSA funding distribution may not exceed the maximum HSA contribution limit in effect for the type of high deductible health plan coverage (i.e., single or family coverage) that you have at the time of the deposit, and counts toward your HSA contribution limit for that year. For further detailed information, you may wish to obtain IRS Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans*.

9. **Rollovers of Settlement Payments from Bankrupt Airlines:** If you are a qualified airline employee who has received a qualified airline settlement payment from a commercial airline carrier under the approval of an order of a federal bankruptcy court, you are allowed to roll over up to 90 percent of the proceeds into your Traditional IRA within 180 days after receipt of such amount, or by a later date if extended by federal law. If you make such a rollover contribution, you may exclude the amount rolled over from your gross income in the taxable year in which the airline settlement payment was paid to you. For further detailed information and effective dates, you may obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at **www.irs.gov**.

10. **Rollover of Exxon Valdez Settlement Payments:** If you receive a qualified settlement payment from Exxon Valdez litigation, you may roll over the amount of the settlement, up to $100,000, reduced by the amount of any qualified Exxon Valdez settlement income previously contributed to a Traditional or Roth IRA or eligible retirement plan in prior taxable years. You will have until your tax return due date (not including tax extensions) for the year in which the qualified settlement income is received to make the rollover contribution. To obtain more information on this type of rollover, you may wish to visit the IRS website at **www.irs.gov**.

11. **Rollover of IRS Levy:** If you receive a refund of eligible retirement plan assets that had been wrongfully levied, you may roll over the amount returned up until your tax return due date (not including extensions) for the year in which the money was returned.

12. **Repayment of Qualified Birth or Adoption Distribution:** If you have taken a qualified birth or adoption distribution, you may generally repay all or a portion of the aggregate amount of such distribution to an IRA, as permitted by the IRS. For further information, you may wish to obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, by visiting **www.irs.gov** on the Internet.

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13. **Written Election:** At the time you make a proper rollover to an IRA, you must designate in writing to us your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

I. *Transfer Due to Divorce*—If all or any part of your IRA is awarded to your spouse or former spouse in a divorce or legal separation proceeding, the amount so awarded will be treated as the spouse's IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another IRA of your spouse), and will not be considered a taxable distribution to you. A transfer is a tax-free direct movement of cash and/or property from one Traditional IRA to another.

J. *Recharacterizations*—If you make a contribution to a Traditional IRA and later recharacterize either all or a portion of the original contribution to a Roth IRA along with net income attributable, you may elect to treat the original contribution as having been made to the Roth IRA. The same methodology applies when recharacterizing at contribution from a Roth IRA to a Traditional IRA. The deadline for completing a recharacterization is your tax filing deadline (including any extensions) for the year for which the original contribution was made. You may not recharacterize a Roth IRA conversion.

Limitations and Restrictions

A. *SEP Plans*—Under a simplified employee pension (SEP) plan that meets the requirements of Code section 408(k), your employer may make contributions to your IRA. Your employer is required to provide you with information which describes the terms of your employer's SEP plan.

B. *Spousal IRA*—For contributions made for tax years beginning before 2020, if you are married and have compensation, you may contribute to an IRA established for the benefit of your spouse for any year prior to the year your spouse turns age 70½, regardless of whether or not your spouse has compensation. For contributions made for 2020 and later tax years, you may contribute to an IRA established for the benefit of your spouse regardless of your spouse's age, if you are married and have compensation. You may make these spousal contributions even if you are age 70½ or older. You must file a joint income tax return for the year for which the contribution is made.

The amount you may contribute to your IRA and your spouse's IRA is the lesser of 100 percent of your combined eligible compensation or $14,000 for 2025, and $15,000 for 2026. This amount may be increased with cost-of-living adjustments each year. However, you may not contribute more than the individual contribution limit to each IRA.

If your spouse is age 50 or older by the close of the taxable year, and is otherwise eligible, you may make an additional contribution to your spouse's IRA. The maximum additional contribution is $1,100 per year.

C. *Deduction of Rollovers and Transfers*—A deduction is not allowed for rollover contributions or transfers.

D. *Gift Tax*—Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Code section 2501.

E. *Special Tax Treatment*—Capital gains treatment and 10-year forward income averaging authorized by Code section 402 do not apply to IRA distributions.

F. *Prohibited Transactions*—If you or your beneficiary engage in a prohibited transaction with your IRA as described in Code section 4975, your IRA will lose its tax-deferred status, and you must include the value of your account in your gross income for the taxable year you engage in the prohibited transaction. The following transactions are examples of prohibited transactions with your IRA: (1) taking a loan from your IRA; (2) buying property for personal use (present or future) with IRA assets; or (3) receiving certain bonuses or premiums because of your IRA.

G. *Pledging*—If you pledge any portion of your 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 the taxable year in which you pledge the assets.

Federal Tax Penalties

A. *Early Distribution Penalty*—If you receive an IRA distribution before you attain age 59½, an additional early distribution penalty tax of 10 percent will apply to the taxable amount of the distribution unless one of the following exceptions apply.

1. **Death.** After your death, payments made to your beneficiary are not subject to the 10 percent early distribution penalty tax.
2. **Disability.** If you are disabled at the time of distribution, you are not subject to the additional 10 percent early distribution penalty tax. In order to be disabled, a physician must determine that your impairment can be expected to result in death or to be of long, continued, and indefinite duration.
3. **Substantially equal periodic payments.** You are not subject to the additional 10 percent early distribution penalty tax if you are taking a series of substantially equal periodic payments (at least annual payments) over your life expectancy or the joint life expectancy of you and your beneficiary. You must continue these payments for the longer of five years or until you reach age 59½.
4. **Unreimbursed medical expenses.** If you take payments to pay for unreimbursed medical expenses that exceed a specified percentage of your adjusted gross income, you will not be subject to the 10 percent early distribution penalty tax. For further detailed information and effective dates you may obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS. The medical expenses may be for you, your spouse, or any dependent listed on your tax return.
5. **Health insurance premiums.** If you are unemployed and have received unemployment compensation for 12 consecutive weeks under a federal or state program, you may take payments from your IRA to pay for health insurance premiums without incurring the 10 percent early distribution penalty tax.
6. **Higher education expenses.** Payments taken for certain qualified higher education expenses for you, your spouse, or the children or grandchildren of you or your spouse, will not be subject to the 10 percent early distribution penalty tax.
7. **First-time homebuyer.** You may take payments from your IRA to use toward qualified acquisition costs of buying or building a principal residence. The amount you may take for this reason may not exceed a lifetime maximum of $10,000. The payment must be used for qualified acquisition costs within 120 days of receiving the distribution.
8. **IRS levy.** Payments from your IRA made to the U.S. government in response to a federal tax levy are not subject to the 10 percent early distribution penalty tax.
9. **Qualified Reservist distributions.** If you are a qualified Reservist member called to Active Duty for more than 179 days or an indefinite period, the payments you take from your IRA during the Active Duty period are not subject to the 10 percent early distribution penalty tax.
10. **Qualified birth or adoption.** Payments from your IRA for the birth of your child or the adoption of an eligible adoptee will not be subject to the 10 percent early distribution penalty tax if the distribution is taken during the one-year period beginning on the date of birth of your child or the date on which your legal adoption of an eligible adoptee is finalized. An eligible adoptee means any individual (other than your spouse's child) who has not attained age 18 or is physically or mentally incapable of self-support. The aggregate amount you may take for this reason may not exceed $5,000 for each birth or adoption.
11. **Emergency personal expenses distributions.** You are restricted to one emergency personal expense distribution per calendar year. The maximum amount eligible for distribution is limited to the lesser of $1,000, or your vested benefit *(or IRA account balance)* that exceeds $1,000. The determination of what is considered an unforeseeable or immediate financial need relating to a necessary personal or family emergency expense is based on the relevant facts and circumstances for each individual, which may include situations that involve: medical care; accident or loss of property due to casualty; imminent foreclosure or eviction from a primary residence; burial or funeral expenses; auto repairs; or any other necessary emergency personal expenses. Once you take an emergency personal expense distribution from your eligible retirement plan, you may not take another emergency personal expense distribution from that plan for the next three calendar years, unless you repay the distribution amount or make contributions covering the amount that was distributed.
12. **Domestic abuse victim distribution.** Available to individuals during a one-year period beginning on any date on which the person is a victim of domestic abuse by a spouse or domestic partner. The IRS definition of domestic abuse is "physical, sexual, emotional, or economic abuse, including efforts to control, isolate, humiliate, or intimidate the victim, or to undermine the victim's ability to reason independently, including by means of abuse of the victim's child or another member living in the household." Domestic abuse victims may request a distribution not to exceed the lesser of $10,000 *(indexed)*, or 50 percent of their vested benefit *(or IRA account balance)*.

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.

B. *Excess Contribution Penalty*—An additional tax of six percent is imposed upon any excess contribution you make to your IRA. This additional tax will apply each year in which an excess remains in your IRA. An excess contribution is any amount that is contributed to your IRA that exceeds the amount that you are eligible to contribute.

C. *Excess Accumulation Penalty*—As previously described, if you were born before July 1, 1949, you are required to take a minimum distribution from your IRA for the year in which you reach age 70½ and for each year thereafter.

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If you were born on or after July 1, 1949, you are required to take a minimum distribution from your IRA for the year in which you reach age 72 and for each year thereafter.

If you were born on or after January 1, 1951, you are required to take a minimum distribution from your IRA for the year in which you reach age 73 and for each year thereafter.

Your beneficiary(ies) is/are required to take certain minimum distributions after your death. An additional tax of 25 percent is imposed on the amount of the required minimum distribution which should have been taken but was not.

D. *Penalty Reporting*—You must file IRS Form 5329 along with your income tax return to the IRS to report and remit any additional taxes.

Other

A. *IRS Plan Approval*—The Agreement used to establish this 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. *Additional Information*—You may obtain further information on 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)*, or Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 1-800-TAX-FORM (1-800-829-3676), or by visiting **www.irs.gov** on the internet.

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

D. *Qualified Reservist Distributions*—If you are an eligible qualified Reservist who has taken penalty-free qualified Reservist distributions from your IRA or retirement plan, you may recontribute those amounts to an IRA generally within a two-year period from your date of return. For further detailed information, you may wish to obtain IRS Publication 590, *Individual Retirement Arrangements (IRAs)* from the IRS.

E. *Qualified Charitable Distributions*—If you are age 70½ or older, you may be eligible to take tax-free IRA distributions of up to $100,000 per year and have these distributions paid directly to certain charitable organizations. Special tax rules may apply. For further detailed information, you may obtain IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, from the IRS or refer to the IRS website at **www.irs.gov**.

F. *Disaster-Related Relief*—If you qualify (for example, you sustained an economic loss due to, or are otherwise considered affected by, certain disasters designated by Congress), you may be eligible for favorable tax treatment on distributions, rollovers, and other transactions involving your IRA. Qualified disaster relief may include penalty-tax free early distributions made during specified timeframes 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. For additional information on specific disasters, including a complete listing of disaster areas, qualification requirements for relief, and allowable disaster-related 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**.

Navy Federal IRA Investment Information, Fees, and Penalties

Navy Federal has no annual service fee for maintaining your IRA.

IRA Disclosure Statement

IRA Savings and IRA Money Market Savings Account (MMSA) Dividends: The IRA MMSA does not earn/accrue dividends on days when the account balance falls below $2,500. The IRA Jumbo MMSA will earn dividends at the IRA savings rate on balances from $0-$99,999.99. Balances of $100,000 or greater will earn the IRA Jumbo MMSA rate. Dividends are a division and distribution of earnings among members after all expenses have been paid and the required amount has been set aside for reserves. Navy Federal also provides the APY for each dividend rate declared by the Board. Rates are subject to change weekly. Payment of all dividends is dependent on the availability of earnings at the end of the period. Dividends at Navy Federal are earned on deposits from day-of-deposit to day-of-withdrawal at the specified rate. Dividends for IRA Savings Accounts and IRA MMSAs are credited the last day of the period they are earned and are compounded monthly.

IRA Certificate Dividends: The IRA Certificate has a minimum balance requirement and will earn dividends for each monthly dividend period at the dividend rate and APY specified. Dividends are a division and distribution of earnings among members, after all expenses have been paid and the required amount has been set aside for reserves. Payment of all dividends is dependent on the availability of earnings at the end of the period. Dividends are earned from day-of-deposit to day-of-withdrawal at the specified rate. Dividends are computed using the daily balance method by applying the daily periodic rate for the full amount in your account at the end of each day. Dividends are credited on the last calendar day of each month in which they are earned unless another dividend distribution option has been chosen. The APY assumes dividends remain in the account until maturity. Early withdrawals reduce earnings. Rates for three-year Variable Rate Certificates may change on the Certificate's anniversary dates *(at 12 and 24 months)* and are based on the one-year Constant Maturity Treasury (CMT). Navy Federal guarantees that the Certificate's dividend rate will never decrease more than one-half percentage point (0.50%) below the dividend rate at the time the Certificate was purchased or renewed, and there is no upper limitation on dividend rate changes.

Penalties for Early Withdrawal: (a) If the Certificate/IRA term is one year *(or less)*, the amount forfeited is equal to the lesser of: (1) all dividends for 90 days on the amount withdrawn, or (2) all dividends on the amount withdrawn since the date of issuance or renewal. (b) If the Certificate/IRA term is greater than one year, the amount forfeited is equal to the lesser of: (1) all dividends for 180 days on the amount withdrawn, or (2) all dividends on the amount withdrawn since the date of issuance or renewal. (c) If the Certificate/IRA term is five years or greater, the amount forfeited is equal to the lesser of: (1) all dividends for 365 days on the amount withdrawn, or (2) all dividends on the amount withdrawn since the date of issuance or renewal. (d) In the case of an early withdrawal that brings the remaining Certificate balance lower than the minimum balance requirement, the Certificate will be (1) closed to an existing Certificate/IRA Certificate; (2) closed and funds transferred to your IRA savings or IRA MMSA account, if one exists; otherwise a new IRA savings will be opened for the funds; or (3) adding funds *(per member's request)* to bring the account balance back to the required minimum. Penalties may apply. (e) In accordance with Federal Reserve Regulation D, withdrawals made within the first six days of a new Certificate purchase *(not renewed)* are subject to a seven-day, early-withdrawal dividend penalty. (f) There are no IRA Savings or IRA MMSA penalties for early withdrawal. (g) The IRS imposes penalties for withdrawals prior to age 59½ for Traditional/SEP IRAs and for non-qualified withdrawal purposes for Roth IRAs, unless an exception applies *(see "Federal Tax Penalties")*.

Open New IRA Account: If your IRA/ESA is reduced below the minimum, the remaining funds will be transferred to an open and active IRA/ESA Savings account. If no active account exists, NFCU will open a new IRA/ESA Savings account for the funds to be transferred to. You hereby consent to the opening of such an account if necessary.

Special and Limited Offerings: Navy Federal may offer "Limited-Time or Special Certificate Offerings." Navy Federal will provide a notice to the owner specifying the terms, conditions, or any additional requirements.

IRA and ESA certificates, including special or limited-time offerings, are subject to IRS contribution limits. Special and limited-time offering certificates may end or be modified at any time. Penalties apply for early withdrawals from special and limited-time offering certificates. Other restrictions may apply.

Penalty Exceptions: Penalties will not be applied to any of the following: (a) withdrawals of dividend payments only, (b) withdrawals subsequent to the death of any owner of the IRA Certificate, (c) withdrawals made as a result of the voluntary or involuntary liquidation of the Credit Union, or (d) withdrawals of Required Minimum Distributions (RMDs) (Traditional and SEP IRAs only).

Maturing Certificates: At least 20 days prior to each IRA Certificate's maturity, Navy Federal will provide a notice specifying the terms under which the Credit Union proposes to renew the IRA Certificate or otherwise make the funds available to the owner. Each IRA Certificate will be automatically renewed as specified in the maturity notice unless the owner notifies Navy Federal to the contrary on or before the maturity date.

Grace Period: You have 21 calendar days from the maturity date to change the conditions under which the IRA Certificate will be renewed. During this period, the balance in the IRA Certificate will earn dividends at the prevailing offering rate. If no changes are made within this period, your IRA Certificate will be renewed as specified in the renewal notice and will continue earning at the prevailing rate.

Insurance: Separate from your share accounts, IRA Savings Accounts and IRA MMSAs combined with IRA Certificates are insured up to $250,000 by the National Credit Union Administration (NCUA), a U.S. government agency.

Governing Laws: Your Navy Federal accounts are maintained and governed in accordance with federal law and the laws of the Commonwealth of Virginia, as amended. Property may be transferred to the appropriate state if there has been no activity within the time period specified by state law.

Transferability: Navy Federal IRA Certificates are not transferable, are not negotiable, and may not be pledged as collateral on a loan.

Final Payment: All non-cash purchases will be credited subject to final payment.

Change in Terms: Navy Federal reserves the right to discontinue or change the terms of IRA Certificate offerings within 30 days prior notice; however, once issued, the terms of an IRA Certificate may not be changed without the owner's consent.

Note: This account is subject to all terms and provisions defined in NFCU 602 (for Traditional), 602A (for Roth), or 602C (for SEP). Unless otherwise noted, any beneficiary designation(s) currently on file will remain in effect.

Deposits: You may make additional deposits to IRA Savings Accounts or IRA MMSAs at any time. If your IRA Certificate accepts additional deposits and the IRA Certificate has not exceeded its maximum balance, additional deposits can be made by cash, check, or periodic transfer(s) from a Navy Federal savings account, checking account, or MMSA. Deposits may be held for up to five business days.

Current Rates: Dividend rates and APY may be obtained by calling Navy Federal toll-free in the U.S. at 1-888-842-6328 or visiting us online at **navyfederal.org**. For toll-free numbers when overseas, visit **navyfederal.org**. Use 1-703-255-8837 for collect international calls.

How We May Contact You: If you provide a mobile telephone number, Navy Federal has your permission to place automated non-marketing calls and text messages at that number. Message and data rates may apply. You also expressly consent that we may send email messages regarding your account to your email address.

Further Information: If you would like additional information regarding legal requirements and regulations of IRAs, you may contact any local office of the Internal Revenue Service (IRS). For further information regarding Navy Federal's IRA program, please call toll-free in the U.S. at 1-888-842-6328. For toll-free numbers when overseas, visit **navyfederal.org**. Use 1-703-255-8837 for collect international calls. An Account Specialist will be happy to assist you. Please visit our website at **navyfederal.org**.

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