

Individual Retirement Annuity Disclosure



Everence Association, Inc., a fraternal benefit society

This disclosure statement explains the rules governing a Traditional IRA. The term IRA will be used in this disclosure statement to refer to a Traditional IRA (under Internal Revenue Code Section (IRC Sec.) 408(b) unless specified otherwise.

Right to revoke your IRA

You have the right to revoke your IRA within thirty days of the receipt of the disclosure statement. If revoked, you are entitled to a full return of the Premiums 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 Everence Association, Inc., Attn: Retirement Services, P.O. Box 483, Goshen, IN 46527

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

If you have any questions about the procedure for revoking your IRA, please call Everence at 800-348-7468 and ask for Retirement Services.

Requirements of an IRA

A. Cash Premiums – Your Premium must be in cash.

B. Maximum Premium – The total amount you may contribute to an IRA for any taxable year cannot exceed the lesser of 100% of your compensation or \$6,000 for 2019 and 2020, with possible cost-of-living adjustments each year thereafter. If you also maintain a Roth IRA (i.e., an IRA subject to the limits of IRC Sec. 408A), the maximum Premium to your Traditional IRAs is reduced by any Premiums you make to your Roth IRAs. Your total annual Premiums to all Traditional IRAs and Roth IRAs cannot exceed the lesser of the dollar amounts described above or 100% of your Compensation.

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

D. Catch-Up Premiums – If you are age 50 or older by the close of the taxable year, you may make an additional Premium to your IRA. The maximum additional Premium is \$1,000 per year.

E. Nonforfeitable – Your interest in your IRA is nonforfeitable.

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

G. Life Insurance – No portion of your IRA may be invested in life insurance contracts.

H. Refund of Premiums – Any refund of Premiums must be applied before the close of the calendar year following the year of the refund toward the payment of future Premiums or the purchase of additional benefits.

I. Collectibles – You may not invest the assets of your IRA in collectibles (within the meaning of IRC Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property specified by the Internal Revenue Service (IRS). However, specially minted United States gold and silver coins, and certain state-issued coins are permissible investments. Platinum coins and certain gold, silver, platinum, or palladium bullion (as described in IRC Sec. 408(m)(3)) are also permitted as IRA investments.

J. Required Minimum Distributions During Your Lifetime – You are required to take minimum distributions from your IRA at certain times in accordance with Treasury Regulation 1.408-8. Below is a summary of the IRA distribution rules.

1. 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. 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 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. 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. Minimum distributions may be taken by annuitizing your contract to receive a series of periodic distributions made at intervals not longer than one year. The first distribution that must be made must be the distribution that is required for one payment interval. Payment intervals are the periods for which distributions are made to you (e.g., monthly, quarterly, etc.). The second distribution need not be made until the end of the next payment interval.

The size of your distributions will depend on the rate of return, your age (and the ages of your Beneficiaries) the amount of Premiums you have made to your IRA, and your distribution option. Your distributions must be made at intervals not longer than one year, over your life or the life of you and your Beneficiary. Distributions may also be made over a period certain not longer than your life expectancy or the joint life expectancy of you and your Beneficiary determined using the Uniform Lifetime Table provided by the IRS.

2. If you do not annuitize your IRA, the minimum distribution for any taxable year is equal to the amount obtained by dividing the IRA

balance at the end of the prior year by the applicable divisor.

The applicable divisor is generally determined using the Uniform Lifetime Table provided by the IRS. The table assumes a Beneficiary exactly 10 years younger than you, regardless of who is named as your Beneficiary, if any. If your spouse is your sole Beneficiary for the entire calendar year, and is more than 10 years younger than you, the required minimum distribution is determined each year using the actual joint life expectancy of you and your spouse, obtained from the Joint Life Expectancy Table provided by the IRS, rather than the life expectancy divisor from the Uniform Lifetime Table.

3. 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
 - 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, or
 - d. Annuitize your IRA.

If you fail to remove a required minimum distribution, an additional penalty tax of 50% 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 Regulations. These requirements are described below.

1. **Death of IRA Owner Before Jan. 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 Sept. 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 contract option chosen. If distributions are not made in the form of an annuitized payment, distributions must be made 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 IRA will, at the election of your Designated Beneficiaries, either

- a. be distributed by Dec. 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 Dec. 31 of the year containing the fifth anniversary of your death, or Dec. 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 Dec. 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 Dec. 31 of the year following the year of your death. Generally, if your spouse is the Designated Beneficiary, distributions need not commence until Dec. 31 of the year you would have attained age 72 (age 70½ if you would have attained age 70½ before 2020), 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 Dec. 31 of the year containing the fifth anniversary of your death.

2. **Death of IRA Owner On or After Jan. 1, 2020.** The following requirements will not apply to a qualified annuity that is a binding annuity contract in effect as of Dec. 20, 2019 and at all times thereafter (instead, such annuity will be subject to the requirements in part 1 of this section, above). A qualified annuity means, with respect to the IRA owner, an annuity
 - a. which is a commercial annuity (as defined in IRC Sec. 3405(e)(6))
 - b. under which the annuity payments are made over the life of the IRA owner or over the joint lives of the IRA owner and a Designated Beneficiary (or over a period not extending beyond the life expectancy of the IRA owner or the joint life expectancy of the IRA owner and a Designated Beneficiary), in accordance with the regulations described in IRC Sec. 401(a)(9)(A)(ii) (as in effect before the SECURE Act amendments to the Beneficiary payment requirements) and which meets the other requirements of IRC Sec. 401(a)(9) with respect to such payments, and
 - c. with respect to which:
 - i. annuity payments have begun to the IRA owner before Dec. 20, 2019, and the IRA owner has made an irrevocable election before such date as to the method and amount of the annuity payments to the IRA owner or any Designated Beneficiaries, or
 - ii. if payments have not begun, the IRA owner has made an irrevocable election before Dec. 20, 2019, as to the method and amount of the annuity payments to the IRA owner or any Designated Beneficiaries.

The entire amount remaining in your IRA will generally be distributed by Dec. 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 distribu-

tion 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 IRA 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 the impairment can be expected to result in death or to be of long, continued, and indefinite duration.),
- an individual who is not more than 10 years younger than 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.)

Note that certain trust Beneficiaries (e.g., certain trusts for disabled and chronically ill individuals) may take distribution of the entire amount remaining in your account over the remaining life expectancy of the trust Beneficiary.

Generally, life expectancy distributions to an eligible Designated Beneficiary must commence by Dec. 31 of the year following the year of your death. However, if your spouse is the eligible Designated Beneficiary, distributions need not commence until Dec. 31 of the year you would have attained age 72, if later. If your eligible Designated Beneficiary is your minor child, life expectancy payments must begin by Dec. 31 of the year following the year of your death and continue until the child reaches the age of majority. Once the age of majority is reached, the Beneficiary will have 10 years to deplete the account.

If a Beneficiary other than a person (e.g., your estate, a charity, or a certain type of trust) is named, you will be treated as having no Designated Beneficiary of your IRA for purposes of determining the distribution period. If you die before your required beginning date and there is no Designated Beneficiary of your IRA, the entire IRA must be distributed by Dec. 31 of the year containing the fifth anniversary of your death. If you die on or after your required beginning date and there is no Designated Beneficiary of your IRA, distributions will commence using your single life expectancy, reduced by one in each subsequent year.

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 Premiums 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 your Beneficiary fails to remove a required minimum distribution after your death, 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. 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.

- 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% (up to \$125,000) of the combined value of your IRAs (excluding Roth IRAs). The \$125,000 limit is subject to cost-of-living adjustments each year.

When calculating your RMD, you may reduce the prior year end IRA 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 Jan. 1, 2020. In addition, no Beneficiary life expectancy payments are required for 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 make Premiums to your IRA, the amount of the Premium 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-sponsored retirement plan. If you (and your spouse, if married) are not an active participant, your entire IRA Premium will be deductible. If you are an active participant (or are married to an active participant), the deductibility of your IRA Premium will depend on your modified adjusted gross income (MAGI) and your tax filing status for the tax year for which the Premium was made. MAGI is determined on your income tax return using your adjusted gross income but disregarding any deductible IRA Premium and certain other deductions and exclusions.

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

1. Qualified pension, profit sharing, 401(k), or stock bonus plan.
2. Qualified annuity plan of an employer.
3. Simplified employee pension (SEP) plan.

4. Retirement plan established by the federal government, a state, or a political subdivision (except certain unfunded deferred compensation plans under IRC Sec. 457).
5. Tax-sheltered annuity for employees of certain tax-exempt organizations or public schools.
6. Plan meeting the requirements of IRC Sec. 501(c)(18).
7. 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 a plan, 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, are single, and have MAGI within the applicable phase-out range listed below, the deductible amount of your Premium 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; and (3) multiply this number by the maximum allowable Premium for the applicable year, including catch-up Premiums 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 \$66,000 in 2020, your maximum deductible Premium is \$5,400 (the 2020 phase-out range maximum of \$75,000 minus your MAGI of \$66,000, divided by the difference between the maximum and minimum phase-out range limits of \$10,000, and multiplied by the Premium limit of \$6,000).

If you are an active participant, are married to an 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 Premium 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; and (3) multiply this number by the maximum allowable Premium for the applicable year, including catch-up Premiums 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 \$107,000 in 2020, your maximum deductible Premium is \$5,100 (the 2020 phase-out maximum of \$124,000 minus your MAGI of \$107,000, divided by the difference between the maximum and minimum phase-out limits of \$20,000, and multiplied by the Premium limit of \$6,000).

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*	Single Taxpayers – Phase-Out Range*
	<i>(minimum)(maximum)</i>	<i>(minimum)(maximum)</i>
2013	\$95,000–115,000	\$59,000–69,000
2014	\$96,000–116,000	\$60,000–70,000
2015	\$98,000–118,000	\$61,000–71,000
2016	\$98,000–118,000	\$61,000–71,000
2017	\$99,000–119,000	\$62,000–72,000
2018	\$101,000–121,000	\$63,000–73,000
2019	\$103,000–123,000	\$64,000–74,000
2020	\$104,000–124,000	\$65,000–75,000

*MAGI limits are subject to cost-of-living adjustments each year.

The MAGI phase-out range for an individual that is not an active participant, but is married to an active participant, is \$193,000–\$203,000 (for 2019) and \$196,000–\$206,000 (for 2020). This limit is also subject to cost-of-living increases for tax years after 2020. If you are not an active participant in an employer-sponsored retirement plan, are married to someone who is an active participant, and you file a joint income tax return with MAGI between the applicable phase-out range for the year, your maximum deductible Premium 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 Premium for the applicable year, including catch-up Premiums 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. Premium Deadline** – The deadline for making an IRA Premium is your tax return due date (not including extensions). You may designate a Premium as a Premium 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 Premium on or before your tax filing deadline, your Premium 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 Premium deadline of 180 days after the last day served in the area. In addition, your Premium 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 Premium cannot exceed the number of days between Jan. 1 and your tax filing deadline, not including extensions.

- C. Tax Credit for Premiums** – You may be eligible to receive a tax credit for your Traditional IRA Premiums. 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% of eligible Premiums. In order to determine the amount of your Premiums, add all the Premiums made to your Traditional IRA and reduce these Premiums 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 Premiums that do not exceed \$2,000.

2019 Adjusted Gross Income*			Applicable Percentage
Joint Return	Head of a Household	All Other Cases	
\$1–38,500	\$1–28,875	\$1–19,250	50
\$38,501–41,500	\$28,876–31,125	\$19,251–20,750	20
\$41,501–64,000	\$31,126–48,000	\$20,751–32,000	10
Over \$64,000	Over \$48,000	Over \$32,000	0

2020 Adjusted Gross Income*			Applicable Percentage
Joint Return	Head of a Household	All Other Cases	
\$1–39,000	\$1–29,250	\$1–19,500	50
\$39,001–42,500	\$29,251–31,875	\$19,501–21,250	20
\$42,501–65,000	\$31,876–48,750	\$21,251–32,500	10
Over \$65,000	Over \$48,750	Over \$32,500	0

*Adjusted gross income (AGI) 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 Premiums** – An excess Premium 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 Premium 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 Premium was 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 Premium 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 Premium after your tax filing deadline, including extensions, remove only the amount of the excess Premium. The six percent excess contribution penalty tax will be imposed on the excess Premium for each year it remains in the IRA. An excess withdrawal under this method will only be taxable to you if the total Premiums made in the year of the excess exceed the annual applicable Premium limit.
 3. **Carry Forward to a Subsequent Year.** If you do not withdraw the excess Premium, you may carry forward the Premium for a subsequent tax year. To do so, you under-contribute for that tax year and carry the excess Premium 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 Premium 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 Premiums** – You may make nondeductible Premiums to your IRA to the extent that deductible Premiums are not allowed. The sum of your deductible and nondeductible IRA Premiums cannot exceed your Premium limit (the lesser of the allowable Premium limit described previously, or 100% of Compensation). You may elect to treat deductible IRA Premiums as nondeductible Premiums.

If you make nondeductible Premiums for a particular tax year, you must report the amount of the nondeductible Premium 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 Premiums 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 you have ever made nondeductible IRA Premiums. If you have only made deductible Premiums, all IRA distribution amounts will be included in income.

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

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

NOTE: Aggregate nondeductible Premiums include all nondeductible Premiums made by you through the end of the year of the distribution that have not previously been withdrawn and excluded from income. Also note that the aggregate IRA balance includes the total balance of all 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% 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% generally 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% early distribution penalty tax. **2) Disability.** If you are disabled at the time of distribution, you are not subject to the additional 10% 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% 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% 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% 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% 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% 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% 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% 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.

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.

- J. Rollovers and Conversions** – Your IRA may be rolled over to another IRA, SIMPLE IRA, or an eligible employer-sponsored retirement plan of yours, may receive rollover Premiums, or 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 movement of cash or other property to your IRA from another IRA, or from your employer's qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, 457(b) eligible governmental deferred compensation plan, or federal Thrift Savings Plan. The amount rolled over is not subject to taxation or the additional 10% early distribution penalty tax. Conversion is a term used to describe the movement of Traditional IRA assets to a Roth IRA. A conversion generally is a taxable event. The general 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 IRC 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 Traditional IRA without IRS penalty tax provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. As with Traditional IRA-to-Traditional IRA rollovers, the requirements of IRC 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 generally will be required to withhold 20 percent of your distribution as a payment of income taxes. When completing the rollover, you may make up out of pocket the amount withheld and roll over the full amount distributed from your employer-sponsored retirement plan. To qualify as a rollover, your eligible rollover distribution generally must be rolled over to your IRA not later than 60 days after you receive the 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% 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% withholding requirements do not apply to direct rollovers.

- 4. Beneficiary Rollovers from Employer-Sponsored Retirement Plans.** If you are a spouse or non-spouse 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 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.

- 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 as long as the employer-sponsored retirement plan accepts such rollover contributions. An eligible rollover distribution is defined as any taxable distribution from an IRA that is not a part of a required minimum distribution.
- 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 Premiums). Although the conversion amount generally is included in income, the 10% 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% 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% 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. Rollovers 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 extensions) for the year in which the qualified settlement income is received to make the rollover Premium. 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 to the tax return due date 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.
 - 13. Written Election.** At the time you make a rollover to an IRA, you must designate in writing to Everence your election to treat that Premium as a rollover. Once made, the rollover election is irrevocable.
- K. 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.
- L. Recharacterizations** – If you make a Premium to a Traditional IRA and later recharacterize either all or a portion of the original Premium to a Roth IRA along with net income attributable, you may elect to treat the original Premium as having been made to the Roth IRA. The same methodology applies when recharacterizing a Premium 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 Premium 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 IRC Sec. 408(k), your employer may make Premiums to your IRA. Your employer is required to provide you with information that describes the terms of your employer's SEP plan.
- B. Spousal IRA** – For Premiums made for tax years beginning before 2020, if you are married and have compensation, you may make a Premium 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 Premiums made for 2020 and later tax years, you may make Premiums 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 Premiums even if you are age 70½ or older. You must file a joint income tax return for the year for which the Premium is made.

The amount you may contribute to your IRA and your spouse's IRA is the lesser of 100% of your combined eligible Compensation or \$12,000 for 2019 and 2020. This amount may be increased with cost-of-living adjustments each year. However, you may not contribute more than the individual Premium 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 Premium to your spouse's IRA. The maximum additional Premium is \$1,000 per year.

- C. Deduction of Rollovers and Transfers** – A deduction is not allowed for rollover or transfer Premiums.
- 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 IRC Sec. 2501.
- E. Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by IRC Sec. 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 IRC Sec. 4975, your IRA will lose its tax-deferred status, and you must include the value of your IRA in your gross income for that taxable year. 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 (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 entire balance of the IRA as of Jan. 1 will be deemed distributed and will be included in your gross income for that year.

Other

- A. IRS Plan Approval** – The Endorsement 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** – For further information on IRAs, you may wish to obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, or Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 1-800-TAX-FORM, or by visiting www.irs.gov on the Internet.
- C. Important Information About Procedures for Opening a New IRA** – 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 IRA. Therefore, when you open an IRA, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- D. Qualified 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.
- 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.

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