

CONVERSION ELIGIBILITY REQUIREMENTS

Be sure to consult with your tax and or legal professionals before completing this form.

- Assets in a Traditional, SEP and SAR-SEP IRA are eligible to be converted to a Roth IRA. Assets in a SIMPLE IRA are eligible after 2 years from the first deposit. Assets in a qualified plan (401(k), 403(b), 457) are also eligible.
- Beginning January 1, 2010, you are eligible to convert your Roth IRA regardless of your modified adjusted gross income (MAGI) or tax filing status. For 2010 conversions only, you may elect to include all converted amounts as earned income for 2010 or, you may choose to spread 50 percent of the converted taxable amount as income on your 2011 tax return and 50 percent on your 2012 tax return. Taxes will be paid at the Federal income tax rate applicable for those tax years. All taxes on conversions completed before and after 2010 will be due in the year converted. Through 2009, you were not eligible to make a conversion if your MAGI exceeded \$100,000 or if you were married and filed a separate federal income tax return from your spouse.
- If you are age 70½ or older you may convert your Traditional, SEP, SAR SEP or SIMPLE IRA to a Roth IRA; however, you cannot convert the required minimum distribution for that year.
- To convert funds from a qualified plan, you must still be eligible for a rollover distribution from the plan. Conversion of after tax money from the qualified plan can be converted to a Roth IRA with no taxes being due. However, taxes will be due on any conversion of pre-tax money from the qualified plan to the Roth IRA.
- If you are a qualified plan spouse beneficiary, you are eligible to complete a direct rollover from the qualified plan to either a Roth IRA in your own name or an Inherited Roth IRA. Conversion of any after tax money from the spouse's qualified plan can be converted to a Roth with no taxes being due. Taxes will be due; however, on any conversion of pre-tax money from the qualified plan to the Roth IRA. If you are a qualified plan non-spouse beneficiary you are eligible to complete only a direct rollover from the qualified plan to an Inherited Roth IRA.
- An Inherited Traditional IRA cannot be converted to an Inherited Roth IRA.

Additional Information on Distributions from a Roth IRA

Roth IRA—Return of Principal (Contribution). When you take a distribution from a Roth IRA, the principal basis (contribution dollars) is distributed first and is generally tax and penalty free.

Roth IRA—Return on Earnings. When you take a distribution of earnings from your Roth IRA, those amounts are taxable unless you meet the reason for a tax-free Qualified Distribution as described below. The portion of the non-qualified distribution that represents earnings will also be subject to the 10% additional income tax for premature distributions, unless an exception applies.

Roth IRA—Qualified Distribution. A qualified distribution is one made after the end of the 5 year period beginning with the first taxable year for which you made a contribution to a Roth IRA AND (1) on or after you attain age 59½, (2) to a beneficiary after your death, (3) due to becoming permanently disabled, or (4) for qualified first time homebuyer expenses (\$10,000 lifetime limit). Please note, 2003 is the earliest that the 5 year waiting period could have been satisfied.

Additional Information Regarding Tax Withholding

- If you are a U.S. citizen or resident alien and your address of record with FCC is outside the United States, or it's possessions, federal income taxes are required to be withheld in the amount of 10% from all IRA distributions. You may NOT elect out of this mandatory withholding.
- If you are a non-resident alien (NOT a U.S. citizen or resident alien), federal taxes are required to be withheld in the amount of 30% from all IRA distributions. You may not opt out of this withholding requirement.
- A withholding election is void if a TIN is not provided or when an incorrect identification number is furnished.
- In certain states, tax withholding is required on IRA distributions. These states have various withholding requirements. You MAY be permitted to opt out of state withholding, in which case a state withholding form may be required. You should consult your tax advisor or your state department of revenue for additional information.
- In certain states if Federal Withholding applies then state withholding is mandatory regardless of election.
- State withholding is not an option for all states.
- Amounts withheld will be remitted to the state indicated in FCC's address of record for you at the time of the distribution.
- Amounts withheld will be remitted on your behalf and will be reflected on the 1099R that you will receive in January of next year.
- Amounts elected for state withholding are in addition to any fees and Federal income tax withholding.

This information may answer some of your questions, but it is not intended as a comprehensive analysis of this complex topic. First Clearing, LLC periodically provides information to clients concerning planning. No one should infer that because of this service, First Clearing, LLC assumes any fiduciary duties. In addition, such services should not be relied upon as your only source of information. Competent tax and legal advice should always be obtained.