

# **IRA APPLICATION KIT**

- **Roth-IRA**

**MH Elite Portfolio of Funds Trust  
Huntington National Bank, Custodian  
43 Highlander Drive  
Scotch Plains, NJ 07076  
Phone: 800.318.7969  
Fax: 908.444.8752**

# INSTRUCTIONS FOR OPENING YOUR MH ELITE PORTFOLIO OF FUNDS TRUST IRA

## I. Included in this kit is:

- a. An IRA Application
- b. The IRA Disclosure and Plan Agreement.
- c. A Transfer or Direct Rollover Request form. You may use this form to request your current custodian, trustee, or employer to directly transfer your plan assets to your IRA with MH Elite Portfolio of Funds Trust

## II. To Open Your IRA:

- Step 1** Complete the IRA Application. See Designation of Beneficiary explanation below.
- Step 2** If you are requesting a transfer or direct rollover of current plan assets (held elsewhere), complete the Transfer or Direct Rollover Request Form. You should complete this form **in addition** to the IRA Application.
- Step 3** Return the forms to the address below.
- Step 4** Include a check for the amount of your IRA contribution made payable to Huntington National Bank.
- Step 5** Retain the IRA Plan Agreement and Disclosure for your records.

## III. Designation of Beneficiary

You may designate a beneficiary to receive the IRA funds upon your death. The space provided is to name primary and contingent beneficiaries. If more space is needed, you may attach a supplementary sheet. If you wish a more complicated type of designation of beneficiary, you should consult an attorney. Some state's laws require married individuals to name their spouse as beneficiary. Married individuals should consult with their tax advisors prior to designating someone other than their spouse. You may change your beneficiary at any time by writing to the Fund. If any of your beneficiaries die before you, the deceased beneficiary's share will be reallocated among the surviving beneficiaries on a *pro rata basis*. If none of your beneficiaries survive you, or if the Custodian cannot locate your beneficiary after a reasonable search, any balance in the IRA will be paid to your estate.

## IV. Fee Information:

Account Maintenance Fee: **\$8.00 per account**

**Note:** The account maintenance fee has been waived and is currently paid by the Advisor).

## V. Revocation Information:

You have the right to revoke this Individual Retirement Account (IRA) within seven days of receiving your disclosure statement. To revoke your IRA account simply notify in writing by first - class mail to the address below and the notification will be accepted as the date the notice is received and time-stamped.

**MH Elite Portfolio of Funds Trust  
43 Highlander Drive  
Scotch Plains, NJ 07076**

# MH Elite Portfolio of Funds Trust

Send completed forms to:  
MH Elite Portfolio of Funds Trust  
43 Highlander Drive  
Scotch Plains, NJ 07076  
Make check payable to:  
Huntington National Bank

For assistance in completing this application call 1-800-318-7969  
Please print or type

## IRA APPLICATION

### IRA Owner Information:

Name \_\_\_\_\_ Date of Birth \_\_\_\_\_  
Soc Sec. No. \_\_\_\_\_ Address \_\_\_\_\_  
Daytime Phone \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Evening Phone \_\_\_\_\_ Driver License: State \_\_\_\_\_ Number \_\_\_\_\_ Exp. Date \_\_\_\_\_  
US Citizen: Yes: \_\_\_\_ No: \_\_\_\_ Open to US Residents Only

### Contribution Information:

Initial Contribution Type	Amount	Tax Year	Allocate my contribution to:	
___ Regular/Spousal IRA	\$ _____	_____	MH Elite Small Cap Fund of Funds	\$ _____
___ Transfer from another IRA	\$ _____	_____	MH Elite Fund of Funds	\$ _____
___ Roth IRA	\$ _____	_____	MH Elite Select Portfolio of Funds	\$ _____
___ SEP IRA	\$ _____	_____	MH Elite Income Fund of Funds	\$ _____
___ Rollover from IRA/QP/TSA	\$ _____	_____		
___ Beneficiary IRA	\$ _____	Deceased name _____	Date of death _____	

### Designation of Beneficiary

In the event of my death, pay my IRA balance to the following primary beneficiary(ies): (See instructions for additional conditions.)

Name	SSN or TIN	Relationship	Date of Birth	Address	%*
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

If all of the primary beneficiaries die before me, pay my IRA balance to the following contingent beneficiaries

_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

\*If no percentage rate is indicated, the beneficiaries will share equally.

\*Percentage(s) must total 100% for primary and 100% for contingent beneficiaries.

### Signatures and Certifications

I certify under the penalty of perjury that my social security number stated above is correct, that I am of legal age in my state of residence and I agree that the designation of the tax year for my contribution and my election to treat a contribution as a rollover (if applicable) are irrevocable. By signing this application, I hereby authorize and appoint Huntington National Bank to act as Custodian of my account. I indemnify Huntington National Bank when making distributions in accordance with my beneficiary designation on file or in accordance with the Custodial Account Agreement absent any such designation. I acknowledge that I have received the IRA Disclosure Statement and IRA Custodial Account Agreement at least seven days prior to the date I signed this application. I have read both, which are incorporated in this application by reference, and I accept and agree to be bound by the terms and conditions contained in the IRA Custodial Account Agreement. I also certify that I have received and read the current Prospectus and understand that mutual fund shares are not obligations of or guaranteed by a bank, nor are they insured by the FDIC.

Huntington National Bank accepts this application and agrees to act as Custodian of the account. A confirmation will be sent to you regarding the above transaction(s) and will serve as notification of the Custodian's acceptance.

\_\_\_\_\_  
IRA Owner's Signature Date

# MH Elite Portfolio of Funds Trust

Send completed forms to:  
MH Elite Portfolio of Funds Trust  
43 Highlander Drive  
Scotch Plains, NJ 07076

## IRA TRANSFER OR DIRECT ROLLOVER REQUEST FORM

For assistance in completing this form call 1-800-318-7969

Please print or type

### General Information:

Name \_\_\_\_\_ Date of Birth \_\_\_\_\_  
Soc. Sec. No. \_\_\_\_\_ Address \_\_\_\_\_  
Daytime Phone \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Evening Phone \_\_\_\_\_ Account Number \_\_\_\_\_

### Transfer/Direct Rollover Request:

I have established an IRA with MH Elite Portfolio of Funds Trust of which Huntington National Bank serves as Custodian.

I request that my retirement funds be: (check one)

<input type="checkbox"/> Transferred from another IRA	Allocated to:	MH Elite Small Cap Fund of Funds	\$ _____	or	_____ %
<input type="checkbox"/> Directly rolled over from my employer-sponsored retirement plan		MH Elite Fund of Funds	\$ _____	or	_____ %
		MH Elite Select Portfolio of Funds	\$ _____	or	_____ %
		MH Elite Income Fund of Funds	\$ _____	or	_____ %

Current Account Type:  IRA  SEP  Roth  401K  403B  Other \_\_\_\_\_

I authorize my present IRA Custodian/Trustee, or the administrator of my current retirement plan, to directly send the assets indicated below to my IRA with MH Elite Portfolio of Funds Trust. **Please include a copy of your latest IRA statement.**

Name of present Custodian, Trustee, or Employer Plan Administrator \_\_\_\_\_ Account# \_\_\_\_\_  
Street Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

### Payment Information:

Payment Schedule: I authorize and direct you to send my assets as follows:

- Immediately liquidate all assets and send the cash proceeds
- Send cash proceeds of all investments at maturity
- Liquidate only the following investments listed below

Investment	Shares or Dollars to be liquidated
_____	_____
_____	_____
_____	_____

### Signatures and Certifications:

I certify that I have established an IRA with MH Elite Portfolio of Funds Trust of which Huntington National Bank is the Custodian. I agree to contact my present Custodian that I am transferring from to determine if specific documentation or signature guarantee is required. I understand that I am responsible for determining my eligibility for all transfers or direct rollovers. I agree to hold the Custodian harmless against any and all situations arising from an ineligible transfer or direct rollover. I acknowledge that the Custodian cannot provide legal advice and I agree to consult my own tax professions for advice.

\_\_\_\_\_  
Signature of Individual Date (You may wish to retain a copy of this form for your records)

For office use only. Huntington National Bank hereby confirms that it has accepted its appointment as Custodian of the MH Elite Portfolio of Funds Trust IRA.  
Make check(s) payable to: Huntington National Bank FBO \_\_\_\_\_  
Mail check(s) to: MH Elite Portfolio of Funds Trust, 43 Highlander Drive, Scotch Plains, NJ 07076

\_\_\_\_\_  
Signature Title Date

# 5305-RA Roth Individual Retirement Custodial Account

(Under section 408A of the Internal Revenue Code)

The depositor ((the depositor is the person who establishes the custodial account) is establishing a Roth individual retirement account (Roth-IRA) under section 408A to provide for his or her retirement and for the support of his or her beneficiaries after death. The depositor and the custodian make the following agreement:

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## Article I

Except in the case of a rollover contribution described in section 408A(e), a re-characterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, 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.

## Article II

1. The annual contribution limits described in Article I is gradually reduced to \$0 for higher income levels. For a single depositor, the annual contribution is phased out between adjusted gross income (AGI) of \$105,000 and \$120,000; for a married depositor filing jointly, between AGI of \$167,000 and \$177,000; and for a married depositor filing separately, between AGI of \$0 and \$10,000. Annual contribution limits may be adjusted in future years. In the case of a conversion, the custodian will not accept IRA Conversion Contributions in a tax year if the depositor's AGI for the tax year the funds were distributed from the other IRA exceeds \$100,000 or if the depositor is married and files a separate return. Adjusted gross income is defined in section 408A(c) (3) and does not include IRA Conversion Contributions.

2. In the case of a joint return, the AGI limits in the preceding paragraph apply to the combined AGI of the depositor and his or her spouse.

## Article III

The depositor's interest in the balance in the custodial account is non-forfeitable.

## Article IV

1. 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 common investment fund (within the meaning of section 408(a)(5)).

2. 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.

## Article V

1. If the depositor dies before his or her entire interest is distributed to him or her and the depositor's surviving spouse is not the designated beneficiary, the remaining interest will be distributed in accordance with (a) below or, if elected or there is no designated beneficiary, in accordance with (b) below:

(a) The remaining interest will be distributed, starting by the end of the calendar year following the year of the depositor's death, over the designated beneficiary's remaining life expectancy as determined in the year following the death of the depositor.

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

2. The minimum amount that must be distributed each year under paragraph 1(a) above is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the designated beneficiary using the attained age of the beneficiary in the year following the year of the depositor's death and subtracting 1 from the divisor for each subsequent year.

3. If the depositor's surviving spouse is the designated beneficiary, such spouse will then be treated as the depositor.

## Article VI

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by sections 408(i) and 408A(d)(3)(E), Regulations sections 1.408-5 and 1.408-6, or other guidance published by the Internal Revenue Service (IRS).

2. The custodian agrees to submit to the IRS and depositor the reports prescribed by the IRS.

## Article VII

Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through IV and this sentence will be controlling. Any additional articles inconsistent with section 408A, the related regulations, and other published guidance will be invalid.

## Article VIII

This agreement will be amended as necessary to comply with the provisions of the Code, the related regulations, and other published guidance. Other amendments may be made with the consent of the persons whose signatures appear below.

## Article IX

This account must be created in the USA for the exclusive benefit of the Depositor or his/her beneficiaries. Do not file Form 5305-A with the IRS. Instead keep it for record purposes

**Yearly Custodian fee \$8.00.**

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## General Instructions

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

### Purpose of Form

Form 5305-RA is a model custodial account agreement that meets the requirements of section 408A and has been pre-approved by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after 5 years that are made when the depositor is 59 ½ years of age or older or on account of death, disability, or the purchase of a home by a first-time homebuyer (limited to \$10,000), are not includible in gross income. For more information on Roth IRAs, including the required disclosures the custodian must give the depositor, see **Pub. 590**, Individual Retirement Arrangements (IRAs).

### Definitions

**IRA Conversion Contributions.** IRA Conversion Contributions are amounts rolled over, transferred, or considered transferred from a non Roth IRA to a Roth IRA. A non Roth IRA is an individual retirement account or annuity described in section 408(a) or 408(b), other than a Roth IRA.

**Custodian.** The custodian must be a bank or savings and loan association, as defined in section 408(n), or any person who has the approval of the IRS to act as custodian.

**Depositor.** The depositor is the person who establishes the custodial account.

## Specific Instructions

**Article I.** The depositor may be subject to a 6% tax on excess contributions if

- (1) contributions to other individual retirement arrangements of the depositor have been made for the same tax year,
- (2) the depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or
- (3) the depositor's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year. The depositor should see the disclosure statement or Pub. 590 for more information.

### Article V.

This article describes how distributions will be made from the Roth IRA after the depositor's death. Elections made pursuant to this article should be reviewed periodically to ensure they correspond to the depositor's intent. Under paragraph 3 of Article V, the depositor's spouse is treated as the owner of the Roth IRA upon the death of the depositor, rather than as the beneficiary. If the spouse is to be treated as the beneficiary, and not the owner, an overriding provision should be added to Article IX.

### Article IX.

Article IX and any that follow it may incorporate additional provisions that are agreed to by the depositor and custodian to complete the agreement. They may include, for example, definitions, investment powers, voting rights, exculpatory provisions, amendment and termination, removal of the custodian, custodian's fees, state law requirements, beginning date of distributions, accepting only cash, treatment of excess contributions, prohibited transactions with the depositor, etc. Attach additional pages if necessary.

# Roth IRA Disclosure Statement

Concept and Basic Rules of Roth IRA

## **A. INTRODUCTION.**

This Disclosure Statement explains what you should know about your Roth Individual Retirement Account ("Roth IRA") and is a general review of the federal income tax law applicable to it. Roth IRAs are intended to help individuals in preparing for their retirement. Therefore, Roth IRAs may not be used like normal investments and are subject to many restrictions imposed by the Internal Revenue Code.

In 1997, Congress introduced the concept of Roth IRAs to encourage personal retirement planning. A Roth IRA is a custodial account that lets you set aside money for your retirement for tax years beginning after December 31, 1997. Your contributions are not tax deductible and if certain requirements are met, the earnings from your Roth IRA are not taxed when they are distributed to you. (Certain investments, however, may generate "unrelated business income" that may be taxable in the year earned.) The Fund is also referred to in this Disclosure Statement as "we," "us" or "our."

Please read this Roth IRA Disclosure Statement carefully, and note that the rules regarding Roth IRAs are subject to frequent change. Before initiating any major transaction with your Roth IRA, you should make sure that you have the most current information available. If you have any legal or tax questions concerning your Roth IRA, we urge you to discuss them with your attorney or personal tax consultant. The representatives of The Fund, will of course, be happy to answer any questions concerning the operation and financial aspects of your Roth IRA, but cannot give you legal or tax advice.

### **A.1 How do I open a Roth IRA?**

Complete an IRA Plan Agreement and return it by mail to The Fund or Personal Advisor along with your initial contribution. If you need help in completing the form or have any questions, call The Fund or Financial Advisor for assistance.

### **A.2 May I cancel my Roth IRA?**

**Yes.** But to receive a full refund without penalty on your initial contribution, you must do so on or before the seventh (7th) day after you receive the Roth IRA Custodial Agreement ("Custodial Agreement") and Disclosure Statement. To cancel your Roth IRA, either deliver a written notice of cancellation to your Financial Advisor or mail one to the address on the Roth IRA Application before the end of the seven-day period. If an important change is made to the Disclosure Statement or your Roth IRA during the seven-day period, we will notify you of the change and you will have an additional seven days from the date you receive the notice to revoke your Roth IRA.

If you send your notice by first class mail, your revocation will be deemed mailed as of the date of the postmark. Until the seven-day period for revoking your Roth IRA has lapsed, contributions may be accepted, but investment instructions for your Roth IRA may be restricted.

### **A.3 Is my IRA non-forfeitable?**

Your interest in your Roth IRA is non-forfeitable at all times.

### **A.4 Is my Roth IRA approved by the Internal Revenue Service?**

Since the Custodial Agreement establishing your Roth IRA utilizes IRS Form 5305-RA, as currently provided by the IRS, your Roth IRA will be treated as approved as to form. IRS approval is a determination as to the form of your Roth IRA but does not represent a determination of its merits.

In the event that the laws governing Roth IRAs are amended or changed and cause differences between our current Custodial Agreement and the new laws, we will administer your Roth IRA in accordance with the new laws and amend the Custodial Agreement when revised IRS forms are published.

You may obtain further information on Roth IRAs from your District Office of the IRS. In particular, you may wish to obtain IRS Publication 590 Individual Retirement Arrangements (IRAs) at [www.irs.gov](http://www.irs.gov).

### **A.5 Does the FDIC insure my Roth IRA?**

Each banking affiliate of the Custodian is a member of the Federal Deposit Insurance Corporation ("FDIC"), however, a Roth IRA investments in stocks, bonds and mutual funds, including any money market mutual funds, are not bank deposits, and they are not insured by the FDIC.

## **B. CONTRIBUTIONS TO YOUR ROTH IRA**

### **B.1 What Is a Roth IRA contribution?**

There are two types of Roth IRA contributions.

An "annual contribution" is a non-deductible cash deposit to your Roth IRA. Individuals who are age 50 or older can contribute an additional "catch up" amount beginning in the taxable year in which the individual turns age 50.

A "qualified rollover contribution" is a deposit to your Roth IRA of funds that you receive from either another Roth IRA or from another eligible IRA. You may roll over any part of an otherwise eligible rollover distribution from your employer's retirement plan to your Roth IRA on a tax-free basis if that part of the distribution is from a designated Roth account set up under the employer's retirement plan. Beginning in 2008, you may roll over amounts from an employer's retirement plan to a Roth IRA as a conversion contribution if the conversion rules are met. A qualified rollover contribution from an IRA (other than another Roth IRA) or any other employer retirement plan is generally a taxable event. A rollover to a Roth IRA from another Roth IRA is generally not taxable, if certain requirements are met. All types of rollovers are subject to special rules discussed in Section D: Rollover Contributions.

## **C. ANNUAL CONTRIBUTIONS**

### **C.1 May I contribute to a Roth IRA?**

If at the end of a tax year either you (or your spouse) have received compensation from employment for that year and you have not exceeded income limits, you may establish and/or contribute to a Roth IRA for that year. You may contribute to a Roth IRA even if you are older than age 70 ½.

Compensation includes salary, wages, commissions, fees, tips and other income you or your spouse receive for your personal services, as well as taxable alimony and separate maintenance payments received under a degree of divorce or separate maintenance. It does not include items such as earnings on investments and dividends, deferred compensation or monies from retirement plans or annuities.

Beginning in 2004, you can treat non-taxable combat pay as compensation under certain circumstances. You may be able to make additional contributions for 2004 and 2005 out of non-taxable combat pay. Consult your tax advisor for more information about this special contribution of non-taxable combat pay.

Beginning in 2007, you will be allowed to direct that all or a portion of your federal income tax refund be paid directly to your Roth IRA, or your spouse's Roth IRA if you file jointly. The direct deposit of a tax refund is considered an annual contribution and is subject to the contribution limits and the rules that apply to annual contributions, including the contribution deadline rules described in Questions C7.

If you took a "qualified reservist distribution" from your IRA or another eligible retirement plan, you may be able to repay the distribution to your Roth IRA. Any repayment of a "qualified reservist distribution" to your Roth IRA increases your basis. See Question E3(i) for more information about "qualified reservist distributions." The "qualified reservist distribution" repayments may be made even if the repayment would cause your total contributions to the Roth IRA to exceed the contribution limits. The repayments must be made within two years after your active duty period ends or August 16, 2008, whichever is later. Please consult your tax advisor for more information if you think you may be eligible for this special non-deductible contribution.

In 2007, 2008 and 2009, you may make an additional contribution to your Roth IRA of up to the smaller of \$3,000 or your compensation per year if your employer declared bankruptcy and is subject to indictment or conviction from business transactions related to the bankruptcy and your contributions to your employer's 401(k) plan were matched at least 50 percent with employer stock. In addition, to be eligible for this additional contribution, you must have been a participant in the 401(k) plan 6 months before the bankruptcy filing. Individuals age 50 or older who make this additional contribution their Roth IRA may not also make the additional age 50 or older "catch-up" contribution described in Question B1 above. If you think you may be eligible for this additional contribution, you should discuss the situation with your tax advisor.

### **C.2 How much may I contribute?**

Federal tax laws determine how much you may contribute. In any year you or your spouse receive compensation, you may make annual contributions up to the lesser of (i) the compensation you and your spouse receive for that year less any deductible Traditional IRA contributions and annual Roth IRA contributions made by or on behalf of your spouse, or (ii) the maximum amount as determined from the chart below. This limit is known as your "Unreduced Maximum." Unless otherwise specified, for purposes of explaining how much you may contribute to a Roth IRA, this Disclosure Statement assumes that you will not make contributions to a Traditional IRA.

#### **CONTRIBUTION LIMITS:**

Year	Maximum Annual Contribution (Under Age 50)	Maximum Catch-Up Contribution (Age 50 or older)	Total Maximum Contribution (Age 50 or older)
2008	\$5,000	\$1,000	\$6,000
2009	\$5,000	\$1,000	\$6,000
2010	\$5,000	\$1,000	\$6,000

*With the exception of the catch-up contribution, contribution figures will be adjusted to take into account potential cost of living adjustments increases in increments of \$500 beginning in 2009.*

If your Modified Adjusted Gross Income ("MAGI") is above a certain level, your Unreduced Maximum Roth Contribution will be less. See C3 below. If you make annual Traditional IRA contributions, your Unreduced Maximum contribution will also be reduced by such contributions.

You may always contribute less than the maximum amount, and do not have to contribute every year.

If, however, you contribute more than you are allowed for a tax year, you may incur a penalty for an "excess contribution." This penalty is explained in Section H: Excess Contributions and Prohibited Transactions.

### **C.3 How will my MAGI and my annual Traditional IRA contributions affect my Unreduced Maximum?**

If your MAGI is above a specified level, the amount of the annual contributions you may make to a Roth IRA is phased down and may be eventually eliminated. If you make annual Traditional IRA contributions, the maximum Roth IRA annual contributions that you may make is further reduced by the amount of the annual Traditional IRA contributions.

#### **a. Modified Adjusted Gross Income.**

You must look at your MAGI for the year (if you and your spouse file a joint return you use your combined MAGI) to determine whether you can make an annual Roth IRA contribution. Your tax return will show you how to calculate your MAGI for this purpose. If you are below a certain MAGI level, called the threshold level, you will be able to make a full or partial contribution.



## b. Contribution Limits.

Single and joint filers may make a full or partial contribution based on their income thresholds. The tables below illustrate these threshold levels.

### Single Filers Allowable Roth IRA Contribution

Year	Full Contribution for a MAGI of:	Partial Contribution for a MAGI Between:	No Contribution for a MAGI of:
2009	\$105,000 or less	\$105,000 – \$120,000	\$120,000 or more
2010	\$105,000 or less	\$105,000 – \$120,000	\$120,000 or more

### Joint Filers Allowable Roth IRA Contribution

Year	Full Contribution for a MAGI of:	Partial Contribution for a MAGI Between:	No Contribution for a MAGI of:
2009	\$166,000 or less	\$166,000 - \$176,000	\$176,000 or more
2010	\$167,000 or less	\$167,000 - \$177,000	\$177,000 or more

Except for married individuals filing separately, the MAGI limits will be indexed to reflect inflation in the future.

If you are married and file a separate return, you may make a partial contribution for MAGI between \$0 and \$10,000, and will not be able to make a contribution if your MAGI is \$10,000 or more.

Individuals who are entitled to a partial contribution determine their contribution amount using the following formulas:

#### Single Filers:

$$\frac{\text{Excess MAGI}}{\text{Threshold Level} - \text{MAGI}} \times \text{Actual Unreduced X Maximum} = \text{Roth IRA contribution}$$

\$15,000

#### Joint Filers:

$$\frac{\text{Excess MAGI}}{\text{Threshold Level} - \text{MAGI}} \times \text{Actual Unreduced X Maximum} = \text{Roth IRA contribution}$$

\$10,000

When computing the amount of a partial contribution, you must round up the result to the next highest \$10 level (the next highest number which ends in zero). For example, if the result of the computation is \$1,525, you must round it up to \$1,530. If the final result is below \$200 but above zero, your contribution limit is \$200. Your contribution limit cannot, in any event, exceed the compensation limit described in C2.

**Example 1:** Ms. Smith, a single person under age 50, has a MAGI of \$100,000 in 2007. She calculates her 2007 Roth IRA contribution as follows:

- Her MAGI is \$100,000
- Her threshold level is \$114,000
- Her Excess MAGI is (Threshold Level - MAGI) or (\$114,000 - \$100,000) = \$14,000
- The Unreduced Maximum Roth Contribution in 2007 for an individual under age 50 is \$4,000. Her Roth IRA contribution limit as adjusted by MAGI is:

$$\frac{\$14,000}{\$15,000} \times \$4,000 = \$3,733.33$$

**Her Roth IRA contribution limit is \$3,740**

**Example 2:** Mr. and Mrs. Young, both over age 50, file a joint tax return in 2007. Each spouse earns more than \$5,000. They have a combined MAGI of \$160,000. They may each contribute to a Roth IRA for 2007 and calculate their contributions to each Roth IRA as follows:

- Their MAGI is \$160,000
- Their threshold level is \$166,000
- Their Excess MAGI is (Threshold Level –MAGI) or (\$166,000 - \$160,000) = \$6,000
- The Unreduced Maximum Roth Contribution in 2007 for an individual age 50 or older is \$5,000 (annual contribution plus catch up contribution). Each spouse may compute his or her Roth IRA contribution limit as adjusted by MAGI as follows:

$$\frac{\$6,000}{\$10,000} \times \$5,000 = \$3,000$$

**Mr. and Mrs. Young may each contribute \$3,000**

#### **C.4 May I make a deductible contribution to my Roth IRA?**

**No.** You may only make non-deductible contributions to a Roth IRA. However, you may be eligible for a nonrefundable tax credit of up to 50 percent of the first \$2,000 of "qualified retirement savings contributions," provided your adjusted gross income is within specified limits. "Qualified retirement savings contributions" include contributions to a Traditional IRA, Roth IRA, elective deferrals to a qualified retirement plan, elective deferrals under an eligible deferred compensation plan maintained by a state or local government, and voluntary employee contributions to a qualified retirement plan. If you believe that you may be eligible for the tax credit, contact your tax advisor.

#### **C.5 May my spouse have a Roth IRA?**

**Yes.** He or she may establish and contribute to a Roth IRA under the same rules just discussed for you. The total of both of your Unreduced Maximum Roth Contributions is the lesser of your combined compensation (reduced by any contributions made to your Traditional or Roth IRAs) for that year or the maximum contribution allowed for you plus the maximum contribution allowed for your spouse (see the table in C2 above). You can never contribute more than the maximum contribution limit to either Roth IRA. To take advantage of a spousal contribution, you must file a joint federal tax return for that year. A spousal contribution can be made even if a contribution is not made to the working spouse's Roth IRA.

#### **C.6 May my employer contribute to my Roth IRA for me?**

**No.**

#### **C.7 When may I contribute to my Roth IRA?**

Roth IRA annual contributions for a calendar year taxpayer may be made at any time during the calendar year or no later than April 15 of the following year. This applies even if you receive an extension for filing your return.

If you served in or in support of the armed forces in a designated combat zone or qualified hazardous duty area, you may have a special extended contribution period to make IRA contributions for the prior year. Consult your tax advisor for more information about this special extension.

### **D. ROLLOVER CONTRIBUTIONS.**

#### **D.1 What is a qualified rollover contribution?**

A qualified rollover contribution is a deposit to a Roth IRA of funds you receive as a qualified distribution from either a Traditional IRA, another Roth IRA or, beginning in 2008, amounts from an employer retirement plan to a Roth IRA. A rollover is often complex and we suggest you seek professional tax advice before receiving and rolling over a distribution.

#### **D.2 What is an employer retirement plan?**

Generally, employer retirement plans are pension, profit sharing, thrift, employee stock ownership, stock bonus, SIMPLE IRA retirement or self-employed retirement plans. They also include annuity plans for employees of certain tax-exempt employers and certain governmental retirement plans.

#### **D.3 May I roll over a distribution from another Roth IRA?**

You may roll over amounts you withdraw from a Roth IRA to another Roth IRA as long as you have not rolled over those amounts in the previous twelve months. If you are the beneficiary of your spouse's Roth IRA, you may also roll over part or all of a distribution you receive from a Roth IRA by reason of the death of your spouse. However, you may not roll over any part of a distribution you receive from a Roth IRA by reason of the death of anyone else.

#### **D.4 May I roll over/convert distributions from a Traditional IRA?**

You may roll over amounts you withdraw from a Traditional IRA provided that your MAGI (excluding income recognized as a result of the rollover and required minimum distributions for 2005 and later years) is \$100,000 or less for the year in which the distribution is made and if you are married, you file a joint return with your spouse. For tax years after 2009, the \$100,000 limit and married filing separately prohibition are eliminated. The amount rolled over into a Roth IRA will be taxed in the year of the rollover under the regular rules for taxing distributions from IRAs. This type of rollover is called a conversion contribution. See Section F: Roth IRA Conversions for more information about rollovers from Traditional IRAs to Roth IRAs.

#### **D.5 May I roll over/convert distributions from an employer retirement plan?**

You may roll over any part of an otherwise eligible rollover distribution from your employer's retirement plan to your Roth IRA on a tax free basis if that part of the distribution is from a designated Roth account set up under the employer's retirement plan. Beginning in 2008, you may also roll over other eligible rollover distributions from an employer's eligible retirement plan to a Roth IRA as a taxable conversion contribution if the conversion rules are met.

#### **D.6 Must I roll over the entire amount of a Roth IRA distribution?**

**No.** You may keep some of the funds and "roll" the remaining amount into a Roth IRA. The amount rolled into a Roth IRA from another Roth IRA will not be taxed until withdrawn and will continue earning income on a tax-free basis. The amount not rolled over will be taxed under the regular rules for taxing distributions from Roth IRAs. Again, we suggest that you seek professional tax advice before you receive your distribution.

#### **D.7 Is there a deadline for making a rollover contribution?**

**Yes.** You must complete a rollover contribution within 60 days after you receive a distribution from another Roth IRA. If you do not complete the rollover within the 60-day period, the taxable portion of the Roth IRA distribution will be taxed as ordinary income for the year in which it was received and may be subject to penalties as explained in Question E2 and E3. The IRS may waive the 60-day limitation in some very limited situations, such as in the case of a disaster, casualty or other events beyond your reasonable control. You should contact your tax advisor if you believe that you may qualify for a waiver.

#### **D.8 May a deceased spouse's distribution be rolled over?**

**Yes.** If you receive a partial or total distribution which could have been rolled over by your spouse before death, you may roll the distribution over to another Roth IRA in the same manner your spouse could have during his or her lifetime.

### **D.9 May I transfer funds directly from one Roth IRA to another?**

**Yes.** Instead of making a rollover contribution, you may transfer funds held in a previously established Roth IRA to a new Roth IRA by giving directions for the transfer to the Trustee/ Custodian of each Roth IRA. Transfers are not subject to the "once in twelve months rule" of rollover contributions.

### **D.10 May I transfer funds directly from my Roth IRA to my HSA?**

Beginning with the 2007 tax year, if you are otherwise eligible to make contributions to a health savings account ("HSA"), you may elect to make a once in a lifetime transfer of the taxable amounts from your Roth IRA to your HSA on a tax-free basis. The transfer election is irrevocable. This special transfer only applies to amounts in your Roth IRA that would otherwise be taxable if distributed. Special rules apply to determine the amount that may be transferred. Transfers from SEP-IRAs and SIMPLE IRAs to HSAs are not permitted.

The transfer amount is limited to the maximum HSA contribution amount for the tax year for your type of high deductible health plan ("HDHP") coverage (i.e., self-only or family coverage) and reduces the amount of HSA contributions that you may make for the same tax year. In the year in which you make a special transfer from your IRA, you may make a second transfer, but only if the second transfer is a result of converting from single to family coverage under the HDHP.

You must remain eligible to make HSA contributions for the 13-month period beginning with the month in which the transfer is made to your HSA to avoid income tax and a 10 percent penalty tax on the amount transferred. The income tax and 10 percent penalty tax is waived if your loss of coverage under the HDHP is due to your death or "disability." Please consult your tax advisor for more details about this special new rule, including the meaning of "disability," determining the amount that may be transferred and any future guidance from the IRS.

### **D.11 May I repay a distribution I took in connection with Hurricanes Katrina, Rita and/or Wilma?**

If you took a "qualified hurricane distribution" from your IRA or another eligible retirement plan under the tax relief provided for Hurricanes Katrina, Rita and/or Wilma, you may be able to repay the distribution to your Roth IRA as a rollover contribution and avoid taxes on the distribution. The repayment is first considered to be a repayment of earnings. Any repayments in excess of earnings will increase your basis in the Roth IRA. The repayment must be made within three years after the "qualified hurricane distribution." Please consult your tax advisor for more information if you think that you may be eligible for this special repayment opportunity.

## **E. WITHDRAWALS FROM YOUR ROTH IRA**

### **E.1 When may I make a withdrawal from my Roth IRA?**

You may withdraw funds from your Roth IRA at any time before or after you retire. If, however, you make withdrawals before age 59 ½, you may not receive the full tax benefits of a Roth IRA (see Question E2), and you may be subject to tax penalties on the amounts withdrawn as explained in Question E3.

### **E.2 How are withdrawals taxed?**

For tax purposes, all Roth IRAs are aggregated and treated as one IRA. In other words, all distributions made from all of your Roth IRAs in the same tax year are treated as one distribution, all annual contributions made for the same tax year to all of your Roth IRAs are aggregated and added to the undistributed total annual contributions for prior tax years (including annual contributions to a Traditional IRA re-characterized as annual contributions to a Roth IRA for the tax year) and all conversions received during the same tax year by all of your Roth IRAs are aggregated. If the distribution occurs more than five years after your first Roth IRA contribution (either an annual Roth IRA contribution or a conversion contribution) and if it is a "qualified distribution," all of the Roth IRA distribution will be tax-free (including earnings). A "qualified distribution" is any payment made:

- (a) After the date you attain age 59 ½;
- (b) To your beneficiary after your death;
- (c) On account of your disability; or
- (d) To pay the expenses of a first-time homebuyer. (See Question E-3 for a description of a first-time homebuyer).

A "qualified distribution" does not include distributions of "excess contributions" and related earnings from a Roth IRA. If a distribution is not a "qualified distribution," it will be taxable to the extent of any earnings on your contributions. Such a nonqualified distribution will be treated as if the distribution was first paid from your contributions and will not be taxed to the extent the distribution does not exceed your total contributions. The portion of the total non-qualified distributions that exceed your contributions to the Roth IRA will not be taxable.

Non-qualifying distributions from Roth IRAs may be subject to taxation and are considered to be made in the following order (determined as of the end of a tax year and exhausting each category before moving to the next): (1) from annual Roth IRA contributions; (2) from conversion contributions, on a first-in-first-out basis; and (3) from earnings. Distributions of conversion contributions are subject to special rules. See Questions F5 and F6 for more information about distributions of conversion contributions.

The following contributions are ignored for purposes of the source rules described in the preceding paragraph: (1) re-characterizations of annual contributions or conversion contributions made to a Traditional IRA (without regard to earnings); (2) rollovers between Roth IRAs for purposes of determining the amount of contributions and distributions (without regard to earnings); and (3) corrective distributions of excess contributions (including earnings) for purposes of determining the amount of contributions, distributions and earnings.

**Example 1:** Fred Robinson established a Roth IRA in 2007 by making a \$2,000 contribution to his Roth IRA. In the year 2007 when his Roth IRA balance is \$4,000 he withdraws \$1,000 in a non-qualified distribution. The entire \$1,000 distribution is tax free because it is less than his total contribution of \$2,000.

**Example 2:** Mr. Robinson withdraws an additional \$2,000 in the year 2007 when his Roth IRA balance is \$4,500. The taxable portion of his distribution is \$1,000, computed as follows:

#### Remaining Non-Taxable Balance:

Total Contributions – Previous Distributions  
(\$2,000 - \$1,000) = \$1,000

#### Taxable Portion of Distribution:

Current Distribution – Remaining Non-Taxable Balance  
(\$2,000 - \$1,000) = \$1,000

### **E.3 What is the early withdrawal penalty?**

If you make a withdrawal before age 59 ½ and do not roll over the amount withdrawn to another Roth IRA, you will have to pay a 10 percent Federal tax penalty on the taxable amount of the withdrawal unless you qualify for one of the exceptions to the 10 percent penalty tax. These exceptions include:

- (a) Distributions on account of your permanent disability;
- (b) Distributions made to your designated beneficiary after your death;
- (c) Distributions made as a series of substantially equal periodic payments (not less frequently than annually) made for your life or life expectancy, or for the joint lives or life expectancies of you and your beneficiary;
- (d) Distributions for medical expenses to the extent that the distributions do not exceed your unreimbursed, deductible medical expenses in excess of 7.5 percent of your adjusted gross income;
- (e) Distributions used to pay health insurance premiums while you are unemployed. This exception only applies if you receive unemployment compensation for 12 consecutive weeks under Federal or State law, and the distributions are made during the tax year in which the unemployment compensation is paid or during the next year. This exception does not apply to distributions made after your reemployment, if you have been employed for at least 60 days after your initial separation from service;
- (f) Distributions used to pay qualified higher education expenses. Qualified higher education expenses are postsecondary education expenses (tuition, fees, books, supplies and equipment and certain room and board if the student is at least half-time) furnished to you, your spouse, or your or your spouse's child or grandchild. The amount of qualified higher education expenses is reduced for certain scholarships;
- (g) Distributions used within 120 days by a "first time home buyer" to pay certain costs of acquiring a principal residence. Permissible acquisition costs include the costs of acquiring, constructing, or reconstructing a residence, including reasonable settlement, financing, or other closing costs. A "first time home buyer" can be you or your spouse, or a child, grandchild or ancestor of you or your spouse. The first time home buyer and his/her spouse cannot have owned a home for two years prior to receiving the distribution and there is a lifetime dollar limitation of \$10,000;
- (h) Distributions made after 1999 on account of a federal tax levy on your Roth IRA; and
- (i) Distributions that are "qualified reservist distributions." You are eligible for a "qualified reservist distribution" from your IRA if you were ordered or called to active duty after September 11, 2001 and before December 31, 2007 for a period of more than 179 days (or for an indefinite period) because you are a member of a "reserve component" and the distribution was made no earlier than the date of the order or call to active duty and no later than the end of the active duty period. A "reserve component" is any of the following units: Army National Guard of the U.S., Army Reserve, Naval Reserve, Marine Corps Reserve, Air National Guard of the U.S., Air Force Reserve, Coast Guard Reserve or the Reserve Corps of the Public Health Service. If you received a "qualified reservist distribution" before 2006, you can amend your return for the applicable year to claim any refund or tax credit that would be due.

The tax penalty is in addition to the income taxes which are payable on the taxable amount of the withdrawal. Please consult with your tax advisor to determine if these exceptions apply to your particular situation. (See Section F: Roth IRA Conversions for information about special tax penalties for distributions after a conversion.)

### **E.4 How about income tax withholding?**

Federal tax laws require us to generally withhold 10 percent of each withdrawal by you for payment of your federal income taxes unless you instruct us in writing not to withhold. Some states also require us to withhold a portion of your distributions for payment of your state income taxes. Please consult your state tax authority to determine if your state requires withholding.

### **E.5 What are the methods of withdrawal from my Roth IRA?**

You may make a withdrawal from your Roth IRA by choosing (a) or (b) below. All withdrawals must be paid either by check or an automatic deposit to a designated deposit account.

- (a) A single withdrawal of the balance;
- (b) Withdrawing the balance in substantially equal periodic payments over a period specified by you which is no longer than either your life expectancy or the joint life expectancy of you and your Roth IRA beneficiary, measured at the time the payments begin. After withdrawals have begun, you may withdraw the remaining balance at any time.

Life expectancies are determined for purposes of withdrawals by standard tables published by the IRS.

Please note that the special tax rules relating to lump sum distribution from tax-qualified plans do not apply to Roth IRAs.

### **E.6 When must I start making withdrawals?**

Unlike a Traditional IRA, there is no requirement that you begin making withdrawals before April 1st of the year following the year in which you become age 70 ½ . The minimum distribution rules that apply after your death are described in Question E7.

### **E.7 What happens to my Roth IRA when I die?**

Your account balance will be paid to your beneficiary. Your beneficiary is the person or persons, or legal entity or entities you designate when you open your Roth IRA. You may change your beneficiary designation at any time by contacting your Financial Advisor who will provide you with the appropriate form. Each beneficiary designation you file with us will cancel all previous designations.

A beneficiary is subject to and bound by all the terms and conditions of the Roth IRA Custodial Agreement and Disclosure Statement. A beneficiary is required to complete and submit any and all forms deemed necessary by the Custodian in order to process a transaction such as a distribution or transfer.

If you invest all or a portion of your IRA in an annuity, the annuity is an investment within the IRA. If you invest all or a portion of your IRA in an annuity, then your account balance will be paid in accordance with either the beneficiaries you designate on your IRA or the default beneficiary provisions of this Agreement. When an annuity is held in your IRA, a spouse beneficiary may have spousal rights (i.e. spousal continuation) that he or she may be able to exercise upon your death. If you designate a non-spouse beneficiary (someone other than your spouse), upon your death any annuity will be liquidated. The annuity carrier will transfer the proceeds to your IRA to be distributed in accordance with the beneficiary designation on file with The Fund.

If a designated beneficiary (including any contingent beneficiary) does not survive you or if there is no record of a designated beneficiary, your Roth IRA balance will be paid to your spouse. If a spouse does not survive you, your account will be paid to your surviving children as determined under state law. In such case, a legal or personal representative is required to provide us with a written certification listing the names of your surviving children as determined under state law. If there is no legal or personal representative, then a court order may be required. If you are not survived by a spouse or by any of your children, as certified by your legal or personal representative, then your Roth IRA will be paid to the personal representative of your estate. If you are divorced at the time of your death and your former spouse is named as beneficiary of your Roth IRA, your former spouse will be treated as having predeceased you, unless you designated him or her as your beneficiary AFTER the divorce or unless a court order provides otherwise.

Your beneficiary must take minimum withdrawals over a period not extending beyond his or her life expectancy. These withdrawals must begin in the year following your death. If your spouse is a named beneficiary of the Roth IRA, the spouse may roll funds into his or her own Roth IRA. If you name a beneficiary that is not an individual (such as an estate or a non-qualifying trust), payments will be based on your life expectancy determined in the year of your death and reduced by one in each subsequent year. Your beneficiary may also choose to receive your entire account balance at a later date, not to exceed five years after your death. Beneficiaries may always accelerate the rate at which they receive payments as long as they satisfy any required minimum annual payments. If there is no legal or personal representative, then a court order may be required. If your beneficiary does not begin withdrawals within the required period and after The Fund receives notice of your death, The Fund may, but is not required to, distribute the assets of your Roth IRA to your beneficiary in a single sum.

If your spouse is the sole beneficiary of all of your Roth IRAs and has elected to treat the Roth IRA as his or her own Roth IRA, distributions are treated as coming from your spouse's own Roth IRA and not your Roth IRA. Therefore, for purposes of determining whether the distribution is a "qualified distribution," it is not treated as made to a beneficiary on or after the owner's death.

Your beneficiary for purposes of calculating required minimum distribution after your death is determined on September 30 of the year after the year in which you die. Generally, if you have more than one beneficiary, the oldest beneficiary's life expectancy is used to calculate the required minimum distributions described above. However, it may be possible for each of your beneficiaries to use his/her own life expectancy to calculate the required minimum distributions if the separate account rules are satisfied. For the separate account rules to apply, your beneficiary designation must create separate interests for the beneficiaries as of your death and your beneficiaries must direct us to establish separate inherited Roth IRAs on behalf of each beneficiary after your death. The separate inherited Roth IRAs must be established by December 31 of the year after your death to use each beneficiary's life expectancy to calculate the required minimum distributions for the following year. We will establish the separate inherited Roth IRAs as soon as administratively practicable in accordance with established procedures after we receive direction to establish the separate inherited Roth IRAs. The separate account rule does not apply if your beneficiary is a trust.

If a minimum distribution is required in the year in which the separate inherited Roth IRAs are established or, if the separate Roth IRAs are established after December 31 of the year after the year of your death, your oldest beneficiary's life expectancy will be used to calculate the required minimum distribution to your beneficiaries. For example, if your death occurs on May 1, 2007 and separate accounts are properly established by December 31, 2008, each beneficiary's life expectancy will be used to calculate the required minimum distribution for 2009 and later years. In the example above, if separate accounts are established on January 1, 2009, your beneficiaries will have missed the opportunity to calculate required minimum distributions based on the life expectancy of each beneficiary and the oldest beneficiary's life expectancy must be used.

For the period from the date of your death until the establishment of the separate inherited Roth IRAs, all post-death investment interest will be allocated to the separate inherited Roth IRAs on a pro rata basis in a reasonable and consistent manner among the separate IRAs. Any post-death distributions must be allocated to the separate inherited Roth IRA of the beneficiary receiving that distribution.

Your beneficiaries may further designate beneficiaries of their portion of your IRA after your death (subject to any restriction under state law), by contacting your Financial Advisor who will provide the necessary forms. For instance, if you designated your children Sue and Tom as equal beneficiaries, they each could designate subsequent beneficiaries upon inheriting their portion of your IRA. Sue could designate beneficiaries to receive payments after her death and Tom could designate his estate to receive payments after his death. If no subsequent beneficiary designation is filed with The Fund at the time of your beneficiary's death or there is no surviving beneficiary, the subsequent beneficiary will be your beneficiary's spouse. If your beneficiary does not have a surviving spouse, the subsequent beneficiary will be the beneficiary's children, as determined under state law. In such case, a legal or personal representative is required to provide The Fund with a written certification listing the names of your beneficiary's surviving children as determined under state law. If there is no legal or personal representative, then a court order may be required. If your beneficiary is not survived by a spouse or by any of his/her children, as certified by your beneficiary's legal or personal representative, then the inherited Roth IRA will be paid to your beneficiary's estate. Any subsequent beneficiary who inherits your IRA must continue to receive payments under the same schedule established by the greater than the minimum payment amount.

If you are the beneficiary or subsequent beneficiary of a Roth IRA, you should seek professional tax advice prior to making withdrawals.

## **E8. How about estate and gift taxes?**

Your entire account balance will be subject to Federal estate tax, and may be subject to State estate tax as well. If your spouse is your beneficiary, the amount of your account balance may be a deduction for Federal estate tax purposes. Your account balance may be subject to any applicable State death taxes.

The federal estate tax will not apply to the estate of individuals who die after December 31, 2009. However, unless congressional action is taken, the estate tax will apply to the estates of individuals who die on or after January 1, 2011. For detailed information concerning estate and gift tax treatment consult your tax adviser.

## **F. ROTH IRA CONVERSIONS.**

**Yes.** If your adjusted gross income (for both single and joint filers) for the tax year is \$100,000 or less and you are not a married individual filing a separate return, you may convert all or part of your Traditional IRA (or SEP IRA) account balance to a Roth IRA. For purposes of the \$100,000 requirement, your adjusted gross income is determined in the year of the distribution from the Traditional IRA and does not include any taxable income resulting from the conversion, or required minimum distributions for 2005 and later years. For tax years after 2009, the \$100,000 limit and married filing separately prohibition are eliminated. Any Traditional IRA amount converted to a Roth IRA must also satisfy the IRA rollover requirements discussed in Section D: Rollover Contributions, except that the one-rollover-per-year limitation does not apply.

Because of the strict rules that apply to conversions and distributions taken from Roth IRAs within five years after a conversion, you should seek professional tax advice before converting a Traditional IRA to your Roth IRA.

### **F.2 How do I convert my Traditional IRA to my Roth IRA?**

You may convert all or part of your Traditional IRA to a Roth IRA. One of the following methods may be used to perform the conversion: (1) take a distribution from your Traditional IRA and contribute (roll over) the distribution to a Roth IRA within 60 days after the distribution; or (2) transfer an amount in your Traditional IRA to your Roth IRA (including a Roth IRA maintained by the same trustee or custodian) in a trustee-to-trustee transfer. All conversions (no matter the method used) are treated as a taxable distribution and a rollover contribution.

### **F.3 May I convert all or part of a distribution from an employer retirement plan to my Roth IRA? How about all or part of my SIMPLE IRA or SEP IRA?**

Beginning in 2008, you may convert any eligible rollover distribution from an employer retirement plan directly to your Roth IRA if the rollover and conversion rules are otherwise satisfied.

You may also convert all or part of a SEP IRA to your Roth IRA on the same terms as any other Traditional IRA. All or part of a SIMPLE IRA may be converted to your Roth IRA on the same terms as a conversion from a Traditional IRA, except that you may only convert amounts if you have participated in the SIMPLE IRA for at least two years. Once an amount is converted to a Roth IRA, it is treated as a Roth IRA contribution for all purposes. Future contributions under the SEP or SIMPLE IRA plan may not be made to the Roth IRA.

### **F.4 Will I be taxed on the conversion?**

**Yes.** The distribution (or amount converted) from your Traditional IRA, SEP IRA, SIMPLE IRA or an employer retirement plan will be included in your gross income (except for the portion of the converted amount, if any, which represents a tax-free return of Traditional IRA nondeductible contributions or other after-tax amounts). The distribution (or the amount converted), however, will not be subject to the 10 percent additional tax on early distributions, regardless of whether you are under age 59 ½.

### **F.5 When will I be taxed on the conversion?**

Generally, conversions will be taxed all in the year of the distribution from the Traditional IRA, SEP IRA, SIMPLE IRA or an employer retirement plan.

However, the amount included in your gross income for any taxable year beginning in 2010 as a result of a conversion contribution will be included ratably over the two-year period beginning with the first taxable year beginning in 2011, unless you elect to include the entire taxable amount in your income for 2010. This election must be made in accordance with federal tax law instructions prior to the due date (including extensions) for filing your 2010 federal income tax. Once made, this election cannot be changed.

If you are spreading income from a 2010 conversion over the two year tax period and you die before the full taxable amount has been included in your income, the balance of the tax will be taken into account in the year of your death. If your spouse survives you and is the sole beneficiary of all of your Roth IRAs, your spouse may irrevocably elect to recognize the income over the remainder of the two-year tax period. This election cannot be made or changed after the due date (including extensions) for filing the federal income tax return for your spouse's tax year that includes your date of death. If you (or your surviving spouse) are spreading income from a 2010 conversion over the two-year tax period and you (or your surviving spouse) take a distribution in 2010 or 2011 of amounts allocable to the 2010 conversion, any income deferred is accelerated so that it is includible in income in the year of the distributions, up to the amount of the distribution allocable to the 2010 conversion. This amount is in addition to the amount otherwise includible in your income for that tax year as a result of the conversion, and cannot be more than the total amount of income required to be included over the two-year tax period.

### **F.6 Are there penalties that apply if I take a distribution from my Roth IRA within five years after a conversion?**

**Yes.** If you take a distribution from your Roth IRA within five years after the conversion, the distribution will be subject to the 10 percent federal penalty tax on early distributions, unless an exception to the 10 percent penalty tax otherwise applies. A separate five-year period applies to each conversion. The 10 percent penalty will apply (subject to any exception), whether or not the distribution is otherwise taxable.

For purposes of determining the portion of a distribution that is attributable to a conversion, distributions are treated as being made in the following order: (1) contributions to a Roth IRA other than those made as part of a conversion; (2) contributions made as part of a conversion, on a first-in, first-out basis; and (3) earnings. Any distribution allocated to a conversion contribution is allocated first to the portion of the contribution required to be included in gross income.

### **F.7 What if I convert all or part of my IRA to a Roth IRA and later discover that I have adjusted gross income of more than \$100,000? Can I “undo” the conversion? What happens if I do not “undo” the conversion?**

If certain requirements are met, you may re-characterize a “failed” conversion as a contribution to a Traditional IRA and “undo” the conversion. Re-characterizations are explained in more detail in G: Re-characterizations.

If you do not re-characterize a failed conversion, the conversion amount will be treated as an annual contribution to the Roth IRA and will be treated as an excess contribution to the extent that it exceeds your Roth IRA contribution limit. See Section H: Excess Contributions and Prohibited Transactions for more information about excess contributions, including the 6 percent excise tax on excess contributions and possible ways to correct excess contributions. In addition, if you do not re-characterize a failed conversion, the distribution (or amount converted) from the Traditional IRA, SEP IRA, SIMPLE IRA or an employer retirement plan will be subject to the additional 10 percent federal tax on early distributions (unless an exception applies).

### **F.8 If I convert my IRA to a Roth IRA and later “undo” the conversion by re-characterizing it as a contribution back to a Traditional IRA, may I later reconvert the re-characterized contribution back to a Roth IRA?**

You should seek professional tax advice before reconverting any conversion contributions that have been re-characterized.

You cannot convert an amount during the same taxable year, or if later, during the 30-day period following a re-characterization. If you reconvert during either of these periods, it will be a failed conversion.

If you reconvert amounts in violation of the rules, the “failed” reconversion is treated as a distribution from the distributing IRA or plan and as an annual contribution to your Roth IRA (unless, after the impermissible reconversion, the amount is transferred back to a Traditional IRA by means of a re-characterization). An impermissible reconversion will otherwise be treated as a valid reconversion.

### **F.9 If I am age 70 ½ or older, may I convert an amount from my Traditional IRA, SEP IRA, SIMPLE IRA or employer retirement plan to a Roth IRA? May the conversion occur before I receive my required minimum distribution for the year of the conversion?**

If you are age 70½ or older, you may still convert all or part of your Traditional IRA, SEP IRA, SIMPLE IRA or employer retirement plan to a Roth IRA. Because conversion amounts must satisfy the rollover rules (even if the conversion is in the form of a trustee-to-trustee transfer), you may not, however, convert amounts required to be distributed to satisfy the required minimum distribution rules. Since the first dollars distributed from an IRA are treated as consisting of the required minimum distribution for the year, you may not convert any amount in your Traditional IRA, SEP IRA, SIMPLE IRA or employer retirement plan to a Roth IRA until the required minimum distribution for the IRA or plan has been distributed for the year. This prohibition applies beginning with the year in which you reach age 70½ and all later years. However, if a required minimum distribution is contributed to a Roth IRA it is treated as having been distributed and taxed under the normal Roth IRA rules, and then contributed as an annual contribution to a Roth IRA. The amount of the required minimum distribution is not a conversion contribution. See IRS Publication 590 for more information about required minimum distributions from Roth IRAs.

## **G. RECHARACTERIZATIONS.**

### **G.1 May I re-characterize contributions made to my Roth IRA for a tax year as contributions made to a different type of IRA?**

**Yes.** You may re-characterize your Roth IRA contributions (including conversion contributions) for a tax year by transferring (in a trustee-to-trustee transfer) your Roth IRA contributions (or a portion of the contributions) and the related earnings to a Traditional IRA, at any time before the due date for filing your federal income tax return (including extensions) for the tax year for which the contribution was made or any other time permitted by the IRS. The contribution will be treated as having been made to the second IRA on the same date and for the same taxable year as the contribution was originally made to the first IRA for federal tax purposes. Once a re-characterization is made it may not be revoked.

To calculate the net income that is required to be transferred as part of the re-characterization, you multiply the re-characterized amount by a fraction, the numerator of which is the difference between the "adjusted closing balance" and the "adjusted opening balance" and, the denominator of which is the "adjusted opening balance." The "adjusted opening balance" is the fair market value of the Roth IRA at the beginning of the "computation period" plus the amount of any contributions or transfers (including the contribution that is distributed as a returned contribution and re-characterizations of contributions) made to the Roth IRA during the "computation period." The "adjusted closing balance" is the fair market value of the Roth IRA at the end of the "computation period" plus the amount of any distributions or transfers (including re-characterizations) made from the Roth IRA during the "computation period." The "computation period" is the period beginning immediately before the particular contribution is made to the Roth IRA and ending immediately before the removal of the contribution being returned. If more than one contribution was made as an annual contribution and is being returned from the Roth IRA, the "computation period" begins immediately before the first contribution being returned was contributed. For more information about the calculation of net income, see your tax advisor.

Because of the strict rules that apply to re-characterization, you should seek professional tax advice before re-characterizing your IRA contributions.

### **G.2 May I re-characterize an amount contributed to my IRA in a tax-free transfer?**

**No.** Amounts contributed to an IRA in a tax-free transfer (including a tax-free rollover) may not be re-characterized as contributions to another type of IRA.

### **G.3 May I re-characterize amounts contributed by my employer on my behalf under a SIMPLE IRA plan or SEP?**

**No.** Employer contributions (including pre-tax contributions) made under a SIMPLE IRA retirement plan or a SEP may not be re-characterized as contributions to another IRA. However, a conversion from a SEP-IRA or SIMPLE IRA to a Roth IRA may be re-characterized as a contribution to a SEP-IRA or SIMPLE IRA (as applicable), including the original SEP or SIMPLE IRA.

### **G.4 How do I make an election to re-characterize a contribution to an IRA for a tax year?**

On or before the date a transfer is made to re-characterize a contribution, you must notify both the trustee of the original IRA and the second IRA that you are electing to treat the contribution as having been made to the second IRA instead of the first IRA, for federal tax purposes. The notification must include the type and amount of the contribution to the first IRA that is to be re-characterized, the date on which the contribution was made to the first IRA and the year for which it was made, a direction to the trustee of the first IRA to transfer the amount of the contribution and earnings allocable to the contribution to the trustee of the second IRA, the names of the trustee of the first IRA and the second IRA, and any other information needed or requested by the trustees to make the transfer.

You must report the re-characterization and treat the contribution as being made to the second IRA, instead of the first IRA on your federal income tax return for the applicable tax year in accordance with the federal tax forms and instructions.

**G.5 If I initially make a contribution to an IRA for a tax year, and then move the contribution (with related earnings) in a tax-free transfer to another IRA, can the tax-free transfer be disregarded, so that the original contribution that was transferred may be re-characterized?**

**Yes.** If an amount is contributed to an IRA for a taxable year and then is moved (with related earnings) in a tax-free transfer to another IRA of the same type, the tax-free transfer is disregarded and the initial contribution to the first IRA may be re-characterized, if done in a timely manner.

### **G.6 Is a re-characterization treated as a rollover for purposes of the one-rollover-per-year limitation?**

**No.** Re-characterizing a contribution is not treated as a rollover for purposes of the one-rollover-per-year limit.

## **H. EXCESS CONTRIBUTIONS AND PROHIBITED TRANSACTIONS.**

### **H.1 What is an excess contribution?**

An excess contribution is any amount you contribute to your Roth IRA for a tax year that exceeds the maximum amount you are permitted to contribute for that tax year. There is a 6 percent federal tax penalty on an excess contribution for each year that it remains in your Roth IRA.

### **H.2 How may I avoid the 6 percent penalty?**

If you withdraw the excess contribution for a year and any earnings or losses on it before the filing date of your income tax return for that year, including extensions (or any other time permitted by the IRS), you will not have to pay the 6 percent tax penalty. The earnings on the excess contribution are calculated in the same manner as net income on re-characterized contributions described in Question G1. If you do not withdraw the excess contribution by the applicable date, you will be charged the 6 percent penalty for that year. In order to avoid subsequent tax penalties, you must either:

- (a) contribute less than the maximum allowable contribution in later years, or
- (b) withdraw the excess contribution in accordance with applicable rules.

**Example 1:** If the maximum amount you are allowed to contribute in tax year Number 1 is \$2,000 and you contribute \$2,200, you may avoid the 6 percent tax penalty altogether if you remove the \$200 excess (\$2,200 - \$2,000) and any related earnings by your tax filing deadline, including extensions.

**Example 2:** If you do not remove the \$200 excess and earnings by your income tax filing date, including extensions, you will have to pay a 6 percent penalty for tax year Number 1 of \$12. If in tax year Number 2 your maximum allowable contribution is \$2,000, you could avoid reapplication of the penalty by contributing only \$1,800 in tax year Number 2 (\$2,000 - \$200).

Generally, a prohibited transaction is any improper use of your Roth IRA by you, your beneficiary or any disqualified person. Prohibited transactions include such actions as you selling property to your Roth IRA or buying property from it. To learn more about prohibited transactions and who is a disqualified person, refer to IRS Publication 590.

#### **H.4 What happens if I engage in a prohibited transaction?**

If you or your beneficiary engages in a prohibited transaction, your Roth IRA will lose its tax-exempt status and you will have to include the entire balance (subject to any applicable basis therein) in your taxable income for that year. Furthermore, you will be subject to the 10 percent federal tax penalty on the entire balance unless you are over age 59½ or met one of the other exceptions to the tax penalty. If someone other than you or your beneficiary engages in a prohibited transaction with respect to your Roth IRA, that person may be liable for certain excise taxes.

#### **H.5 May I use my Roth IRA as security for a loan?**

**You should not.** If you use all or part of your Roth IRA as security for a loan, the amount used would be considered a withdrawal made by you in that year. You would have to include that amount in your taxable income for that year. You would be subject to the 10 percent federal tax penalty on that amount unless you were over age 59½ or met one of the other exceptions to the tax penalty.

### **I. INVESTMENTS.**

#### **I.1 Who is responsible for investing my Roth IRA assets?**

You are solely responsible for making any investment decision regarding your Roth IRA assets. You may designate someone other than yourself to direct the investment of the assets in your Roth IRA by executing a valid trading authorization or power of attorney on a form acceptable to The Fund and by naming a person or entity acceptable to The Fund. All investment directions shall be given in a form that complies with the reasonable requirements and procedures imposed by The Fund. Such requirement may include that certain representations and warranties accompany certain directions, including indemnification.

You (or your duly authorized representative) are making all investment decisions, and thus The Fund will have no investment responsibility (and neither The Fund nor any of its employees will accept such responsibility) other than to make investments pursuant to your (or your duly authorized representative's) direction. The Fund has no duty to and will not question such direction. In addition, The Fund is indemnified and held harmless for any liability which may arise in The Fund performance of its duties under the Custodial Agreement, except for any liability arising from The Fund gross negligence or willful misconduct as broker or custodian.

The Fund will forward you (or pursuant to your directions, to your duly authorized representative) all available notices, prospectuses, financial statements, annual and other reports to shareholders, tender and rights offerings, proxy and proxy solicitation materials that The Fund, and/or its affiliates, receives on account of investments in your Roth IRA. The Fund, and/or its affiliates, will follow your instructions (or the instructions of your duly authorized representative) for voting shares and exercising other shareholder rights, provided such direction is in written form satisfactory to The Fund and delivered to The Fund in a timely manner. In the absence of such written instructions, The Fund, and/or its affiliates, will not vote or exercise any rights with respect to the investments in the Roth IRA and will not be responsible for the consequences of failing to take action.

#### **I.2 What assets may not be held in my Roth IRA?**

Your Roth IRA may not be invested in life insurance contracts and, except for investments pooled in a common trust fund or common investment fund, may not be commingled with other property. The Fund in its discretion may refuse to hold any investment. Further, assets in your Roth IRA may not be invested in commodities, "collectibles," alcoholic beverages, or any other tangible personal property. The term "collectibles" includes works of art, rugs, antiques, metals, gems, stamps, coins (other than certain gold, silver or platinum coins of the United States or a state and certain bullion, if on The Funds approved list of investments). You also may not invest the assets of your Roth IRA in uncovered options, municipal bonds, mortgages, leaseholds, or solicited partnership interests (other than solicited partnership interests on The Fund's approved list of such interests applicable to such accounts, as revised from time to time, and in compliance with such other rules that The Fund may impose from time to time). In addition, The Fund will not invest the proceeds of your account through any non-fund administered dividend reinvestment program or in any reinvestment program or any investment that The Fund determines, in its sole discretion, is administratively or operationally burdensome.

The Fund has no responsibility for monitoring your Roth IRA investments. Thus, if you, or your duly authorized representative, engage in a non-qualifying investment or prohibited transaction with respect to your Roth IRA, neither The Fund nor any of its employees will be liable for any adverse investment, tax or other legal consequences that may result from such purchase. Also, if your investment direction results in a prohibited transaction, the tax-favored status of your Roth IRA will be affected. See Section H: Excess Contributions and Prohibited Transactions for more information.

#### **I.3 Can I have a margin account?**

**No.** The Fund does not allow margin loans in your Roth IRA account.

### **J. OTHER QUESTIONS AND ANSWERS.**

#### **J.1 Am I required to file any tax forms for my Roth IRA?**

You must file a Form 8606 (Nondeductible IRAs) in any year in which you convert all or a portion of another eligible IRA to your Roth IRA or you take a distribution from your Roth IRA. A Form 5329 (Additional Taxes On Qualified Plans (including IRAs) and Other Tax-Favored Accounts) must be filed with the IRS for any year for which any of the following applies: (1) you are subject to the 6 percent penalty for excess contributions; (2) you are subject to the 10 percent penalty for withdrawals before age 59½ and the proper distribution code is not shown on your Form 1099-R (Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.); (3) you meet an exception to the 10 percent penalty, but the proper distribution code is not shown on your Form 1099-R; or (4) your beneficiary is subject to the 50 percent penalty for failing to take a required minimum distribution after your death.

#### **J.2 Does the custodian report any information about my Roth IRA to the IRS?**

All Roth IRA custodians are required to report various IRA transactions to the IRS, Social Security Administration and the state revenue department. Form 5498 reports annual, rollover and re-characterized contributions, plus the December 31 fair market value of your account.

Partial withdrawals, periodic distributions, and total distributions are reported on Form 1099-R. Unrelated business taxable income is reported on Form 990-T.

#### **J.3 How is a conversion of my IRA to a Roth IRA reported?**

A conversion of your Traditional IRA to a Roth IRA will be treated as a distribution from the Traditional IRA and a conversion contribution to the Roth IRA. The distribution from your Traditional IRA will be reported to the Internal Revenue Service and to you on Form 1099R. The conversion contribution to your Roth IRA will be reported to the IRS and to you on Form 5498. You must report the conversion to the Internal Revenue Service by completing and filing Form 8606.



#### **J.4 How are re-characterizations reported?**

If you re-characterize contributions made to an IRA, the trustee or custodian of the first IRA will report the contributions on Form 5498 as originally contributed and report the transfer to the second IRA as a distribution on Form 1099R.

For re-characterized amounts received by the second IRA, the trustee or custodian of the second IRA will also report the contribution as a re-characterized contribution on Form 5498.

#### **J.5 Are state tax laws the same as federal tax laws for Roth IRAs?**

You should consult your professional tax advisor about the tax treatment of Roth IRAs in your state. This is especially important if you are subject to taxation by a state that does not automatically conform to the provisions found in the federal tax code.

#### **J.6 Can my Roth IRA be changed?**

Yes. We may amend your Roth IRA Disclosure Statement by mailing you a copy of the change. You will be deemed to have automatically consented to any amendment, unless we receive written notice to the contrary within 30 days after a copy of the amendment is first mailed to you. Any notice we send you will be mailed or delivered to the last address that we have for you in our records. Although other amendments may be made, generally amendments will be made only to comply with changes in tax law. No amendment can take any part of your Roth IRA away from you or your beneficiary.

#### **J.7 How much will my account be worth when I'm ready to retire?**

The future value of your account will depend on your future contributions and the rate of return on your investments in your Roth IRA. The assets in your Roth IRA generally are not limited to any particular type of investment, and therefore it is impossible to project what your investment return will be or what your Roth IRA assets will look like in future years.

#### **J.8 What other rules apply to my Roth IRA?**

If The Fund receives any process, summaries, levy or similar order, you authorize The Fund either to comply with the order or to refuse to honor the order, in The Fund's sole discretion. The Fund has no obligation to contest the order.

Any controversy regarding your Roth IRA is subject to arbitration.