INDIVIDUAL RETIREMENT ACCOUNT

FOR NEW ACCOUNTS ONLY

CURRENT AS OF JANUARY 2017

PENFED®
CREDIT UNION

WHAT'S NEW IN 2017

2017 Combined Traditional and Roth IRA Contribution Limits: If you are under 50 years of age at the end of 2017: The maximum contribution that you can make to a traditional or Roth IRA is the smaller of $5,500 or the amount of your taxable compensation for 2017. This limit can be split between a traditional and a Roth IRA but the combined limit is $5,500. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending upon your modified adjusted gross income (modified AGI).

If you are 50 years of age or older before the end of 2017: The maximum contribution that can be made to a traditional or Roth IRA is the smaller of $6,500 or the amount of your taxable compensation for 2017. This limit can be split between a traditional and a Roth IRA but the combined limit is $6,500. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending upon your modified AGI.

2017 TRADITIONAL IRA DEDUCTION LIMITS

If you are covered by a retirement plan at work:

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single or **head of household**	$62,000 or less	a full deduction up to the amount of your contribution limit
	more than $62,000 but less than $72,000	a partial deduction.
	$72,000 or more	no deduction
married filing jointly or **qualifying widow(er)**	$99,000 or less	a full deduction up to the amount of your contribution limit
	more than $99,000 but less than $119,000	a partial deduction
	$119,000 or more	no deduction
married filing separately **Note:** If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.	less than $10,000	a partial deduction
	$10,000 or more	no deduction

If you are <u>not</u> covered by a retirement plan at work:

If Your Filing Status Is...	And Your Modified AGI Is...	Then You Can Take...
single, head of household, or qualifying widow(er)	any amount	a full deduction up to the amount of your contribution limit
married filing jointly or **separately** with a spouse who **is not** covered by a plan at work	any amount	a full deduction up to the amount of your contribution limit
married filing jointly with a spouse who is covered by a plan at work	$184,000 or less	a full deduction up to the amount of your contribution limit
	more than $184,000 but less than $194,000	a partial deduction
	$194,000 or more	no deduction
married filing separately with a spouse who is covered by a plan at work. **Note:** If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.	less than $10,000	a partial deduction
	$10,000 or more	no deduction

2017 ROTH IRA CONTRIBUTION LIMITS

If You Have Taxable Compensation and Your Filing Status Is...	And Your Modified AGI Is...	Then...
married filing jointly or qualifying widow(er)	Less than $186,000	you can contribute up to the limit
	at least $186,000 but less than $196,000	the amount you can contribute is reduced
	$196,000 or more	you cannot contribute to a Roth IRA
married filing separately and you lived with your spouse at any time during the year	zero (-0-)	you can contribute up to the limit
	more than zero (-0-) but less than $10,000	the amount you can contribute is reduced
	$10,000 or more	you cannot contribute to a Roth IRA
single, head of household, or **married filing separately** and you did not live with your spouse at any time during the year	less than $118,000	you can contribute up to the limit
	at least $118,000 but less than $133,000	the amount you can contribute is reduced
	$133,000 or more	you cannot contribute to a Roth IRA

EARN FEDERALLY INSURED DIVIDENDS WHILE YOU BUILD A

SECURE RETIREMENT

It's never too early or too late to save for your retirement.

To live comfortably in your retirement years takes planning, and with a PenFed Credit Union Individual Retirement Account (IRA), you are investing wisely and securely for your future.

You can choose a 1-, 2-, 3-, 4-, 5-, or 7-Year IRA Certificate. Take advantage of higher yields, federal insurance, automatic renewal, and convenient dividend and maturity payment options by investing in an IRA certificate today. Unlike other financial institutions, members can take partial qualified distributions from their certificates without an early withdrawal penalty.

Our IRA certificates offer competitive rates and are compounded daily for even higher yields. You need only $1,000 to purchase a 1-, 2-, 3-, 4-, 5-, or 7-Year IRA Certificate.

Or if you prefer not to lock-in your IRA investment for a specific term, you can open a high-yield IRA Premier Account—offering Money Market-like rates and liquidity for a minimum transfer or rollover of at least $10,000.

You can also open a PenFed Credit Union IRA Share account with as little as $25. And you can contribute any time you wish, up to your yearly IRA limit. You can use automatic transfer service to add to your IRA.

MAKING YOUR IRA CONTRIBUTION FAQ

Who can make a tax-deductible contribution to a traditional IRA?

This depends upon your adjusted gross income, your marital status and whether or not you or your spouse are active participants in an employer-sponsored pension plan.

If you have earned income and have not reached age 70½, you will continue to be allowed to make IRA contributions. However, for a Roth IRA you may make contributions after age 70½ provided you have earned income. There may be limits on the amount of your contribution that is tax-deductible. All earnings on your IRA will remain tax-deferred, regardless of whether or not the contribution was tax-deductible.

What if I'm not eligible to make a tax-deductible contribution to a traditional IRA?

As long as you are eligible for a traditional IRA (you have earned income and have not reached age 70½), you can make nondeductible IRA contributions of up to $5,500 annually, or 100% of earned income, whichever is less. The dividends earned will accumulate on a tax-deferred basis, until you withdraw your money.

You can also choose to contribute to the Roth IRA instead of making nondeductible contributions to a traditional IRA. But consult your tax advisor first.

Who can have a traditional IRA?

Generally, anyone who has earned income and does not turn age 70½ during the year can contribute to an IRA. There are limits on the amount you may deduct from taxable income and on who may deduct IRA contributions.

What are the benefits of making nondeductible contributions to a traditional IRA?

You will continue to earn tax-deferred dividends on any nondeductible IRA contributions you make, helping your IRA grow faster than taxable savings accounts. By not being entitled to an IRA tax deduction, you pay all income tax now on the amount contributed. Later, when you withdraw your funds from your IRA, the amount representing your nondeductible contribution will not be taxed.

Are my IRAs federally insured?

Yes. Your PenFed Credit Union IRAs are insured separately from your other PenFed Credit Union share (savings) and checking accounts up to $250,000 by the National Credit Union Administration (NCUA), an agency of the U.S. government. Talk to a member service representative for details, or request a copy of the NCUA brochure, *Your Insured Funds*.

Where can I go for more information?

Go to the IRA website at IRS.gov/publications and see Publication 590, *Individual Retirement Arrangements*.

For specific tax information, please consult with your accountant or tax advisor.

OPEN YOUR IRA CONVENIENTLY BY MAIL

You have decided that PenFed Credit Union has the IRA investment to best meet your needs. How do you go about establishing your account? Simply follow the steps below.

If you need another set of documents to establish an IRA for your spouse, please contact us toll free: 800-247-5626, or download a form from the Internet at PenFed.org.

1. Complete and sign the Individual Retirement Account Application form located on page 11 of this booklet.

   ■ Remember to choose an IRA investment option or combination of options.

   ■ Make sure you indicate on the application if future funding will be by automatic transfer.

2. If you would like to transfer a preexisting IRA to PenFed Credit Union, complete and return all three copies of the IRA Transfer Authorization form on page 12. If you are 70½ or older, please note the special instructions on the form for traditional IRAs.

3. Read and retain for your records the Individual Retirement Custodial Account Form (#5305-A on page 6 for a traditional IRA or #5305-RA on page 8 for a Roth IRA). These forms are the required IRS forms and have not been updated for the recent tax law changes.

4. Read and retain for your records the applicable Disclosure Statement.

5. If your spouse desires an IRA, each of you must submit an IRA Application. Both must establish membership with Pentagon Federal Credit Union.

6. You must be a PenFed Credit Union member to open an IRA. (Joint ownership does not constitute membership.) To establish membership, each person opening an IRA must complete a Membership Application and return it with a Regular Share (savings) account share purchase of $5.00 or more. You may open the account online at PenFed.org.

7. Please return the IRA Application, Membership Application (if necessary), initial contribution(s) and share purchase(s) and transfer forms. Your IRA must be established prior to PenFed Credit Union's acceptance of contributions or transferred funds to your IRA.

Form 5305-A
(Revised March 2002)
Department of the Treasury
Internal Revenue Service

PENFED CREDIT UNION

Traditional Individual Retirement Custodial Account
(Under Section 408(a) of the Internal Revenue Code)

Do NOT File with Internal Revenue Service or PenFed. Keep for your records.

The Member whose name appears below is establishing a Traditional individual retirement account under section 408(a) to provide for his or her retirement and for the support of his or her beneficiaries after death. The Custodian named below has given the Depositor the disclosure statement required by Regulations section 1.408.6.

The Depositor has assigned the custodial account ______________________ dollars ($ ______________________) in cash.

PLEASE TYPE OR PRINT CLEARLY THE FOLLOWING INFORMATION:

Printed Full Name: ______________________ Social Security Number: ______________________

Mailing Address: ______________________
Street City State Zip

PenFed Member Number: ______________________ Birth date: ______________________

CUSTODIAN'S NAME AND ADDRESS: Pentagon Federal Credit Union, Box 1432, Alexandria, Virginia 22313-2032.

The Depositor and the Custodian make the following agreement:

ARTICLE I

Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to $3,000 per year for tax year 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 year 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

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

ARTICLE III

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 IV

1. Notwithstanding any provision of this agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.
2. The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70½. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

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

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

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

(b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with (i) below or, if elected or there is no designated beneficiary, in accordance with (ii) below:
(i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70½. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with (ii) below if there is no such designated beneficiary.
(ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

4. If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.
5. The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

(a) The required minimum distribution under paragraph 2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401 (a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
(b) The required minimum distribution under paragraphs 3(a) and 3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if applicable under paragraph 3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401 (a)(9)-9) of the individual specified in such paragraphs 3(a) and 3(b)(i).
(c) The required minimum distribution for the year the depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

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

ARTICLE V

1. The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.
2. The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

ARTICLE VI

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

ARTICLE VII

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

Continued on back; please read carefully before signing.

I understand and agree to provisions of Form 5305-A and Form 742 Disclosure Statement and certify I have received a copy of each document.

Member's Signature: ______________________ Date: ______________________

Witness: ______________________ Custodian Signature: ______________________
(Use only if signature of Depositor is required to be witnessed.)

NCUA Your IRA is federally insured to $250,000 by the National Credit Union Administration, an agency of the U.S. government.

ARTICLE VIII

1. DEFINITIONS:

(a) Beneficiary—The estate of the Depositor, dependents of the Depositor, and any person or persons who may be named from time to time by the Depositor or the Depositor's surviving spouse, in writing delivered to the Custodian, to receive any benefits payable under this Plan subsequent to the death of such Depositor or surviving spouse.

(b) Code—The Internal Revenue Code of 1986, as amended from time to time, and any and all regulations issued thereunder. Reference to a section (§) of the Code shall include that section and any comparable section or sections of future legislation that amends, supplements or supersedes that section.

(c) Compensation—Wages, salaries, or professional fees, alimony and separate maintenance payments, and other amounts received for personal services actually rendered (including, but not limited to commissions paid to salesmen, remuneration for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses), and includes earned income, as defined in §401(c)(2) of the Code, but does not include amounts received as earnings or profits from property (including, but not limited to interest, dividends, and rents); or any amount(s) not includable in gross income, such as income received from sources outside of the United States of America and which are excluded from gross income under §911 of the Code.

(d) Custodial Account—Savings Accounts and/or Share Certificates which the Custodian shall make available for the investment of IRA funds contributed under this Plan, and the pertinent law governing this Plan and into which the Custodian shall deposit all contributions received from or on behalf of the Depositor under this Plan.

(e) Custodian—Pentagon Federal Credit Union or any successor thereto.

(f) Plan—The terms and conditions of this Pentagon Federal Credit Union Individual Retirement Account, including any amendments made pursuant to Article VIII, 15 of the Plan.

2. CONTRIBUTIONS: Any contributions made by or on behalf of the Depositor with respect to any taxable year shall be made not later than the time prescribed by law for filing the Federal Income Tax Return for the Depositor's taxable year. It shall be the sole responsibility of the Depositor to determine the amount of the contributions to be made hereunder. The Custodian may, in its sole discretion, decline to accept any contributory or rollover contributions.

Annual contributions may be made by or on behalf of the Depositor into a Simplified Employee Pension Plan—Individual Retirement Account (SEP-IRA) under §408(k) of the Code. Contributions by the Depositor's employer(s). Contributions made by the Depositor's employer(s) into the SEP-IRA, with respect to any year, may not be made later than the tax return due date (plus extensions).

Employer contributions into a SEP-IRA may be made in the year the Depositor attains age 70½ or later pursuant to Code §219(b)(2) as amended. Distribution of these funds must begin by April 1 following the year the Depositor turns age 70½.

3. INVESTMENT POWERS OF THE CUSTODIAN: All contributions by the Depositor to the Custodian Account shall be invested and reinvested by the Custodian without distinction between principal and interest in the Pentagon Federal Credit Union (hereinafter referred to as the "Custodian") in that class of accounts, including but not limited to term savings accounts, time deposits, pooled investment accounts and/or other investment options and accounts which the Custodian shall make available for the investment of Individual Retirement Account funds, as the Custodian shall in its sole discretion determine. The Custodian shall have the right to invest in Share Certificates solely at its discretion.

4. GENERAL POWERS OF THE CUSTODIAN: The Custodian shall have the power and authority in the administration of the Custodial Account to do all acts, to execute and deliver all instruments and to exercise for the sole benefit of the Depositor any and all powers which would be lawful were the Custodian in its own right the beneficial owner of the property held in the Custodial Account, except where and as limited by other provisions of this Agreement or by Law.

5. CUSTODIAN'S LIABILITY: The Custodian shall have such powers as may from time to time be necessary, appropriate or expedient for its complete and full management of the Custodial Account or for the administration of the Plan; shall receive all contributions; shall maintain such records and file such statements and reports as may be required of custodians by law; and shall do all such other proper things as may be required in the proper administration of the Custodial Account. The Custodian shall use reasonable care, skill, prudence and diligence in the administration of the Custodial Account and in the investment of its assets in savings accounts or class of accounts offered by the Custodian for investment of IRA funds, and shall be entitled to rely upon information submitted by or on behalf of the Depositor to the Custodian, whether directly or indirectly. The Custodian shall not be liable under this Agreement except for its own gross negligence, bad faith or willful misconduct.

6. EXPENSES: The Custodian may charge against and deduct from the Custodial Account all reasonable expenses incurred by the Custodian in the administration of the Account upon giving 30 days notice to the Depositor.

7**. JUDICIAL OR VOLUNTARY SETTLEMENT OF ACCOUNTS:** The Custodian shall have the right to apply at any time and from time to time to a court of competent jurisdiction for the judicial settlement of its accounts. In any such action or proceeding, it shall be necessary to join as parties thereto only the Custodian and the Depositor, and any judgement or decree entered therein shall be conclusive upon all persons having or claiming an interest in the Custodial Account. The Custodian may from time to time file with the Depositor a statement or accounting of its acts and transactions under the Custodial Agreement, and the Depositor may enter into an agreement approving and allowing the same, and any such agreement shall be conclusive upon the parties to this Account and all persons having or claiming any interest in the Custodial Agreement and shall be a full discharge of the Custodian with respect to the matters set forth in such statement or accounting. In the event that the Custodian applies for a judicial settlement of its accounts or any individual account, all fees and disbursements it incurs, including but not limited to legal and accounting fees, shall be paid from the Account and shall constitute a lien upon the Custodial Account until paid.

8. CLAIMS UPON THE ACCOUNT: In the event the Custodian shall receive any claim to the funds held under the Plan, which claim is adverse to the interests of the Depositor or the Beneficiary and which claim the Custodian, in its absolute discretion, deems meritorious, it may withhold distribution under the Plan until the claim is resolved or until instructed by a court of competent jurisdiction or it may pay all or any portion of the funds then on deposit in the Account into such court. Payment to a court under the Plan shall relieve it of any further obligation to anyone for the amount so paid. In the event that the Custodian applies for a judicial settlement of its accounts or any individual account, all fees and disbursements it incurs, including but not limited to legal and accounting fees, shall be paid from the Account and shall constitute a lien upon the Account until paid.

9. THE RESIGNATION, REMOVAL AND APPOINTMENT OF THE CUSTODIAN: The Custodian may resign upon 60 days written notice to the Depositor. The Custodian, upon resignation, shall transfer the assets of the Account in such a manner as the Depositor may specify in writing. If the Depositor fails to appoint a successor custodian within 60 days after Custodian's notice of resignation, the Custodian may appoint a successor custodian to hold the assets of the Account. The Depositor may at anytime remove the Custodian by delivering a written notice to the Custodian which shall also designate a successor custodian. The Custodian may reserve such amounts as may be required for the payment of fees, expenses or liabilities of the Account for the Custodian. The balance of such reserve remaining after payment of all such items shall be paid over to the successor custodian.

10. DESIGNATION OF BENEFICIARY: The Depositor may name and change his Beneficiary or Beneficiaries on a form provided by the Custodian for such purpose. The last such written naming received by the Custodian shall be controlling. Such Beneficiary or Beneficiaries shall be entitled to the balance in the Custodial Account of the Depositor as provided in Paragraph 3 of Article IV of the Plan, as limited by Article VIII, 14 of the Plan. Upon the death of the Depositor, the named beneficiary or beneficiaries made hereunder shall be irrevocable.

If the Depositor fails to name any Beneficiary, or if the Depositor revokes his naming of Beneficiary or if all the named Beneficiaries pre-decease the Depositor, then the entire interest of the Depositor in the Custodial Account shall be distributed to the Estate of the Depositor.

11. TRANSFER INCIDENT TO A DIVORCE: Any Depositor under the Plan may transfer all or part of his interest to his former spouse under a decree of divorce or dissolution of marriage or a written instrument incident to such divorce or dissolution. At such time, said interest shall be deemed the Individual Retirement Account of such spouse.

Upon receipt of the certified copy of such decree or a true copy thereof, the Custodian shall transfer such interest into a Custodial Account for the benefit of such former spouse. The Custodian shall not be required to accept contributions to or make distributions from an Account established for a former spouse hereunder until such former spouse shall execute a Custodial Account Agreement as an eligible member of the Pentagon Federal Credit Union.

In the event that a transfer pursuant to this section cannot be made without penalty for early withdrawal and/or a Custodian-imposed fee, such as penalty and/or fee shall be paid from the account(s) of the Depositor from whom the interest is transferred.

12. DISTRIBUTION OPTIONS: Refer to Article IV.

13. DISTRIBUTIONS AT AGE 70½: The Depositor's election as to the mode of distribution at 70½ under Article IV, 1 of the Plan must be made at least 60 days before the close of the calendar year in which the Depositor attains age 70½.

14. DISTRIBUTIONS UPON THE DEATH OF THE DEPOSITOR: If the Depositor dies before Depositor's entire interest in the Account is distributed to the Depositor, or if distribution to the Depositor's surviving spouse who is an eligible member of the Pentagon Federal Credit Union has commenced following the Depositor's death pursuant to Article IV of the Plan and such surviving spouse dies before his or her entire interest is distributed, the remaining undistributed interest shall be fully distributed as set forth in the By-Laws of the Custodian or within five years, whichever is less, after the later of the Depositor's death or the death of the surviving spouse, at the direction of the beneficiary. If the beneficiary is a spouse and that spouse elects to treat the entire interest in the account under the distribution rules in paragraph 2 of Article IV the Custodian may require the IRA be transferred to an account of the spouse beneficiary.

15. AMENDMENTS:

(a) This document is intended to create a qualified Individual Retirement Account within the meaning of §408(a) of the Internal Revenue Code, and each provision is intended to be consistent with such section and the regulations issued thereunder. The Depositor irrevocably delegates to the Custodian the exclusive authority to interpret the provisions of this Agreement, as from time to time amended, and the Custodian shall exercise such authority where possible to make the provisions of this Agreement consistent with Code §408(a) and the regulations thereunder.

(b) The Depositor irrevocably delegates to the Custodian the power to unilaterally amend this Agreement upon 30 days prior written notice to the Depositor setting forth such amendment.

(c) If the Custodian requests the consent of the Depositor to an amendment to this Agreement, the Depositor will be deemed to have consented to such amendment unless the Depositor responds in writing within 30 days of the mailing of such request indicating his refusal to consent.

16. VIRGINIA LAW: This Agreement and the Custodial Agreement created hereby shall be governed by and construed, administered and enforced according to the laws of the Commonwealth of Virginia.

GENERAL INSTRUCTIONS

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

PURPOSE OF FORM

Form 5305-A is a model custodial account agreement that meets the requirements of section 408(a) and has been pre-approved by the IRS. A traditional individual retirement account (traditional IRA) is established after the form is fully executed by both the individual (depositor) and the custodian and must be completed no later than the due date of the individual's income tax return for the tax year (excluding extensions). 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-A with the IRS. Instead, keep it with your records.

For more information on IRAs, including the required disclosures the custodian must give the depositor, see Pub. 590, Individual Retirement Arrangements (IRAs), or Publication 560 Retirement Plans for Small Business.

DEFINITIONS

Custodian. The custodian must be a bank, savings and loan association, or credit union 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.

IDENTIFYING NUMBER

The depositor's social security number will serve as the identification number of his or her IRA. An employer identification number (EIN) is required only for an IRA for which a return is filed to report unrelated business taxable income. An EIN is required for a common fund created for IRAs.

TRADITIONAL IRA FOR NONWORKING SPOUSE

Form 5305-A may be used to establish the IRA custodial account for a nonworking spouse.

Contributions to an IRA custodial account for a nonworking spouse must be made to a separate IRA custodial account established by the nonworking spouse. The spouse must also become a member of Pentagon Federal Credit Union.

SPECIFIC INSTRUCTIONS

Article IV. Distributions made under this article may be made in a single sum, periodic payment, or a combination of both. The distribution option should be reviewed in the year the depositor reaches age 70½ to ensure that the requirements of section 408(a)(6) have been met.

Article VIII. Article VIII 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. Use additional pages if necessary and attach them to this form.

Form 5305-RA
(Revised March 2002)
Department of the Treasury
Internal Revenue Service

PENFED CREDIT UNION

Roth Individual Retirement Custodial Account
(Under Section 408A of the Internal Revenue Code)

Do NOT File with Internal Revenue Service or PenFed. Keep for your records.

Printed Full Name: ______________________ Social Security Number: ______________

Mailing Address: ____
Street City State Zip

PenFed Member Number: ______________________ Birth date: ______________

Name of Custodian: ____

Address or principal place of custodian: ____
Street City State Zip

PENTAGON FEDERAL CREDIT UNION, BOX 1432, ALEXANDRIA, VIRGINIA 22313-2032.

The member whose name appears above 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 custodian named above has given the depositor the disclosure statement required under Regulations section 1.408-6. The depositor assigned the custodial account
$ ____
The depositor and the custodian make the following agreement:

ARTICLE I

Except in the case of a rollover contribution described in section 408A(e), a recharacterized contribution described in section 408A(d)(6), or an IRA Conversion Contribution, the 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 $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 limit 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 $95,000 and $110,000; for a married depositor filing jointly, between AGI of $150,000 and $160,000; and for a married depositor filing separately, between AGI of $0 and $10,000. 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 nonforfeitable.

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 shall 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

1. DEFINITIONS:

(a) Beneficiary—The estate of the Depositor, dependents of the Depositor, and any person or persons who may be named from time to time by the Depositor or the Depositor's surviving spouse, in writing delivered to the Custodian, to receive any benefits payable under this Plan subsequent to the death of such Depositor or surviving spouse.

(b) Code—The Internal Revenue Code of 1986, as amended from time to time, and any and all regulations issued thereunder. Reference to a section (§) of the Code shall include that section and any comparable section or sections of future legislation that amends, supplements or supersedes that section.

(c) Compensation—Wages, salaries, or professional fees, alimony and separate maintenance payments, and other amounts received for personal services actually rendered (including, but not limited to commissions paid to salesmen, remuneration for services on the basis of a percentage of profits, commissions on insurance premiums, tips, and bonuses), and includes earned income, as defined in §401(c)(2) of the Code, but does not include amounts received as earnings or profits from property (including, but not limited to interest, dividends, and rents); or any amount(s) not includable in gross income, such as income received from sources outside of the United States of America and which are excluded from gross income under §911 of the Code.

(d) Custodial Account—Savings Accounts and/or Share Certificates which the Custodian shall make available for the investment of IRA funds contributed under this Plan, and the pertinent law governing this Plan and into which the Custodian shall deposit all contributions received from or on behalf of the Depositor under this Plan.

(e) Custodian—Pentagon Federal Credit Union or any successor thereto.

(f) Plan—The terms and conditions of this Pentagon Federal Credit Union Individual Retirement Account, including any amendments made pursuant to Article IX, 14 of the Plan.

2. CONTRIBUTIONS: Any contributions made by or on behalf of the Depositor with respect to any taxable year shall be made not later than the time prescribed by law for filing the Federal Income Tax Return for the Depositor's taxable year. It shall be the sole responsibility of the Depositor to determine the amount of the contributions to be made hereunder. The Custodian may, in its sole discretion, decline to accept any contributory or rollover contributions.

3. INVESTMENT POWERS OF THE CUSTODIAN: All contributions by the Depositor to the Custodian Account shall be invested and reinvested by the Custodian without distinction between principal and interest in the Pentagon Federal Credit Union (hereinafter referred to as the "Custodian") in that class of accounts, including but not limited to term savings accounts, time deposits, pooled investment accounts and/or other investment options and accounts which the Custodian shall make available for the investment of Individual Retirement Account funds, as the Custodian shall in its sole discretion determine. The Custodian shall have the right to invest in Time Certificates of Deposit solely at its discretion.

4. GENERAL POWERS OF THE CUSTODIAN: The Custodian shall have the power and authority in the administration of the Custodial Account to do all acts, to execute and deliver all instruments and to exercise for the sole benefit of the Depositor any and all powers which would be lawful were the Custodian in its own right the beneficial owner of the property held in the Custodial Account, except where and as limited by other provisions of this Agreement or by Law.

5. CUSTODIAN'S LIABILITY: The Custodian shall have such powers as may from time to time be necessary, appropriate or expedient for its complete and full management of the Custodial Account or for the administration of the Plan; shall receive all contributions; shall maintain such records and file such statements and reports as may be required of custodians by law; and shall do all such other proper things as may be required in the proper administration of the Custodial Account. The Custodian shall use reasonable care, skill, prudence and diligence in the administration of the Custodial Account and in the investment of its assets in savings accounts or class of accounts offered by the Custodian for investment of IRA funds, and shall be entitled to rely upon information submitted by or on behalf of the Depositor to the Custodian, whether directly or indirectly. The Custodian shall not be liable under this Agreement except for its own gross negligence, bad faith or willful misconduct.

6. EXPENSES: The Custodian may charge against and deduct from the Custodial Account all reasonable expenses incurred by the Custodian in the administration of the Account upon giving 30 days notice to the Depositor.

7. JUDICIAL OR VOLUNTARY SETTLEMENT OF ACCOUNTS: The Custodian shall have the right to apply at any time and from time to time to a court of competent jurisdiction for the judicial settlement of its accounts. In any such action or proceeding, it shall be necessary to join as parties thereto only the Custodian and the Depositor, and any judgement or decree entered therein shall be conclusive upon all persons having or claiming an interest in the Custodial Account. The Custodian may from time to time file with the Depositor a statement or accounting of its acts and transactions under the Custodial Agreement, and the Depositor may enter into an agreement approving and allowing the same, and any such agreement shall be conclusive upon the parties to this Account and all persons having or claiming any interest in the Custodial Agreement and shall be a full discharge of the Custodian with respect to the matters set forth in such statement or accounting. In the event that the Custodian applies for a judicial settlement of its accounts or any individual account, all fees and disbursements it incurs, including but not limited to legal and accounting fees, shall be paid from the Account and shall constitute a lien upon the Custodial Account until paid.

Continued on back; please read carefully before signing.

8. CLAIMS UPON THE ACCOUNT: In the event the Custodian shall receive any claim to the funds held under the Plan, which claim is adverse to the interests of the Depositor or the Beneficiary and which claim the

Custodian, in its absolute discretion, deems meritorious, it may withhold distribution under the Plan until the claim is resolved or until instructed by a court of competent jurisdiction or it may pay all or any portion of the funds then on deposit in the Account into such court. Payment to a court under the Plan shall relieve it of any further obligation to anyone for the amount so paid. In the event that the Custodian applies for a judicial settlement of its accounts or any individual account, all fees and disbursements it incurs, including but not limited to legal and accounting fees, shall be paid from the Account and shall constitute a lien upon the Account until paid.

9. RESIGNATION, REMOVAL AND APPOINTMENT OF THE CUSTODIAN: The Custodian may resign upon 60 days written notice to the Depositor. The Custodian, upon resignation, shall transfer the assets of the Account in such a manner as the Depositor may specify in writing. If the Depositor fails to appoint a successor custodian within 60 days after Custodian's notice of resignation, the Custodian may appoint a successor custodian to hold the assets of the Account. The Depositor may at anytime remove the Custodian by delivering a written notice to the Custodian which shall also designate a successor custodian. The Custodian may reserve such amounts as may be required for the payment of fees, expenses or liabilities of the Account for the Custodian. The balance of such reserve remaining after payment of all such items shall be paid over to the successor custodian.

10. DESIGNATION OF BENEFICIARY: The Depositor may name and change his Beneficiary or Beneficiaries on a form provided by the Custodian for such purpose. The last such written naming received by the Custodian shall be controlling. Such Beneficiary or Beneficiaries shall be entitled to the balance in the Custodial Account of the Depositor as provided in Article V of the Plan, as limited by Article IX, 14 of the Plan. Upon the death of the Depositor, the named beneficiary of beneficiaries made hereunder shall be irrevocable.

If the Depositor fails to name any Beneficiary, or if the Depositor revokes his naming of Beneficiary or if all the named Beneficiaries pre-decease the Depositor, then the entire interest of the Depositor in the Custodial Account shall be distributed to the Estate of the Depositor.

11. TRANSFER INCIDENT TO A DIVORCE: Any Depositor under the Plan may transfer all or part of his interest to his former spouse under a decree of divorce or dissolution of marriage or a written instrument incident to such divorce or dissolution. At such time, said interest shall be deemed the Individual Retirement Account of such spouse.

Upon receipt of the certified copy of such decree or a true copy thereof, the Custodian shall transfer such interest into a Custodial Account for the benefit of such former spouse. The Custodian shall not be required to accept contributions to or make distributions from an Account established for a former spouse hereunder until such former spouse shall execute a Custodial Account Agreement as an eligible member of the Pentagon Federal Credit Union.

In the event that a transfer pursuant to this section cannot be made without penalty for early withdrawal and/or a Custodian-imposed fee, such as penalty and/or fee shall be paid from the account(s) of the Depositor from whom the interest is transferred.

12. DISTRIBUTION OPTIONS: There are no mandatory distribution requirements.

13. DISTRIBUTIONS UPON THE DEATH OF THE DEPOSITOR: If the Depositor dies before Depositor's entire interest in the Account is distributed to the Depositor, or if distribution to the Depositor's surviving spouse who is an eligible member of the Pentagon Federal Credit Union has commenced following the Depositor's death pursuant to Article V of the Plan and such surviving spouse dies before his or her entire interest is distributed, the remaining undistributed interest shall be fully distributed as set forth in the By-Laws of the Custodian or within five years, whichever is less, after the later of the Depositor's death or the death of the surviving spouse, at the direction of the beneficiary. If the beneficiary is a spouse and that spouse elects to treat the entire interest in the account under the distribution rules in Article V the Custodian may require the IRA be transferred to an account of the spouse beneficiary.

14. AMENDMENTS:

(a) This document is intended to create a qualified Individual Retirement Account within the meaning of 408A of the Internal Revenue Code, and each provision is intended to be consistent with such section and the regulations issued thereunder. The Depositor irrevocably delegates to the Custodian the exclusive authority to interpret the provisions of this Agreement, as from time to time amended, and the Custodian shall exercise such authority where possible to make the provisions of this Agreement consistent with Code 408A and the regulations thereunder.

(b) The Depositor irrevocably delegates to the Custodian the power to unilaterally amend this Agreement upon 30 days prior written notice to the Depositor setting forth such amendment.

(c) If the Custodian requests the consent of the Depositor to an amendment to this Agreement, the Depositor will be deemed to have consented to such amendment unless the Depositor responds in writing within 30 days of the mailing of such request indicating his refusal to consent.

15. VIRGINIA LAW: This Agreement and the Custodial Agreement created hereby shall be governed by and construed, administered and enforced according to the laws of the Commonwealth of Virginia.

Member's Signature: ______________________________ Date: ______________

Custodian's Signature: **Pentagon Federal Credit Union** ______________ Date: ______________

Witness' Signature: ______________________________ Date: ______________

(Use only if signature of Depositor is required to be witnessed.)

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 59½ 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 nonRoth IRA to a Roth IRA. A nonRoth 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, savings and loan association, or credit union 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 1. 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 11 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.

INDIVIDUAL RETIREMENT ARRANGEMENT ACCOUNT (IRA) APPLICATION

Please indicate the type of IRA for which you are eligible by checking the appropriate box. Please ensure you mark the correct box as adverse tax consequences may result from an incorrect selection.

☐ Traditional ☐ Simplified Employee Pension (SEP) ☐ Roth

☐ Inherited IRA[1] When opening an Inherited IRA you are required to select the type of account. Please choose one of the following:
☐ Traditional ☐ Simplified Employee Pension (SEP) ☐ Roth

MEMBER INFORMATION

NAME	**PENTAGON FEDERAL MEMBER NO.** (If not yet a member, leave blank.)	
ADDRESS	**HOME PHONE**	**WORK PHONE**
	DATE OF BIRTH (MM/DD/YYYY)	**SOCIAL SECURITY NUMBER**
GRADE/RANK (if military or government employee)	**NAME OF EMPLOYER**	
SPOUSE'S NAME	**DATE OF BIRTH** (MM/DD/YYYY)	**SOCIAL SECURITY NUMBER**

TOTAL OPENING CONTRIBUTION

CASH/CHECK $	**TRANSFER FROM ANOTHER PENTAGON FEDERAL ACCOUNT** ACCOUNT NUMBER: $	**CONTRIBUTION** ($25 MINIMUM) $ TAX YEAR:	**CONTRIBUTION** ($25 MINIMUM) $ TAX YEAR:
	TRANSFER FROM ANOTHER FINANCIAL INSTITUTION[2] ACCOUNT NUMBER: $	**ROLLOVER AMOUNT FROM ANOTHER IRA OR RETIREMENT PLAN** $	

[1]INHERITED IRA

Note: If opening an inherited IRA, please complete one of the "Transfer from another" boxes above and provide the following information:

NAME OF DECEDENT	**DATE OF DEATH** (MM/DD/YYYY)
FAIR MARKET VALUE AS OF DECEMBER 31 OF LAST YEAR $	**HAVE INHERITED DISTRIBUTIONS ALREADY STARTED?** ☐ Yes ☐ No
WERE THE PREVIOUS INHERITED DISTRIBUTIONS BASED ON THE DECEDENT'S AGE OR YOUR AGE?	**WHEN DID THEY START** (MM/DD/YYYY)
REQUESTED DISTRIBUTION PAYMENT FREQUENCY: ☐ Monthly ☐ Quarterly ☐ Yearly	**REQUESTED STARTING DATE** (MM/DD/YYYY)
PAYMENT DISBURSEMENT: ☐ Send me a check ☐ Add to my PenFed Account Number: ______	

DO YOU WANT FEDERAL INCOME TAX WITHHELD FROM YOUR INHERITED DISTRIBUTION? ☐ Yes ☐ No

Note: You have the option of having federal income tax withheld (10% of the withdrawal). Please check the appropriate box above. If no selection is made, you authorize PenFed to withhold 10%. Exception: If your residence address is outside the United States, or if you have not provided us with an address, we are required to withhold 10% on all withdrawals.

[2]Please complete the IRA Transfer Authorization form on the following page to initiate the transfer of your IRA from your present custodian to Pentagon Federal Credit Union. (Refer to Disclosure Statement V.2. for important information.)

INVESTMENT OPTIONS

Please write the amount you would like to invest in the box(es) that correspond with your preferred maturity option. You may have more than one IRA certificate term and more than one maturity option.

MATURITY OPTIONS	**IRA CERTIFICATE TERM** ($1,000 MINIMUM)						**ACCOUNT DESIGNATION**	
	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	**IRA SHARE ACCOUNT** ***NECESSARY FOR ALL IRAS.***	**IRA PREMIER ACCOUNT ($10,000 MINIMUM)** ***ROLLOVER/TRANSFER ONLY.***
Combine dividend and principal and renew my certificate.							AMOUNT:	AMOUNT:
Close certificate and deposit in an IRA Share account.							$	$

Subsequent contributions to your IRA account that are made by automatic transfer (allotments, net pay or other recurring payments) are treated as current-year contributions.

BENEFICIARY DESIGNATION

PRIMARY BENEFICIARY	**NAME**	**SOCIAL SECURITY NUMBER**	
	ADDRESS	**RELATIONSHIP**	**PERCENT ALLOTTED**
		DATE OF BIRTH (MM/DD/YYYY)	
CONTINGENT BENEFICIARY (IF ANY)	**NAME**	**SOCIAL SECURITY NUMBER**	
	ADDRESS	**RELATIONSHIP**	**PERCENT ALLOTTED**
		DATE OF BIRTH (MM/DD/YYYY)	

Upon the death of the member/owner of the IRA account, the primary beneficiary named above will receive the funds. If there is more than one primary beneficiary, the primary beneficiaries will receive the balance in the account in the percentages indicated. If the percentages are not indicated, the named primary beneficiaries shall share the balance in the account equally. In the event a primary beneficiary predeceases the member/owner, the balance in the account is to be shared by the remaining primary beneficiaries, if any, in equal shares. In the event all of the primary beneficiaries predecease the member/owner, the balance in the account shall be shared by the contingent beneficiaries, if any, in the percentages indicated. If the percentages are not indicated or if any of the contingent beneficiaries are deceased, the remaining contingent beneficiaries shall share the balance in the account equally.

Any beneficiary(ies) provided on this form will be applied toward the IRA share account and all associated current and future certificates.

NOTE: If you are not currently a Pentagon Federal Credit Union member, you must open a Regular Share account with a share purchase of at least $5. Status as a joint owner of another account at Pentagon Federal Credit Union does not constitute membership. Please complete a membership application and return it to us along with your deposit to Regular Shares, this form and your initial IRA contribution.

I hereby request an IRA at Pentagon Federal Credit Union under the terms and conditions outlined herein and I reserve the right to change my beneficiary(ies) at any time solely by filing another designation of beneficiary form with Pentagon Federal Credit Union. I hereby acknowledge that I have received, read and agree to abide by the terms of Form 5305-A Individual Retirement Custodial Account Agreement and Disclosure Statement.

If I am establishing my account with a Rollover contribution I understand this is an irrevocable election.

Signature ____________ Date ____________

Spouse's Signature ____________ Date ____________
Required only if a beneficiary other than your spouse is named and spouse's signature is required by state law.

PenFed Form 795 (1/13) Ad Code ____________

IRA TRANSFER AUTHORIZATION

(Return all 3 copies to Pentagon Federal Credit Union)

NAME OF FINANCIAL INSTITUTION	**DATE**
ADDRESS	**PENTAGON FEDERAL MEMBER NO.**
	RE: TRANSFERRING INSTITUTION IRA ACCOUNT NO.
MEMBER NAME	**SOCIAL SECURITY NUMBER**

ATTENTION IRA ADMINISTRATOR!

Please accept this letter as your authorization to transfer: (check one alternative below):

☐ the balance of my IRA, including accrued interest on ____________________, less applicable penalties or fees.
MM/DD/YYYY

or

☐ the sum of $ __________________________ from my IRA to Pentagon Federal Credit Union. I will make my check payable to: Pentagon Federal Credit Union as custodian for the IRA of (MEMBER NAME), whose account number is (ACCOUNT NUMBER).

The type of IRA I have is: ☐ Traditional ☐ SEP ☐ Roth ☐ Inherited Traditional ☐ Inherited SEP ☐ Inherited Roth

Mail your check (if applicable) and all three copies of this letter to:

Pentagon Federal Credit Union
Attention: IRA Department
Box 1432
Alexandria, VA 22313-2032

Sincerely,

_______________________________ _______________
Depositor's Signature Date

____
Depositor's Printed Name

ATTENTION PENTAGON FEDERAL CREDIT UNION!

Upon receipt, deposit funds into: (check appropriate box(es))

IRA CERTIFICATE TERM ($1,000 MINIMUM)						**ACCOUNT DESIGNATION**
1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	IRA Premier Account ($10,000 minimum) Rollover/Transfer only.

ACCEPTANCE BY PENTAGON FEDERAL CREDIT UNION

This is to certify that Pentagon Federal Credit Union has accepted the appointment as Successor Custodian of the IRA named above.

_______________________________ _______________
Authorized Signature Date

White: Current Account Custodian Yellow: Return to PenFed Pink: PenFed

 PenFed Form L-594 (1/13)

INDIVIDUAL RETIREMENT ACCOUNT

DISCLOSURE STATEMENT

(INCLUDING SIMPLIFIED EMPLOYEE PENSION PLAN)

GENERAL

This Disclosure Statement explains the Internal Revenue Service (IRS) rules and regulations governing the operation and tax considerations of an Individual Retirement Account (IRA). Additionally, the Disclosure explains specific features of your Pentagon Federal Credit Union IRA. It is furnished to you in accordance with Internal Revenue Service regulations. We have highlighted sections, which are extremely important.

This disclosure applies to all IRAs offered by PenFed. The term "Traditional IRA" applies to Contributory, Rollover, or SEP IRAs and "Roth IRA" applies to the IRA created by the Taxpayer Relief Act of 1997.

Because some of these provisions apply only to a Traditional IRA or to a Roth IRA, either "Traditional" or "Roth" will precede section titles. Those sections applying to both will state "Traditional/Roth."

I. ACCOUNT REVOCATION

Traditional/Roth. You may decide for any reason to revoke your Pentagon Federal IRA within 30 days of the date of establishment. Your request to revoke your account must be made in writing and should be sent to Pentagon Federal Credit Union, P.O. Box 1432, Attention: IRA Specialist, Alexandria, Virginia 22313-2032. Upon receipt of your letter, Pentagon Federal will refund your contribution in full, neither crediting your account with earnings nor charging it with any administrative fees. Revocation of your IRA is subject to reporting to the IRS. If you have any questions concerning your right to revoke your account, please call our IRA Specialist at 703-838-1247.

II. LEGAL REQUIREMENTS

Traditional/Roth. Your IRA is a custodial account established for the sole benefit of you and your designated beneficiaries. An IRA must be established by a written document meeting each of the following provisions:

1. **Traditional/Roth.** You may not act as your own trustee or custodian. The account must be established with an authorized trustee or custodian, such as Pentagon Federal Credit Union. This IRA has been approved as to form by the IRS. This approval is a determination only as to the form of the account and does not represent a determination of the merits of the account.
2. **Traditional/Roth.** All contributions or rollover deposits made to your account must be made in cash, e.g., check, payroll deduction, transfer etc. If you wish to use shares of stock, bonds or other investment instruments as your contribution, you must first sell the securities and contribute the proceeds. Your PenFed IRA may not be funded with gold bullion or coins. Total contributions may not exceed amounts authorized by law.
3. **Traditional/Roth.** Your contributions are not subject to forfeiture.
4. Traditional/Roth. No part of your IRA may be commingled with other funds except in a common trust fund or investment fund. Further, no part of your IRA interest may be invested in life insurance contracts.
5. **Traditional.** Your IRA must be distributed in accordance with IRS regulations. Article X explains the required distributions you must receive from your IRA and in the event of your death the distributions your beneficiary(ies) must receive.
   Roth. Mandatory distribution requirements at age 70½ do not apply to the Roth IRA.
6. T**raditional/Roth.** If you name a beneficiary other than your spouse, spousal consent may be required. This is indicated on the IRA application.

III. TAX CONSIDERATIONS

The primary tax consequences you should consider before establishing an IRA are as follows. For more specific tax information, please consult with your accountant, tax advisor, IRS Publication 590 Individual Retirement Arrangements, or contact your local Internal Revenue Service office.

1. **Traditional.** Tax-Deferred Dividends. All dividends earned on your IRA contributions are tax deferred. This includes earnings on contributions that are not tax deductible. Earnings are subject to tax when you actually begin receiving distributions (or a distribution is deemed to be made).
   Roth. All dividends earned on your IRA contributions are tax-free, subject to certain limitations.
2. **Traditional.** Tax-Deductible Contributions. You may be able to make tax-deductible contributions to an IRA not to exceed the current annual limit or 100% of earned income, whichever is less, for any year you are less than 70½ years of age. You are permitted this deduction if either you, or your spouse (if married), is not an active participant in a qualified retirement plan, or if your modified adjusted gross income does not exceed certain limits established by IRS.
   Roth. Contributions to your IRA are not deductible. Contributions may be made after you attain age 70½ provided you have earned income.
3. **Traditional.** Nondeductible Contributions. Although you may not qualify for a tax-deductible contribution, you may still make a contribution to an IRA not to exceed the current annual limit or 100% of earned income, whichever is less, for any year you are less than 70½ years of age.
   Traditional/Roth. You may split your contributions between a Traditional or Roth IRA, subject to maximum contributions not to exceed the current annual limit or 100% of earned income, whichever is less.
4. **Traditional.** Taxable Distributions. Generally, any distribution that you receive from your IRA that is not rolled over to another IRA within 60 days from the date of receipt must be included in your gross income for Federal Income Tax purposes. Such distributions are subject to ordinary income tax rates and are not eligible for either capital gains treatment or the elective 10-year averaging which is available for certain lump-sum distributions from "qualified" retirement plans. Exceptions to this rule occur if 1) you have made nondeductible contributions to a Traditional IRA, or 2) the distribution of certain refunds of an excess contribution. If you have made nondeductible contributions, a portion of your distribution will not be taxed as it represents a recovery of the taxable (nondeductible) contribution. Distribution of a refund of an excess contribution, greater than the maximum annual contribution, will be taxable income, regardless of whether or not a deduction was allowed for the contribution.
   Roth. Distributions from your Roth are not includable in income if the distribution is a "qualified distribution." A qualified distribution may not be received within the 5-tax year period beginning with the first tax year in which a contribution is made. Qualified distributions are distributions: made after you attain age 59½; made on your death; disability distributions; or for first time home purchase; for qualified higher education expenses; for medical expense exclusion; or for medical premiums for unemployed individuals.
5. **Traditional/Roth.** Tax-Free IRA Rollover. Rollover distributions you take from your IRA are not taxable to you, provided the entire amount is rolled over into an IRA within 60 days from the date you receive the funds. Any amount not rolled over within this time period will be deemed as distributed by the IRS. Neither the IRS nor Pentagon Federal can extend the 60-day time period. To qualify as a tax-free rollover it must be a rollover from a Traditional IRA to another Traditional IRA or a Roth IRA to another Roth IRA.
   Traditional/Roth. Rollover from a Traditional IRA to a Roth IRA. This is also referred to as a "conversion." Special rules apply to this type of rollover. A rollover from a Traditional IRA to a Roth will be taxable. Otherwise, the rollover is taxable in the year in which the rollover/conversion occurs. For conversions that occur in 2010 an IRA holder may elect to pay taxes on the conversion in equal installments over a 2-year period (2011 and 2012).
6. **Traditional/Roth.** Prohibited Transactions. If you engage in a "prohibited transaction" such as borrowing from your IRA or selling your interest in your IRA, your account will lose its tax-favored treatment. The entire balance (unless you have made nondeductible contributions) will be immediately taxable AND if you are not yet 59½ years of age, the amount will be subject to the IRS 10% premature distribution penalty.
7. **Traditional/Roth.** Pledging IRA Funds as Collateral. If you pledge your IRA as collateral, the amount pledged will be deemed to have been distributed to you and that amount must be includable in your gross income in the year the funds were pledged. If you have not attained 59½ years of age, the IRS 10% premature distribution penalty will apply.

IV. AMOUNT AND TIMING OF CONTRIBUTIONS

1. **Traditional.** Maximum Contribution. The total amount you may contribute for any tax year may not exceed the current annual limit or 100% of earned income, whichever is less (excluding any amount rolled over). Additionally, you must be less than 70½ years of age for the tax year you are contributing for (SEP IRA holders may continue to contribute as long as they have earned income and they begin receiving mandatory distributions).
   Roth. The total amount you may contribute for any tax year may not exceed the current annual limit or 100% of earned income, whichever is less (excluding any

amount rolled over). You may continue to make contributions after you attain age 70½ provided you have earned income.

Traditional/Roth. You may split your contributions between a Traditional or Roth however you choose, however, total contributions may not exceed the current annual limit or 100% of earned income, whichever is less.

2. **Traditional/Roth.** A minimum $25.00 contribution must be made to establish your IRA. Once established, you need not make a contribution each year, nor is there a minimum annual contribution amount required. You may make contributions of any amount as frequently as you like, subject to annual contribution limits. If you decide not to make a contribution prior to the tax-filing deadline, you may not make this up in a later year.
3. **Traditional/Roth.** Definition of Earned Income. Earned income is defined as: wages, salaries, professional fees or other amounts derived from or received for personal services actually rendered (including but not limited to tips, bonuses and commissions). Also included, as "earned income" is any amount includable in gross income with respect to a divorce decree or separation document (i.e., alimony or separate maintenance payments). Earned income must be reduced by any deduction a self-employed individual takes for contributions they made to their Keogh plan.
4. **Traditional/Roth.** IRA for Your Non-working Spouse. If a spouse does not have earned income, a spousal IRA may be established. The combined contribution may not exceed the current annual limit or 100% of earned income, whichever is less. However, your contribution to either account may not exceed the current annual limit.
5. **Traditional.** Limited Contributions After Age 70½. You may make contributions to your IRA (both deductible and/or nondeductible) for any taxable year you have earned income until the year you reach age 70½. In the year you attain age 70½, you may make a contribution for the previous tax year provided it is done prior to the tax-filing deadline. You may also contribute to a spousal IRA provided you have earned income and your spouse is less than 70½ years of age. Your spousal contribution may not exceed the current annual limit or 100% of earned income, whichever is less.

   Roth. Contributions after age 70½. You may make contributions after you attain age 70½ for any tax year in which you have earned income.
6. **Traditional/Roth.** Contributions by Tax Filing Deadline. You may make contributions for a tax year at any time during the year either by periodic payments or in one lump sum, up to and including the tax-filing deadline (excluding extensions). For members filing on a calendar year basis the tax filing deadline is generally April 15. For contributions made between January 1 and the tax filing deadline for the previous tax year, referred to as "prior year contributions," you must specifically designate the contribution as such. Contributions made by direct deposit will be credited for the taxable year in which they are received. Contributions received without a tax year designation will be credited for the prior tax year if received on or before that year's tax filing deadline. Undesignated contributions received after the tax-filing deadline will be credited for the calendar year received. If we are not able to credit your tax-year contribution as you have designated, your funds will be credited to your Regular Share account and Pentagon Federal Credit Union will contact you.
7. **Traditional.** Rollover from an Employer's Plan to an IRA. If you receive a qualified total distribution from your employer's qualified plan, you may be able to roll over all or a portion of it, tax-free, to an IRA. You can roll over the distribution if:

a. It is received within one tax year because your employer ends the plan; or,
b. It is received within one tax year because your employer stops making contributions to the plan; or,
c. It is a lump-sum distribution; or,
d. It is a distribution of all or part of your voluntary deductible employee contributions.

You can roll over, tax-free, all or part of a lump-sum distribution from your employer's plan. A lump-sum distribution is a distribution of your complete share in the plan, received within one year that is made:

a. because of your death; or,
b. after you are age 59½; or,
c. It is a distribution of all or part of your voluntary deductible employee contributions.

You can roll over, tax-free, all or part of a lump-sum distribution from your employer's plan. A lump-sum distribution is a distribution of your complete share in the plan, received within one year that is made:

a. Because of your death; or,
b. After you are age 59½; or,
c. Because you left your job (unless you are self-employed); or,
d. After you become permanently disabled (but only if you are self-employed).

If you receive a qualified total distribution and roll over all or part of it into an IRA, you may later roll over those funds into a new employer's plan. It is generally recommended that you deposit these funds in a separate IRA. This is referred to as a "Rollover or Conduit IRA." By segregating these funds from IRA contributions you have made, and making no additional contributions to this account, you preserve your option of rolling the funds over to a future employer's plan.

Roth. Rollover from an Employer's Plan to a Roth is prohibited. You may not roll over distributions from your employer's qualified plan.

V. OTHER CONTRIBUTIONS

1. **Traditional.** Partial Distribution from a Qualified Plan. You may elect to roll over, tax-free, all or a part of a partial distribution you receive from your qualified plan, if the following conditions are met:

a. The partial distribution is equal to at least 50% of your account balance in the plan; and
b. The distribution must be rolled over into an IRA.

If you elect partial distribution roll over treatment, you may not later roll over any portion of the distribution from the IRA into another qualified employer plan.

Roth. Partial distributions from Qualified Plan may not be rolled over to a Roth IRA.

2. **Traditional/Roth.** IRA to IRA Custodial Transfer. This occurs when you instruct (in writing) one custodian to send or transfer all or part of your IRA funds directly to another custodian. You should inquire at the institution holding the IRA whether any penalties would apply as the result of the transfer. There is no limit as to the number or frequency of transfers. Transfers must occur between the same type of IRA, i.e., Traditional to Traditional or Roth to Roth. No tax deduction is allowed for the amount transferred.

   Traditional. Any transfer occurring after age 70½ is subject to the required minimum distribution provisions. Refer to X.5. for more details.
3. **Traditional/Roth.** IRA Rollover. You may request (in writing) a withdrawal from each IRA you have for the purpose of rolling over these funds to an IRA at another financial institution, not more frequently than once every 365 days. You must roll (deposit) the funds into an IRA within 60 days of the date you received them. Funds not rolled over within 60 days will be deemed as distributed by IRS and subject to ordinary income tax as well as the premature distribution penalty, provided you have not reached age 59½.

No tax deduction is permitted for amounts rolled over.

VI. TAX DEDUCTIBLE CONTRIBUTIONS

The deductibility of your IRA contributions is based on the following rules and regulations:

1. **Traditional.** Not an Active Participant. If you, or your spouse, if married, are not an active participant(s) in an employer-sponsored pension plan, you may each contribute an amount not to exceed the current annual limit or 100% of earned income. Your contributions are tax deductible regardless of your modified adjusted gross income.
2. **Traditional.** Active Participation. You are considered an "active participant" for any year you are covered by a retirement plan. You are "covered" for the purpose of determining your deductible contribution limit if your employer or union has a retirement plan under which money was added on your behalf, or you were eligible to have a contribution made on your behalf. For example, if you are covered under a qualified pension, profit-sharing, stock bonus or annuity plan (this includes 401(k) and Keogh plans), a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code, a simplified employee pension (SEP) plan, or a government plan (but not an unfunded deferred-compensation plan covered under Section 457 of the Code) during any part of the plan year ending with or within the taxable year, you are most likely an "active participant." You are an active participant for a year even if you are not yet vested in your retirement plan. Also, if you make required contributions or voluntary employee contributions to a retirement plan, you are an active participant. In some cases, you may be considered an active participant even if you were only covered by certain plans with an employer during part of the year.

   You are not considered an active participant if you are covered in a plan because of your service as 1) an Armed Forces Reservist for less than 90 days a year, or 2) a volunteer fire fighter covered for fire fighting service by a government plan. If you are covered by another plan, these exceptions do not apply.

   Your IRS Form W2 (Wage and Income Statement) you receive from your employer should indicate whether you are an active participant in the employer's sponsored plan.
3. **Traditional**. Determining your Deductible Contribution Amount. If either you or your spouse, if married, was covered by an employer-sponsored pension plan (as defined above) anytime during the taxable year, only a portion of your contribution for that taxable year may be tax deductible. The amount you may deduct (if any) is dependent upon your combined modified adjusted gross income.

   Roth. Contributions to your Roth are not deductible.

VII. NONDEDUCTIBLE CONTRIBUTIONS

Traditional. Even though you do not qualify for a deductible contribution you are permitted to make nondeductible contributions. You may make nondeductible contributions in addition to deductible contributions not to exceed the current annual limit if a Spousal IRA has been established for a non-working spouse or 100% of earned income, whichever is less. If you are an active participant and your modified adjusted gross income is above the limit set for a partial deduction, your entire contribution up to the legal maximum will be nondeductible.

1. **Traditional.** Deductible and Nondeductible Contributions. The determination as to whether or not your contribution is deductible or nondeductible is made at the time you file your income tax return. You will be required to complete IRS Form 8606 to designate a contribution as "nondeductible." You are responsible for keeping track of your deductible and nondeductible contributions; PenFed can not do this for you.
2. **Traditional.** Tax Treatment. Because no deduction is taken at the time a nondeductible contribution is made, these amounts are not taxable when withdrawn. However, all earnings on your nondeductible contributions are tax-deferred and thus subject to ordinary income tax when withdrawn.
3. **Traditional.** Withdrawal of Nondeductible Contributions. As with deductible contributions, you are required to begin receiving distributions from your IRA by April 1 of the year following the year you attain age 70½ (see section X). However, you will be required to complete IRS Form 8606 to determine what portion of your distribution is a recovery of a nondeductible contribution (and thus not taxable when withdrawn) and what portion of your withdrawal represents tax-deferred earnings or deductible contributions which will now be subject to tax.

VIII. EXCESS CONTRIBUTIONS

Any amount you contribute to your IRA either as a Rollover or a tax year contribution that is above the legal maximum for your situation is considered an "excess contribution." The IRS provides for various methods of "curing" an excess contribution dependent upon the amount of the excess and when the excess is cured (before or after the tax-filing deadline). You must file IRS form 5329 for any year in which you have an excess contribution.

1. **Traditional/Roth.** Refund of Excess Contribution Before the Tax Filing Deadline. If you make a contribution to your IRA for a taxable year that exceeds your IRA deduction limit you may designate it as a nondeductible contribution when you file your tax return, so long as the total (deductible and nondeductible contribution) does not exceed the current annual limit or 100% of earned income, whichever is less.

   If you cannot or do not wish to treat the excess as a nondeductible contribution, you may withdraw the amount of the excess plus the earnings prior to the tax-filing deadline including extensions. The amount of the excess will not be taxable, provided no deduction is taken, but the earnings attributable to the excess will be taxable at ordinary income tax rates. Additionally, if you are less than 59½ years of age you will be subject to the IRS 10% premature distribution penalty of the amount of earnings withdrawn. The IRS has specific rules for the calculation of the earnings attributable to the excess contribution; PenFed will make this calculation.
2. **Traditional/Roth.** Refund of Excess Contribution After the Tax Filing Deadline. If an excess contribution is not removed prior to the tax filing deadline (including extensions) the refunded excess contribution will not be includable in income as an IRA distribution (and thus possibly subject to the 10% premature distribution penalty) if your total IRA contribution was less than the current annual limit and you did not take a deduction for the amount of the excess. However, you will be subject to an IRS penalty of 6% of the amount of the excess for each year it remains in your IRA. Under this option IRS does not require you to withdraw the earnings attributable to the excess contribution.
3. **Traditional/Roth.** Refund of Excess Contribution Greater than the current annual limit and After the Tax Filing Deadline. If your contribution is above $3,000.00 ($3,500 if 50 and older) the amount of the excess will be includable in income in the year withdrawn regardless of whether or not a deduction was taken. Additionally, you will be subject to a 6% penalty of the amount of the excess for each year the amount remains in your IRA. Under this option IRS does not require you to remove the earnings attributable to the excess contribution.
4. **Traditional/Roth.** Applying an Excess Contribution to a Subsequent Tax Year. Provided no deduction was taken and the amount of the total contribution (including the excess) was not greater than the current annual limit, you may apply the amount of the excess contribution to the following tax year. This is done by not contributing the maximum amount to the subsequent year. Since no deduction was taken in the prior year, the total amount (your contributions, if any, plus the amount of the prior year's excess) may be designated as deductible or nondeductible.

IX. SIMPLIFIED EMPLOYEE PENSION PLAN (SEP)

Traditional. A SEP IRA is a special type of IRA that allows employers to make deductible contributions to a separate specifically designated IRA established by their employees (or for themselves if self-employed). Contributions may be made each year not to exceed the current annual limit. Additionally, an employee may make his own IRA contribution into the SEP not to exceed the annual limit or 100% of earned income whichever is less. Employee contributions must be specifically designated at the time of deposit.

X. DISTRIBUTIONS

Traditional. In general, distributions that you receive from your IRA will be includable in your gross income for the year received. Exceptions to this include properly executed Rollover, certain refunds of excess contributions and nondeductible contributions.

Roth. Qualified distributions from your Roth are generally tax-free. (See IV.4. Roth)

1. **Traditional.** Ordinary Income Tax. Distributions that are includable in gross income will be taxed at ordinary income tax rates.
2. **Traditional.** Distribution of Nondeductible Contributions. If you withdraw an amount from your IRA and you have previously made nondeductible contributions, then the amount excludable from income for the taxable year is the portion of the amount that bears the same ratio to the amount withdrawn as your aggregate nondeductible contributions bears to your aggregate (including any SEP or Rollover IRA you may have) IRA balance at the end of the year. For example, an individual withdraws $2,000.00 from an IRA. At the end of the year the aggregate (or fair market value) of all his IRAs is $25,000.00, the aggregate amount of nondeductible contributions previously not withdrawn is $4,000.00. The amount of the individual distribution excludable from taxable income is $296.00 ($4,000.00/$27,000.00 times $2,000.00) and the remaining $1,704.00 is taxable.
3. **Traditional/Roth.** Penalty for Early (Premature) Withdrawals. If you receive a taxable distribution from your IRA before you attain age 59½, for any reason other than disability, home purchase, qualified education expenses, medical expense exclusion, or medical premiums for unemployed individuals, it will be subject to an IRS penalty of 10% of the amount withdrawn. This IRS penalty is nondeductible and is paid when you file your income tax return.
4. **Traditional.** Series of Substantially Equal Periodic Payments. You may elect at any time to begin receiving regularly scheduled distributions from your IRA. Distributions may be made on a monthly, quarterly or annual basis. In order to avoid the IRS early withdrawal penalty, the distribution plan may not be modified, other than by reason of death or disability, before you attain age 59½ or 5 years after payments have begun and you attain age 59½. You are responsible for determining the amount of the periodic payments.
5. **Traditional.** Minimum Distributions Requirement. The IRS requires you to begin receiving distributions from your IRA no later than April 1 of the year following the year you attain 70½. The minimum amount to be distributed each year, beginning no later than the required beginning date, is determined by dividing your December 31 total account balance of the prior year by your age as provided in the IRS Uniform Lifetime table or Joint Life table (if spouse is more than 10 years younger). You may also elect to have distribution in a lump sum or over a period not to exceed the Uniform Lifetime table or Joint Life table (if spouse is more than 10 years younger). If you have more than one IRA, you are not required to take the required minimum distribution from each IRA; however, you must inform Pentagon Federal Credit Union if you decide to take the minimum distribution from another IRA. You are required to determine the required minimum distribution from each IRA, and the total of these amounts may be distributed from any one or more of your IRAs.

   If you roll over funds to Pentagon Federal Credit Union from another institution, after attaining age 70½, you will need to notify Pentagon Federal Credit Union of any changes to your distribution schedule.

Roth. There are no mandatory distribution requirements.

a. **Traditional.** Distribution Frequency. Once the minimum annual amount has been determined based on the distribution option you select, you may select a distribution frequency. You may elect to receive monthly, quarterly or annual payments either by deposit to a Pentagon Federal account or by having a check sent directly to you. Funds will be distributed from the IRA Share account or IRA certificate paying the lowest dividend rate.

b. **Traditional.** Delay of Distributions. Although you may delay your distribution for your 70½ year to April 1 of the following year, you will also be required to receive a distribution for that taxable year by December 31. If distribution is delayed and you have requested annual distributions, the 70½ years' distribution will be made April 1 (the required beginning date) and the current year's distribution will be made December 1. For monthly and quarterly distributions, you may select the beginning date provided it is no later than April 1. One distribution will be made at each interval (monthly or quarterly) which represents the delayed 70½ year's distribution and the current year's required distribution.

c. **Traditional.** Changing Distribution Options. You may at any time elect to change the distribution frequency, i.e., monthly, quarterly or annually or elect to receive the balance in a lump sum. However, IRS regulations prohibit changing the distribution option, i.e., Uniform Lifetime table or Joint Life table (if spouse is more than 10 years younger) to an option that would provide for an annualized pay out of a lesser amount. To this extent, your distribution option selection will be irrevocable. However, if you named your spouse as beneficiary and have a change in your marital status, due to death or divorce and name a new beneficiary, you may change your distribution option. You may request additional distributions at any time.

d. **Traditional.** Penalty for Failing to Receive Minimum Distribution. Based on the instructions you provide Pentagon Federal we will process your distributions in accordance with IRS regulations. It is your responsibility to ensure you have received the required minimum distribution for each year. Additionally, if you rollover funds to PenFed from another institution, after attaining age 70½, you need to notify PenFed of any changes to your distribution schedule.

XI. DISTRIBUTIONS UPON DEATH

Traditional/Roth. In the event of your death, the funds will be disbursed to the named beneficiary(s). If you do not name beneficiary(s) your IRA will be includable in your estate. Distribution options and tax consequences vary according to whether or not the beneficiary is the spouse and whether required distributions have begun. Failure of your beneficiary or spouse's beneficiary to carry out one of the distribution options described below, on a timely basis, as required by law, may result in a 50% excise tax penalty being applied. Further, if the beneficiary does not provide Pentagon Federal instructions regarding distribution of the IRA funds, the entire balance will be distributed no later than December 1 of the year following the owner's death.

<u>If you die before distribution has begun</u> (prior to attaining age 70½), the entire balance will be distributed to the named beneficiary(s) under one of the following options:

1. **Traditional/Roth.** 5-year rule. Spouse/Non-spouse option. The entire balance must be paid to the named beneficiary(s) (if any) or to your estate no later than December 31 of the 5th year following the year of the owner's death.
2. **Traditional.** Life Expectancy rule. Spouse/Non-spouse option. The entire balance will be distributed in substantially equal installments over the life expectancy of the beneficiary(s). For spouse beneficiary those distributions must begin on or before December 31 of the calendar year immediately following the calendar year the member died and the end of the calendar year in which the decedent would have attained age 70½. For the non-spouse beneficiary those distributions must begin on or before December 31 of the calendar year in which the member died. The beneficiary(s) may elect to receive larger payments at any time. Each beneficiary may establish his/her own distribution plan, provided individual accounts are established.
3. **Traditional.** Treat IRA as Own. Spouse option only. May elect to treat the account as his or her own IRA and may be required to transfer to his or her own IRA account. The spouse is required to transfer to his or her own IRA account. Membership in PenFed will also be required. This election will be deemed to have been made if the surviving spouse makes a contribution to the account, makes a rollover from the account, or fails to elect one of the two options above, by December 31 of the year following the date of death.

<u>If you die after distribution has begun</u> (after attaining age 70½), the required minimum distribution for the year must be taken. The following option applies for non-spouse beneficiary or estate:

Single Life Expectancy payments. The required minimum distribution for the year must be taken for the decedent. Must begin by December 31 of the year following member's death. Must be distributed at least as frequently as under the distribution method being used.

For spouse named as sole beneficiary, the following options apply:

a. Treats account as own. May treat the account as his or her own and may be required to transfer to his or her IRA account. This election will be deemed to have been made if the surviving spouse makes a contribution to the account, makes a rollover from the account or fails to make an election.
b. Single Life Expectancy payments. Must begin by December 31 of the year following member's death. Must be distributed at least as frequently as under the distribution method being used.

XII. INCOME TAX WITHHOLDING

Traditional. You may elect to have federal income tax withheld from any distribution at the rate of only 10% of the total amount distributed. This election is optional to all IRA holders unless your Pentagon Federal address of record is outside the United States. IRS regulations require mandatory 10% withholding on all IRA distributions sent outside the United States (excluding American Samoa, Mariana Islands, Puerto Rico, U.S. Virgin Islands, FPO, APO and Guam). However, you must specifically indicate that you do not want Federal Income Tax Withholding on Pentagon Federal distribution form, otherwise withholding will occur.

XIII. PENTAGON FEDERAL ACCOUNT DISCLOSURES

Traditional/Roth—all provisions.

1. The credit union reserves the right to make changes in the terms and conditions of its IRA program without prior notice.
2. IRA Share and certificate accounts are insured separately from any other account you may have with Pentagon Federal up to $250,000 by NCUA, an agency of the United States government.
3. IRA Share accounts are subject to the following terms and conditions:

a. Dividends are calculated on a simple-interest basis from day of deposit until day of withdrawal, compounded and paid monthly at a rate declared by the Board of Directors. Dividends are paid from current income and available earnings, after required transfers to reserves at the end of a dividend period.
b. The minimum amount required to establish and maintain an IRA Share account is $25.00.
c. Additions may be made at any time, in any amount, subject to the limits provided by law for the type of IRA selected.
d. Withdrawals:
(1) Only you may request a withdrawal from your IRA share account; beneficiaries have access to the account only upon your death.
(2) Partial withdrawals may be made, subject to early withdrawal penalties as described in paragraph (g) below, providing the requested withdrawal amount does not reduce the original issue below a minimum of $1,000 for 1-, 2-, 3-, 4-, 5-, or 7-year IRA Certificates, in which case the funds will be transferred to the IRA Share account.
(3) The credit union reserves the right to require a written notice of up to 60 days of intention to withdraw from your IRA Share account.

4. IRA certificates are subject to the following terms and conditions:

a. Maturity of 1, 2, 3, 4, 5, or 7 years are available.
b. The minimum amount required for a 1-, 2-, 3-, 4-, 5-, or 7-Year IRA Certificate is $1,000.
c. The dividend rate is set weekly by the Board of Directors.
d. Dividends:
(1) Dividends are compounded daily on a 365/365 day basis and are credited monthly.
(2) Dividends will be paid from day of deposit to day of maturity on the balance of the certificate. They will be paid at the contracted rate.
e. Additions to certificates may be made only at maturity. New certificates may be purchased at any time subject to Pentagon Federal minimum deposit requirements and applicable annual contributions limits established by the government.
f. Withdrawals:
(1) Only you may request a withdrawal from your IRA certificates; beneficiaries have access to the account only upon your death. Funds are available for withdrawal on the business day following the maturity date. If the maturity date is a Sunday, funds will be available in two business days.
(2) Partial withdrawals may be made, subject to early withdrawal penalties as described in paragraph (g) below, providing the requested withdrawal amount does not reduce the original issue below a minimum of $1,000 for 1-, 2-, 3-, 4-, 5-, or 7-year IRA Certificates, in which case the funds will be transferred to the IRA Share account.
(3) The credit union reserves the right to require a written notice of up to 60 days of intention to withdraw funds from your IRA certificate(s).
g. Penalties. In the event of early withdrawal, the following penalties apply:
(1) If redeemed within the first year, all dividends will be forfeited.
(2) If after the first year, but prior to the maturity date, the early withdrawal penalty will equal 30% of what would have been earned if the certificate had been held to maturity, not to exceed total dividends earned.
(3) <u>Exceptions.</u> The penalties described above will not be applied if the withdrawal is made:
(i) Subsequent to the death of any holder of the Certificate.
(ii) As a result of the voluntary or involuntary liquidation of the credit union.
(iii) If the owner is permanently disabled, as defined in the Internal Revenue Code Section 72(m).
(iv) If the owner has reached age 59½ and takes a partial withdrawal.

5. IRA Premier Share account is a variable rate account. The dividend rates and APY may change monthly as determined by the board of directors. There are no limitations on the amount the dividend rate may change. The dividend rate is based on the daily balance in your account. If the daily balance is $10,000 or more, you will be paid the dividend rate applicable to this tier. If the daily balance is less than $10,000, you will be paid the dividend rate applicable to this tier. Pentagon Federal pays dividends on the full balance in the account at the dividend rate that corresponds to the applicable share balance tier. Therefore, during your dividend period based on fluctuating account balance, you may be paid dividends at varying dividend rates.

a. Dividends are paid and compounded monthly. The dividend period is monthly and your member number determines the dividend payment date.
b. The minimum amount required to open this account is $10,000.
c. Dividends are calculated by the daily balance method, which applies a daily periodic rate to the principal in your account each day.
d. Dividends will begin to accrue on the business day funds are deposited to your account.

XIV. FINANCIAL DISCLOSURE TABLES

Internal Revenue Service regulations require that we set forth a projection of the growth in value of your account at specified intervals, assuming level annual contributions made on the first day of the year. This is shown in the tables following, which assumes an annual contribution of $1,000 to an IRA Share account and to an IRA 3-year certificate. The amount shown is the amount that would be available for withdrawal at selected intervals. The Internal Revenue Service also requires we set forth a projection of the growth of a Rollover of $1,000 made on the first day of Year One, and withdrawn at the end of any of the next five years, and at the end of the years in which you attain the ages of 60, 65, and 70. Of course, rates fluctuate from time to time, and nothing herein should suggest these rates be guaranteed.

NOTE: Beginning Jan 1, 2015, the IRS will only permit one rollover deposit of a distribution in a 12 month period for all IRA accounts. Any additional rollover deposits will be returned. This limitation does not apply to Roth conversions or institution transfers.

VALUE OF $1,000 DEPOSITED ANNUALLY IN AN IRA SHARE ACCOUNT*

Years	Value
1	$1,015.10
2	2,045.54
3	3,091.33
4	4,153.33
5	5,231.17

Age of Depositor	Value at age 60	Value at age 65	Value at age 70	Age of Depositor	Value at age 60	Value at age 65	Value at age 70
18	60,839.42	70,805.94	81,548.19	45	18,217.74	24,866.86	32,033.50
19	58,934.20	68,752.43	79,334.85	46	16,946.68	23,496.87	30,556.88
20	57,057.32	66,729.47	77,154.44	47	15,694.53	22,147.26	29,102.23
21	55,208.38	64,736.62	75,006.47	48	14,461.01	20,817.74	27,669.22
22	53,386.94	62,773.41	72,890.46	49	13,245.85	19,507.99	26,257.54
23	51,592.61	60,839.42	70,805.94	50	12,048.77	18,217.74	24,866.86
24	49,824.97	58,934.20	68,752.43	51	10,869.50	16,946.68	23,496.87
25	48,083.63	57,057.32	66,729.47	52	9,707.77	15,694.53	22,147.26
26	46,368.20	55,208.38	64,736.62	53	8,563.33	14,461.01	20,817.74
27	44,678.30	53,386.94	62,773.41	54	7,435.92	13,245.85	19,507.99
28	43,013.54	51,592.61	60,839.42	55	6,325.28	12,048.77	18,217.74
29	41,373.55	49,824.97	58,934.20	56	5,231.17	10,869.50	16,946.68
30	39,757.96	48,083.63	57,057.32	57	4,153.33	9,707.77	15,694.53
31	38,166.40	46,368.20	55,208.38	58	3,091.54	8,563.33	14,461.01
32	36,598.53	44,678.30	53,386.94	59	2,045.54	7,435.92	13,245.85
33	35,053.99	43,013.54	51,592.61	60	1,015.10	6,325.28	12,048.77
34	33,532.43	41,373.55	49,824.97	61	n/a	5,231.17	10,869.50
35	32,033.50	39,757.96	48,083.63	62	n/a	4,153.33	9,707.77
36	30,556.88	38,166.40	46,368.20	63	n/a	3,091.54	8,563.33
37	29,102.23	36,598.53	44,678.30	64	n/a	2,045.54	7,435.92
38	27,669.22	35,053.99	43,013.54	65	n/a	1,015.10	6,325.28
39	26,257.54	33,532.43	41,373.55	66	n/a	n/a	5,231.17
40	24,866.86	32,033.50	39,757.96	67	n/a	n/a	4,153.33
41	23,496.87	30,556.88	38,166.40	68	n/a	n/a	3,091.54
42	22,147.26	29,102.23	36,598.53	69	n/a	n/a	2,045.54
43	20,817.74	27,669.22	35,053.99	70	n/a	n/a	1,015.10
44	19,507.99	26,257.54	33,532.43				

VALUE OF $1,000 ROLLOVER DEPOSITED IN AN IRA SHARE ACCOUNT*

(Assuming no further deposits are made to the account)

Years	Value
1	$1,015.10
2	1,030.44
3	1,046.00
4	1,061.80
5	1,077.83

Age of Depositor	Value at age 60	Value at age 65	Value at age 70	Age of Depositor	Value at age 60	Value at age 65	Value at age 70
18	1,905.22	2,053.51	2,213.34	45	1,271.06	1,369.99	1,476.62
19	1,876.87	2,022.96	2,180.41	46	1,252.15	1,349.61	1,454.65
20	1,848.95	1,992.86	2,147.97	47	1,233.52	1,329.53	1,433.01
21	1,821.44	1,963.21	2,116.01	48	1,215.16	1,309.74	1,411.69
22	1,794.34	1,934.00	2,084.52	49	1,197.08	1,290.26	1,390.68
23	1,767.64	1,905.22	2,053.51	50	1,179.27	1,271.06	1,369.99
24	1,741.34	1,876.87	2,022.96	51	1,161.73	1,252.15	1,349.61
25	1,715.43	1,848.95	1,992.86	52	1,144.44	1,233.52	1,329.53
26	1,689.90	1,821.44	1,963.21	53	1,127.41	1,215.16	1,309.74
27	1,664.76	1,794.34	1,934.00	54	1,110.64	1,197.08	1,290.26
28	1,639.99	1,767.64	1,905.22	55	1,094.11	1,179.27	1,271.06
29	1,615.59	1,741.34	1,876.87	56	1,077.83	1,161.73	1,252.15
30	1,591.55	1,715.43	1,848.95	57	1,061.80	1,144.44	1,233.52
31	1,567.87	1,689.90	1,821.44	58	1,046.00	1,127.41	1,215.16
32	1,544.54	1,664.76	1,794.34	59	1,030.44	1,110.64	1,197.08
33	1,521.56	1,639.99	1,767.64	60	1,015.10	1,094.11	1,179.27
34	1,498.92	1,615.59	1,741.34	61	n/a	1,077.83	1,161.73
35	1,476.62	1,591.55	1,715.43	62	n/a	1,061.80	1,144.44
36	1,454.65	1,567.87	1,689.90	63	n/a	1,046.00	1,127.41
37	1,433.01	1,544.54	1,664.76	64	n/a	1,030.44	1,110.64
38	1,411.69	1,521.56	1,639.99	65	n/a	1,015.10	1,094.11
39	1,390.68	1,498.92	1,615.59	66	n/a	n/a	1,077.83
40	1,369.99	1,476.62	1,591.55	67	n/a	n/a	1,061.80
41	1,349.61	1,454.65	1,567.87	68	n/a	n/a	1,046.00
42	1,329.53	1,433.01	1,544.54	69	n/a	n/a	1,030.44
43	1,309.74	1,411.69	1,521.56	70	n/a	n/a	1,015.10
44	1,290.26	1,390.68	1,498.92				

The information in the foregoing tables is based on the following assumptions:
1. Deposits are placed in an IRA Share account earning a dividend rate of 1.24% per annum (1.24% annual percentage yield).
2. Interest is compounded monthly.
3. Value shown is year-end value, available for withdrawal.
4. Withdrawal is made on the last day of the year.
5. Early-withdrawal penalties not applicable.

VALUE OF $1,000 DEPOSITED ANNUALLY IN AN IRA 5-YEAR CERTIFICATE**

Years	Value
1	$1,056.75
2	2,173.46
3	3,353.55
4	4,600.60
5	5,918.42

Age of Depositor	Value at age 60	Value at age 65	Value at age 70	Age of Depositor	Value at age 60	Value at age 65	Value at age 70
18	150,171.65	197,469.63	257,837.17	45	24,841.92	37,508.36	53,674.83
19	142,019.68	187,065.08	244,557.59	46	22,658.82	34,722.01	50,118.55
20	134,255.94	177,156.05	231,910.46	47	20,579.68	32,068.37	46,731.64
21	126,861.96	167,718.94	219,865.66	48	18,599.57	29,541.10	43,506.03
22	119,820.12	158,731.27	208,394.49	49	16,713.76	27,134.20	40,434.04
23	113,113.65	150,171.65	197,469.63	50	14,917.76	24,841.92	37,508.36
24	106,726.58	142,019.68	187,065.08	51	13,207.30	22,658.82	34,722.01
25	100,643.69	134,255.94	177,156.05	52	11,578.30	20,579.68	32,068.37
26	94,850.51	126,861.96	167,718.94	53	10,026.88	18,599.57	29,541.10
27	89,333.22	119,820.12	158,731.27	54	8,549.34	16,713.76	27,134.20
28	84,078.70	113,113.65	150,171.65	55	7,142.18	14,917.76	24,841.92
29	79,074.43	106,726.58	142,019.68	56	5,802.03	13,207.30	22,658.82
30	74,308.48	100,643.69	134,255.94	57	4,525.71	11,578.30	20,579.68
31	69,769.52	94,850.51	126,861.96	58	3,310.17	10,026.88	18,599.57
32	65,446.72	89,333.22	119,820.12	59	2,152.52	8,549.34	16,713.76
33	61,329.80	84,078.70	113,113.65	60	1,050.01	7,142.18	14,917.76
34	57,408.95	79,074.43	106,726.58	61	n/a	5,802.03	13,207.30
35	53,674.83	74,308.48	100,643.69	62	n/a	4,525.71	11,578.30
36	50,118.55	69,769.52	94,850.51	63	n/a	3,310.17	10,026.88
37	46,731.64	65,446.72	89,333.22	64	n/a	2,152.52	8,549.34
38	43,506.03	61,329.80	84,078.70	65	n/a	1,050.01	7,142.18
39	40,434.04	57,408.95	79,074.43	66	n/a	n/a	5,802.03
40	37,508.36	53,674.83	74,308.48	67	n/a	n/a	4,525.71
41	34,722.01	50,118.55	69,769.52	68	n/a	n/a	3,310.17
42	32,068.37	46,731.64	65,446.72	69	n/a	n/a	2,152.52
43	29,541.10	43,506.03	61,329.80	70	n/a	n/a	1,050.01
44	27,134.20	40,434.04	57,408.95				

VALUE OF $1,000 ROLLOVER DEPOSITED IN AN IRA 5-YEAR CERTIFICATE*

(Assuming no further deposits are made to the account)

Years	Value
1	$1,056.75
2	1,116.72
3	1,180.09
4	1,247.05
5	1,317.82

Age of Depositor	Value at age 60	Value at age 65	Value at age 70	Age of Depositor	Value at age 60	Value at age 65	Value at age 70
18	8,151.97	10,404.55	13,279.57	45	2,183.10	2,786.35	3,556.28
19	7,763.73	9,909.03	12,647.13	46	2,079.13	2,653.65	3,386.91
20	7,393.98	9,437.11	12,044.81	47	1,980.11	2,527.27	3,225.61
21	7,041.84	8,987.67	11,471.17	48	1,885.81	2,406.90	3,071.99
22	6,706.47	8,559.63	10,924.85	49	1,796.00	2,292.27	2,925.68
23	6,387.07	8,151.97	10,404.55	50	1,710.46	2,183.10	2,786.35
24	6,082.89	7,763.73	9,909.03	51	1,629.00	2,079.13	2,653.65
25	5,793.19	7,393.98	9,437.11	52	1,551.42	1,980.11	2,527.27
26	5,517.28	7,041.84	8,987.67	53	1,477.53	1,885.81	2,406.90
27	5,254.52	6,706.47	8,559.63	54	1,407.17	1,796.00	2,292.27
28	5,004.27	6,387.07	8,151.97	55	1,340.15	1,710.46	2,183.10
29	4,765.94	6,082.89	7,763.73	56	1,276.32	1,629.00	2,079.13
30	4,538.96	5,793.19	7,393.98	57	1,215.54	1,551.42	1,980.11
31	4,322.79	5,517.28	7,041.84	58	1,157.65	1,477.53	1,885.81
32	4,116.92	5,254.52	6,706.47	59	1,102.51	1,407.17	1,796.00
33	3,920.85	5,004.27	6,387.07	60	1,050.01	1,340.15	1,710.46
34	3,734.12	4,765.94	6,082.89	61	n/a	1,276.32	1,629.00
35	3,556.28	4,538.96	5,793.19	62	n/a	1,215.54	1,551.42
36	3,386.91	4,322.79	5,517.28	63	n/a	1,157.65	1,477.53
37	3,225.61	4,116.92	5,254.52	64	n/a	1,102.51	1,407.17
38	3,071.99	3,920.85	5,004.27	65	n/a	1,050.01	1,340.15
39	2,925.68	3,734.12	4,765.94	66	n/a	n/a	1,276.32
40	2,786.35	3,556.28	4,538.96	67	n/a	n/a	1,215.54
41	2,653.65	3,386.91	4,322.79	68	n/a	n/a	1,157.65
42	2,527.27	3,225.61	4,116.92	69	n/a	n/a	1,102.51
43	2,406.90	3,071.99	3,920.85	70	n/a	n/a	1,050.01
44	2,292.27	2,925.68	3,734.12				

The information in the foregoing tables is based on the following assumptions:
1. Deposits are placed in an IRA 5-Year certificate earning a dividend rate of 4.88% per annum (5% annual percentage yield).
2. Interest is compounded daily on a 365/365 day basis.
3. Value shown is year-end value, available for withdrawal.

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M-36 1/2017