

CREDIT UNION ROTH IRA DISCLOSURE STATEMENT (rev. 3/2007)

This publication discusses Roth individual retirement accounts ("Roth IRAs") in general, and your credit union-sponsored Roth IRA in particular. This publication only discusses the federal tax rules, and you should consult your tax advisor concerning the tax laws of your state. Your credit union is referred to as "we" in this document.

There are two types of IRAs. The original IRAs were created in 1974, and these are called "traditional IRAs." This document primarily discusses the second type, created by Congress in 1997 and called "Roth IRAs." Traditional IRAs are discussed in this document only to the extent they relate to Roth IRAs. Many rules are the same for both traditional and Roth IRAs, and the discussion of these rules will refer simply to "IRAs." For more information about traditional IRAs, ask for the Credit Union Traditional IRA Disclosure Statement.

1. CAN I REVOKE MY ROTH IRA AFTER I HAVE SIGNED THE APPLICATION?

Right to Revoke. You can revoke an IRA within seven days after you receive this disclosure statement (except that you cannot revoke your IRA if you received this disclosure statement seven or more days before you set up your IRA). We are required to report to the IRS the contribution to and distributions from a revoked IRA.

How to Revoke. You can revoke an IRA by calling us, writing to us, or stopping by our office. Calls should be placed during normal business hours. Mailed notices are timely if postmarked within the seven-day period. If you revoke your IRA, the entire amount of any contributions you have made will be returned to you.

2. HOW MUCH CAN I CONTRIBUTE TO A ROTH IRA?

There are three limits on the regular contributions you can make for a year to a Roth IRA. Your regular Roth IRA contributions are limited to the lowest of these limits that applies to your situation. All regular contributions for the same year to all of your Roth IRAs must be combined for purposes of meeting the contribution limits. A regular Roth IRA contribution is any contribution that does not qualify as a direct transfer, rollover, or IRA conversion contribution.

(a) Compensation Limit. In general, your total regular IRA contributions for a year (both to Roth and traditional IRAs) cannot exceed the amount of your compensation earned during that year. If you file a joint federal income tax return and earn less compensation than your spouse, you can treat as compensation the joint compensation of you and your spouse, less the IRA contributions made by your spouse. Your "compensation" for a year is the total taxable income you receive during the year for performing services or that you receive as taxable alimony or separate maintenance

payments. Amounts excluded from taxable income are generally not treated as compensation. The only exception is that all combat pay earned by military personnel is treated as compensation, even though most combat pay is not taxable. Compensation does not include income from property, such as interest, dividends, rent or capital gains. You compute your earnings from performing services by adding:

- The wages, salary, tips, bonuses, professional fees, consulting fees, and other amounts you receive for providing personal services as an employee (you can use the amounts shown in the "wages, tips, other compensation" box of the IRS Forms W-2 that you receive); plus
- The net income from a business you own and operate as a sole proprietor or your share of partnership income, but only if you actively provide services in connection with the business.

(b) Annual Contribution Limit. Your regular Roth IRA contributions for a year cannot exceed the annual contribution limit (which is the amount stated in the following table), minus your regular contributions to traditional IRAs for the year. The annual contribution limit is higher starting with the year in which you reach age 50. For example, if you reach age 50 by December 31, 2007, your 2007 annual contribution limit for all IRAs is \$5,000. But if you make \$1,000 of 2007 regular contributions to traditional IRAs, then your 2007 Roth IRA contributions cannot exceed \$4,000. This is true regardless of the order in which you made the contributions. A regular traditional IRA contribution is any contribution that does not qualify as a direct transfer, rollover, direct rollover, SEP or SIMPLE contribution.

Contributions For	Under Age 50	Age 50+
2006 – 2007	\$4,000	\$5,000
2008	\$5,000	\$6,000

In 2009 and later years, the \$5,000 annual contribution limit for individuals under age 50 will be subject to adjustment for inflation occurring after 2007. The annual contribution limit for individuals age 50 or older will be \$1,000 more than the adjusted amount for individuals under age 50.

(c) Income Limit. The maximum amount of your regular Roth IRA contributions is phased out based on the amount of your modified adjusted gross income (MAGI).

- **Single Person.** Regular Roth IRA contributions for 2006 are phased out between \$95,000 and \$110,000 of MAGI. The phase-out range for 2007 contributions is \$99,000 to \$114,000. The phase-out range for each subsequent year will be adjusted for inflation. This rule applies to anyone who is not married at the end of the year, including those filing as heads of household.
- **Married Filing Jointly.** Regular Roth IRA contributions for 2006 are phased

out between \$150,000 and \$160,000 of joint MAGI. The phase-out range for 2007 contributions is \$156,000 to \$166,000. The phase-out range for each subsequent year will be adjusted for inflation.

- **Married Filing Separately.** Regular Roth IRA contributions are phased out between zero and \$10,000 of MAGI for all years.

MAGI Definition. For purposes of determining whether a regular Roth contribution can be made, "modified adjusted gross income" (or "MAGI") is computed by starting with adjusted gross income (the last line on the first page of IRS Form 1040) without taking into account: (a) income from converting a traditional IRA into a Roth IRA, (b) deductions for making traditional IRA contributions, and (c) certain foreign income, foreign housing exclusions, and series EE bond interest.

Contribution Phase-Out. The income limit does not apply to you if your MAGI is below the bottom of the phase-out range. You are not able to make regular Roth IRA contributions if your MAGI is above the top of the phase-out range.

To compute the MAGI limit within a phase-out range, start by subtracting the bottom of the phase-out range from your MAGI. Divide the answer from this subtraction by \$10,000 for a married person or \$15,000 for a single person. Then multiply the answer from this division by the annual contribution limit (the amount stated in the above chart). Round the answer from this multiplication down to the next lower \$10. Subtract this rounded amount from the annual contribution limit. The answer is the amount you can contribute unless the answer is between zero and \$200, in which case you can contribute \$200.

Consider Making a Traditional IRA Contribution. If you are not able to make a regular contribution to a Roth IRA because of the MAGI limit, then you should consider making a contribution to a traditional IRA instead. There are limits on who can make regular contributions to traditional IRAs, so this may not be an alternative. Ask us for a copy of the Credit Union Traditional IRA Disclosure Statement for more information.

3. WHEN CAN I MAKE REGULAR CONTRIBUTIONS?

You can make regular IRA contributions up until the time prescribed by law for filing the tax return for the year, not including filing extensions. If you report income on a calendar tax year basis, the deadline for making a regular IRA contribution for a year is April 15 of the following year. If April 15 is a weekend or a legal holiday at the address to which you mail your federal tax return, then the deadline is the next business day. You can make a regular IRA contribution before this deadline even if you have already filed your tax return for the year. There is no special time during this period for making a regular IRA contribution.