

Roth Individual Retirement Annuity Disclosure

Everence Association, Inc., a fraternal benefit society



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

Right to revoke your Roth IRA

You have the right to revoke your Roth IRA within thirty days of the receipt of the disclosure statement. If revoked, you are entitled to a full return of the Premium you made to your Roth 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 Roth IRA, please call Everence at 800-348-7468 and ask for Retirement Services.

Requirements of a Roth IRA

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

B. Maximum Premium – The total amount you may contribute to a Roth 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 Traditional IRA (i.e., an IRA subject to the limits of IRC Secs. 408(a) or 408(b)), the maximum Premium to your Roth IRAs is reduced by any Premiums you make to your Traditional IRAs. Your total annual Premium to all Roth IRAs and Traditional IRAs cannot exceed the lesser of the dollar amounts described above or 100% of your Compensation.

Your Roth IRA Premium is further limited if your modified adjusted gross income (MAGI) equals or exceeds \$193,000 (for 2019) or \$196,000 (for 2020) if you are a married individual filing a joint income tax return or equals or exceeds \$122,000 (for 2019) or \$124,000 (for 2020) if you are a single individual. Married individuals filing a joint income tax return with MAGI equaling or exceeding \$203,000 (for 2019) or \$206,000 (for 2020) may not fund a Roth IRA. Single individuals with MAGI equaling or exceeding \$137,000 (for 2019) or \$139,000 (for 2020) may not fund a Roth IRA. Married individuals filing a separate income tax return with MAGI equaling or exceeding \$10,000 may not fund a Roth IRA. The MAGI limits described above are subject to cost-of-living increases for tax years beginning after 2020.

If you are married filing a joint income tax return and your MAGI is between the applicable MAGI phase-out range for the year, your maximum Roth IRA Premium is determined as follows. (1) Begin with the appropriate MAGI phase-out maximum for the applicable 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. For example, if you are age 30 with MAGI of \$201,000, your maximum Roth IRA Premium for 2020 is \$3,000 ($[\$206,000 \text{ minus } \$201,000]$ divided by \$10,000 and multiplied by \$6,000).

If you are single and your MAGI is between the applicable MAGI phase-out for the year, your maximum Roth IRA Premium is determined as follows. (1) Begin with the appropriate MAGI phase-out maximum for the applicable 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. For example, if you are age 30 with MAGI of \$127,000, your maximum Roth IRA Premium for 2020 is \$4,800 ($[\$139,000 \text{ minus } \$127,000]$ divided by \$15,000 and multiplied by \$6,000).

C. Premium Eligibility – You are eligible to make a regular Premium to your Roth IRA, regardless of your age, if you have Compensation and your MAGI is below the maximum threshold. Your Roth IRA Premium is not limited by your participation in an employer-sponsored retirement plan, other than a Traditional IRA.

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 Roth IRA. The maximum additional Premium is \$1,000 per year.

E. Nonforfeitability – Your interest in your Roth IRA is nonforfeitable.

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

G. Life Insurance – No portion of your Roth 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 Roth IRA in collectibles (within the meaning of IRC Sec. 408(m)). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or other tangible personal property speci-

fied 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 Roth IRA investments.

J. Required Minimum Distributions During Your Lifetime – 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,
 - a. on or after your distributions have irrevocably commenced due to the annuitization of the Contract, distributions must be made to your Beneficiaries according to the distribution option you chose.
 - b. before your distributions have irrevocably commenced, distributions will, at the election of your Beneficiaries, either
 - i. be distributed by Dec. 31 of the year containing the fifth anniversary of your death, or
 - ii. be distributed over the remaining life expectancy of your Designated Beneficiaries.

If your spouse is your sole Designated Beneficiary, he or she must elect either option (i) or (ii) by the earlier of 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 (i) or (ii) 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 (ii). In the case of distributions under option (ii), 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 Roth IRA for purposes of determining the distribution period. If there is no Designated Beneficiary of your Roth IRA, the entire Roth 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 Roth 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 Roth IRA owner or over the joint lives of the Roth IRA owner and a Designated Beneficiary (or over a period not extending beyond the life expectancy of the Roth IRA owner or the joint life expectancy of the Roth 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
 - c. with respect to which
 - i. annuity payments have begun to the Roth IRA owner before Dec. 20, 2019, and the Roth IRA owner has made an irrevocable election before such date as to the method and amount of the annuity payments to the Roth IRA owner or any Designated Beneficiaries, or
 - ii. if payments have not begun, the Roth IRA owner has made an irrevocable election before Dec. 20, 2019, as to the method and amount of the annuity payments to the Roth IRA owner or any Designated Beneficiaries.

The entire amount remaining in your Roth 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 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 Roth 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, an 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 there is no Designated Beneficiary of your Roth IRA, the entire Roth IRA must be distributed by Dec. 31 of the year containing the fifth anniversary of your death.

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

If your Beneficiary fails to remove a required minimum distribution after your death, an additional penalty tax of 50% 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.

- K. Waiver of 2020 RMD** – In spite of the general rules described above, if you are a Beneficiary, no life expectancy payments are required for calendar year 2020. In addition, if the five-year rule applies to a Roth IRA with respect to any decedent, the five-year period is determined without regard to calendar year 2020. For example, if a Roth IRA owner died in 2017, the Beneficiary’s five-year period ends in 2023 instead of 2022.

Income tax consequences of establishing a Roth IRA

- A. Premiums Not Deducted** – No deduction is allowed for Roth IRA Premiums, including transfers, rollovers, and conversion Premiums.
- B. Premium Deadline** – The deadline for making a Roth 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 Roth 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 Roth 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 Roth IRA Premiums. This credit 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 Roth 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 Roth 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 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 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 Roth IRA. An excess withdrawal under this method is not taxable to you.
- 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 Roth IRA are not subject to federal income tax as they accumulate in your Roth IRA. In addition, distributions of your Roth IRA earnings will be free from federal income tax if you take a qualified distribution, as described below.
- F. Taxation of Distributions** – The taxation of Roth IRA distributions depends on whether the distribution is a qualified distribution or a nonqualified distribution.
 - 1. Qualified Distributions.** Qualified distributions from your Roth IRA (both the Premiums and earnings) are not included in your income. A qualified distribution is a distribution that is made after the expiration of the five-year period beginning Jan. 1 of the first year for which you made a Premium to any Roth IRA (including a conversion from a Traditional IRA or a rollover from an employer-sponsored retirement plan) and is made on account of one of the following events.
 - Attainment of age 59½
 - Disability
 - First-time homebuyer purchase
 - DeathFor example, if you made a Premium to your Roth IRA for 2015, the five-year period for determining whether a distribution is a qualified distribution is satisfied as of Jan. 1, 2020.
 - 2. Nonqualified Distributions.** If you do not meet the requirements for a qualified distribution, any earnings you withdraw from your Roth IRA will be included in your gross income and, if you are under age 59½, may be subject to an early distribution penalty tax. However, when you take a distribution, the Premiums you deposited annually to any Roth IRA and any military death gratuity or Servicemembers' Group Life Insurance (SGLI) payments that you rolled over to a Roth IRA, will be deemed to be removed first, followed by conversion and employer-sponsored retirement plan rollover Premiums made to any Roth IRA on a first-in, first-out basis. Therefore, your nonqualified distributions will not be taxable to you until your withdrawals exceed the amount of your annual Premiums, rollovers of your military death gratuity or SGLI payments, and your conversions and employer-sponsored retirement plan rollovers.
- G. Income Tax Withholding** – Any nonqualified withdrawal of earnings from your Roth IRA may be subject to federal income tax withholding. You may, however, elect not to have withholding apply to your Roth IRA withdrawal. If withholding is applied to your withdrawal, not less than 10% of the amount withdrawn must be withheld.
- H. Early Distribution Penalty Tax** – If you are under age 59½ and receive a nonqualified Roth IRA distribution, an additional early distribution penalty tax of 10% generally will apply to the amount includible in income in the year of the distribution. If you are under age 59½ and receive a distribution of conversion amounts or employer-sponsored retirement plan rollover amounts within the five-year period beginning with the year in which the conversion or employer-sponsored retirement plan rollover occurred, an additional early distribution penalty tax of 10% generally will apply to the amount of the distribution. The additional early distribution penalty tax of 10% generally will not apply if 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 Roth 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 Roth 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 Roth 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 Roth IRA during the active duty period are not subject to the 10% early distribution penalty tax. **10) Qualified birth or adoption.** Payments from your Roth 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.

- A. Required Minimum Distributions** – You are not required to take distributions from your Roth IRA during your lifetime (as required for Traditional and savings incentive match plan for employees of small employers (SIMPLE) IRAs). However, your Beneficiaries generally are required to take distributions from your Roth IRA after your death. See the section titled Beneficiary Distributions in this disclosure statement regarding Beneficiaries' required minimum distributions.
- B. Rollovers and Conversions** – Your Roth IRA may be rolled over to another Roth IRA of yours, may receive rollover Premiums, or may receive conversion Premiums, provided that all of the applicable rollover or conversion rules are followed. Rollover is a term used to describe a movement of cash or other property to your Roth IRA from another Roth 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. Conversion is a term used to describe the movement of Traditional IRA or SIMPLE 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 Roth IRA may be rolled over to the same Roth IRA or another Roth IRA of yours if the requirements of IRC Sec. 408(d)(3) are met. A proper Roth IRA-to-Roth 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. Roth IRA assets may not be rolled over to other types of IRAs (e.g., Traditional IRA, SIMPLE IRA), or employer-sponsored retirement plans.

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. 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 non-deductible 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% early distribution 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.
- 3. SIMPLE IRA-to-Roth IRA Conversions.** You are eligible to convert all or any portion of your existing SIMPLE IRA into your Roth IRA, provided two years have passed since you first participated in a SIMPLE IRA plan sponsored by your employer. The amount of the conversion from your SIMPLE IRA to your Roth IRA will be treated as a distribution for income tax purposes and is includible in your gross income. Although the conversion amount generally is included in income, the 10% early distribution penalty tax will not apply to conversions from a SIMPLE IRA to a Roth IRA, regardless of whether you qualify for any exceptions to the 10% early distribution 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 SIMPLE IRA.
- 4. Rollovers of Roth Elective Deferrals.** Roth elective deferrals distributed from a 401(k) cash or deferred arrangement, 403(b) tax-sheltered annuity, 457(b) eligible governmental deferred compensation plan, or federal Thrift Savings Plan, may be rolled into your Roth IRA.
- 5. Employer-Sponsored Retirement Plan-to-Roth IRA Rollovers.** You may roll over, directly or indirectly, any eligible rollover distribution from an eligible employer-sponsored retirement plan to your Roth IRA. 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, or the cost of life insurance coverage.

If you are conducting an indirect rollover, your eligible rollover distribution generally must be rolled over to your Roth 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.

Although the rollover amount generally is included in income, the 10% early distribution penalty tax will not apply to rollovers from eligible employer-sponsored retirement plans to a Roth IRA or inherited Roth IRA, regardless of whether you qualify for any exceptions to the 10% early distribution penalty tax.

- 6. 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 Roth IRA, as permitted by the IRS. The Roth IRA must be maintained as an inherited Roth IRA, subject to the Beneficiary distribution requirements.
 - 7. Beneficiary Rollovers From 401(k), 403(b), or 457(b) Eligible Governmental Plans Containing Roth Elective Deferrals.** If you are a spouse Beneficiary, non-spouse Beneficiary, or the trustee of an eligible type of trust named as Beneficiary of a deceased 401(k), 403(b), or 457(b) eligible governmental deferred compensation plan participant who had made Roth elective deferrals to the plan, you may directly roll over the Roth elective deferrals and their earnings to an inherited Roth IRA, as permitted by the IRS. The Roth IRA must be maintained as an inherited Roth IRA, subject to the beneficiary distribution requirements.
 - 8. Rollovers of Military Death Benefits.** If you receive or have received a military death gratuity or a payment from the SGLI program, you may be able to roll over the proceeds to your Roth IRA. The rollover Premium amount is limited to the sum of the death benefits or SGLI payment received, less any such amount that was rolled over to a Coverdell education savings account. Proceeds must be rolled over within one year of receipt of the gratuity or SGLI payment for deaths occurring on or after June 17, 2008. Any amount that is rolled over under this provision is considered nontaxable basis in your Roth IRA.
 - 9. 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 Roth 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*.
 - 10. 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 in a case filed after Sept. 11, 2001, and before Jan. 1, 2007, you are allowed to roll over any portion of the proceeds into your Roth IRA within 180 days after receipt of such amount, or by a later date if extended by federal law. For further detailed information and effective dates you may obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, from the IRS website at www.irs.gov.
 - 11. 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.
 - 12. Rollover of IRS Levy.** If you receive a refund of eligible retirement plan assets that had been wrongfully levied, you may rollover the amount returned up to the tax return due date for the year in which the money was returned.
 - 13. Repayment of Qualified Birth or Adoption Distribution.** At the time you make a rollover or conversion to a Roth IRA, you must designate in writing to Everence your election to treat that Premium as a rollover or conversion. Once made, the election is irrevocable.
- K. Transfer Due to Divorce** – If all or any part of your Roth 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 Roth IRA (and may be transferred pursuant to a court-approved divorce decree or written legal separation agreement to another Roth 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 Roth 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 or an employer-sponsored retirement plan rollover.

Limitations and restrictions

- A. Spousal Roth IRA** – If you are married and have Compensation, you may make a Premium to a Roth IRA established for the benefit of your spouse, regardless of whether or not your spouse has Compensation. You must file a joint income tax return for the year for which the Premium is made.

The amount you may contribute to your Roth IRA and your spouse's Roth 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 Roth IRA. Your Premium may be further limited if your MAGI falls within the minimum and maximum thresholds.

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 Roth IRA. The maximum additional Premium is \$1,000 per year.

- B. Gift Tax** – Transfers of your Roth IRA assets to a Beneficiary made during your life and at your request may be subject to federal gift tax under IRC Sec. 2501.
- C. Special Tax Treatment** – Capital gains treatment and 10-year income averaging authorized by IRC Sec. 402 do not apply to Roth IRA distributions.
- D. Prohibited Transactions** – If you or your Beneficiary engage in a prohibited transaction with your Roth IRA, as described in IRC Sec. 4975, your Roth IRA will lose its tax-deferred or tax-exempt status, and you generally must include the value of the earnings in your account in your gross income for that taxable year. The following transactions are examples of prohibited transactions with your Roth IRA. (1) Taking a loan from your Roth IRA (2) Buying property for personal use (present or future) with Roth IRA assets (3) Receiving certain bonuses or premiums because of your Roth IRA.
- E. Pledging** – If you pledge any portion of your Roth IRA as collateral for a loan, the entire balance of the IRA as of Jan. 1 will be deemed distributed and may be included in income if it represents a taxable portion of the Roth IRA (i.e., earnings) 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 Roth IRAs, you may wish to obtain IRS Publication 590-A, *Contributions to Individual Retirement Arrangements (IRAs)*, or Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*, by calling 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 a Roth IRA, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.
- D. Qualified 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 Roth 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 and effective dates 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 Roth 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 Roth 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.
- G. Coronavirus-Related Distributions (CRDs)** – If you qualify, you may withdraw up to \$100,000 in aggregate from your IRAs and eligible retirement plans as a CRD, without paying the 10% early distribution penalty tax. You are a qualified individual if you (or your spouse or dependent) is diagnosed with the COVID-19 disease or the SARS-CoV-2 virus in a CDC-approved test; or if you have experienced adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reduced hours of a business owned or operated by you due to such virus or disease, or other factors as determined by the IRS. A CRD must be made on or after Jan. 1, 2020, and before Dec. 31, 2020.

CRDs will be taxed ratably over a three-year period, unless you elect otherwise, and may be repaid over three years beginning with the day following the day a CRD is made. Repayments may be made to an eligible retirement plan or IRA.

An eligible retirement plan is defined as a qualified retirement plan, 403(a) annuity, 403(b) tax-sheltered annuity, 457(b) eligible governmental deferred compensation plan, or an IRA.

Everence Association, Inc.

1110 N. Main St.
P.O. Box 483
Goshen, IN 46527
everence.com

Toll-free: 800-348-7468
T: 574-533-9511