

# CREDIT UNION TRADITIONAL IRA CUSTODIAL AGREEMENT (rev. 3/2002)

## 1. CONTRIBUTION LIMIT

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k) or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$3,000 per year for tax years 2002 through 2004. That contribution limit is increased to \$4,000 for tax years 2005 through 2007 and \$5,000 for 2008 and thereafter. For individuals who have reached the age of 50 before the close of the tax year, the contribution limit is increased to \$3,500 per year for tax years 2002 through 2004, \$4,500 for 2005, \$5,000 for 2006 and 2007, and \$6,000 for 2008 and thereafter. For tax years after 2008, the above limits will be increased to reflect a cost-of-living adjustment, if any.

## 2. NONFORFEITABLE

The depositor's interest in the balance in the custodial account is nonforfeitable.

## 3. INVESTMENT LIMITATIONS

**3.1 No Life Insurance or Asset Commingling.** No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or a common investment fund (within the meaning of section 408(a)(5)).

**3.2 Restriction on Collectibles.** No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

## 4. REQUIRED MINIMUM DISTRIBUTIONS

**4.1 Distributions Must Comply With Tax Laws.** Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

**4.2 Post 70½ Distributions.** The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70½. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

- (a) A single sum; or
- (b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.

**4.3 Death Benefits.** If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

- (a) If the depositor dies on or after the required beginning date and:
  - (i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy, as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.
  - (ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.
  - (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.

(b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:

- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the

depositor would have reached age 70½. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.

- (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

### 4.4 No Contributions to Inherited IRA.

If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.

**4.5 Computation of the RMD.** The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" (RMD) and is determined as follows:

- (a) **Post 70½ RMD.** The required minimum distribution under paragraph 4.2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
- (b) **Death Benefit RMD.** The required minimum distribution under paragraphs 4.3(a) and 4.3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if applicable under paragraph 4.3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table

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in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 4.3(a) and 4.3(b)(i).

- (c) **Distribution Deadlines.** The required minimum distribution for the year the depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

**4.6 Can Receive RMD From Another IRA.** The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

### 5. REPORTING

**5.1 Depositor Will Provide Information.** The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

**5.2 Custodian Will Submit Reports.** The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

### 6. CONTROLLING TEXT

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles 1 through 3 and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related regulations will be invalid.

### 7. AMENDMENT

This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. Other amendments may be made with the consent of the persons whose signatures appear on the application form. The custodian may also amend this agreement at any time by sending the depositor a copy of the amendment. An amendment will become effective 30 days after it is mailed to the depositor, unless the custodian receives an objection to the amendment from the depositor. After the depositor's death, the amendment will be sent to the beneficiaries, who will have the right to object to the amendment.

### 8. GENERAL PROVISIONS

**8.1 Qualification of Beneficiaries.** Beneficiaries qualify to receive payments as follows:

- (a) An individual qualifies if he or she is alive on the day after the depositor's death.

(b) The depositor's estate qualifies if it is in existence within nine months after the depositor's death. If the depositor directs that payment be made under the depositor's will, then this will be treated as a designation of the depositor's estate as a beneficiary.

(c) A trust qualifies if it is in existence within nine months after the depositor's death. A trust that is set up by the depositor's will qualifies if the depositor's estate has been opened within nine months after the depositor's death. If a beneficiary does not qualify to receive payments, then payment will be made as if that beneficiary had not been named by the depositor.

**8.2 Absence of a Beneficiary.** If none of the beneficiaries qualify to receive payments, or if we have not received a beneficiary designation form from the depositor, then the depositor's IRA will be paid as follows:

- (a) Everything to the depositor's spouse if alive on the day after the depositor's death; or
- (b) If the depositor is not survived by a spouse, then everything equally to the depositor's legitimate natural and legally adopted children who are alive on the day after the depositor's death; or
- (c) If the depositor is not survived by a spouse or any children, then everything to the depositor's estate. A person or estate entitled to receive money under this section will be treated as a beneficiary for purposes of Article 4.3.

**8.3 Forms, Notices and Reports.** The depositor will mail notices to the custodian or to an agent specified by the custodian. The depositor will notify the custodian of any change in name or address. The custodian may require the depositor and beneficiaries to use the custodian's forms. A copy of the depositor's application when attached to a copy of this agreement (including amendments) will be considered an original agreement. A copy on carbonless paper or a photographic reproduction of any document used to administer this IRA will be admissible as evidence in any judicial or administrative proceeding as if it were the original itself. The custodian will mail notices and reports to the depositor or beneficiaries at the last known address according to its records. The depositor agrees to examine each report received from the custodian and immediately notify the custodian of any information in a report that does not appear to be correct. If the custodian does not receive such a notification within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

**8.4 Custodian's Liability.** The custodian will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement, or by a lack of good faith in acting in compliance with this agreement.

**8.5 Custodian's Services.** The custodian may charge reasonable fees for its services, and deduct such fees from the assets of the IRA. The custodian may establish reasonable administrative deadlines prior to the tax deadline for the depositor and beneficiaries to file payment selections. If the custodian does not receive a payment selection prior to its administrative deadline, it may make payment as provided in this agreement. The custodian may offer the option of dividing annual payments into several more frequent payments.

**8.6 Change of Custodian.** The custodian can substitute a successor custodian, and it will do so if it receives notice from the IRS that such substitution is required to protect the tax status of this IRA. If the custodian resigns without substituting another custodian or the custodian is removed by the governmental agency that regulates it, then CUNA Mutual Business Services, Inc., Madison, Wisconsin, will appoint a successor custodian and notify the depositor of the change. A successor custodian will have all of the same duties and rights granted to the original custodian under this agreement. A successor custodian will not be liable for any act or omission of a predecessor custodian.

**8.7 Termination.** The custodian may terminate this IRA upon 30 days notice to the depositor. In such event this IRA will be paid out to the depositor, unless during this 30-day period the depositor instructs the custodian to transfer it directly to another IRA.

**8.8 Security Interest Waiver.** The custodian waives the provisions of any written contract that grants it a security interest in this IRA.

**8.9 Controlling Law.** Payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides. In all other cases, the administration of this IRA will be governed by the laws in effect at our office that primarily serves the depositor.

**8.10 Disclosure of Account Information.** The custodian may use third-party service providers to assist in administering the IRA. The custodian may release nonpublic personal information regarding the IRA to third-party service providers as necessary to provide the products and services made available under this agreement, and to evaluate the custodian's business operations and analyze potential product, service, or process improvements.