PENFED CREDIT UNION

INDIVIDUAL RETIREMENT ARRANGEMENT (IRA)

FOR NEW ACCOUNTS ONLY - CURRENT AS OF JANUARY 2020

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 Pentagon Federal Credit Union (PenFed) Individual Retirement Arrangement (IRA), you are investing wisely and securely for your future.

You can also open a **PenFed 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.

You can choose an **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.

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HOW DO YOU GO ABOUT ESTABLISHING YOUR ACCOUNT?

Simply follow the steps below:

1. You must be a PenFed 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.
2. Complete and sign the Individual Retirement Arrangement Application form located on page 5 of this booklet.
   * Remember to choose an IRA investment option or combination of options.
   * If future funding will be by automatic transfer, you can submit form 734 - Individual Retirement Arrangement (IRA)/Education Savings Account (ESA) Contribution Voucher. This form is available online at www.penfed.org/forms.
3. If you would like to transfer a preexisting IRA to PenFed, complete and return the IRA Transfer Authorization form on page 9. If you are 70½ or older, please note the special instructions on the form for traditional IRAs.
4. Read and retain for your records the Individual Retirement Custodial Account Form (#5305-A on page 11 for a traditional IRA or #5305-RA on page 13 for a Roth IRA). These forms are the required IRS forms and have not been updated for the recent tax law changes.
5. Read and retain for your records the applicable Disclosure Statement.
6. If your spouse wants an IRA, each of you must submit an IRA Application. Both must establish membership with PenFed.
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's acceptance of contributions or transferred funds to your IRA.

If you need another set of documents to establish an IRA for your spouse, please contact us at 1-800-247-5626, or download a form from PenFed.org/forms.

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 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 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 $6,000 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 IRAs are insured separately from your other PenFed 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 download a copy of the NCUA brochure, "Your Insured Funds," from their website.

Where can I go for more information?

Go to the IRA website at IRS.gov/publications and see Publication 590A, Individual Retirement Arrangements. For specific tax information, please consult with your accountant or tax advisor.

2020 LIMITS

2020 COMBINED TRADITIONAL AND ROTH IRA CONTRIBUTION LIMITS

If you are under 50 years of age at the end of 2020:

The maximum contribution you can make to a traditional or Roth IRA is the smaller of $6,000 or the amount of your taxable compensation for 2020. This limit can be split between a traditional and a Roth IRA but the combined limit is $6,000. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending on your modified adjusted gross income (modified AGI).

If you are 50 years of age or older before the end of 2020:

The maximum contribution that can be made to a traditional or Roth IRA is the smaller of $7,000 or the amount of your taxable compensation for 2020. This limit can be split between a traditional and a Roth IRA but the combined limit is $7,000. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending on your modified AGI.

2020 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**	≤ $65,000	a full deduction *(up to the amount of your contribution limit)*
	> $65,000 but < $75,000	a partial deduction
	≥ $75,000	no deduction
Married Filing Jointly or **Qualifying Widow(er)**	≤ $104,000	a full deduction *(up to the amount of your contribution limit)*
	> $104,000 but < $124,000	a partial deduction
	≥ $124,000	no deduction
Married Filing Separately*	< $10,000	a partial deduction
	≥ $10,000	no deduction

**If you file separately & did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.*

If you are NOT 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	≤ $196,000	a full deduction *(up to the amount of your contribution limit)*
	> $196,000 but < $206,000	a partial deduction
	≥ $206,000	no deduction
Married Filing Separately with a spouse who **is** covered by a plan at work*	< $10,000	a partial deduction
	≥ $10,000	no deduction

**If you file separately & did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.*

2020 ROTH IRA CONTRIBUTION LIMITS

If you have Taxable Compensation &		
your **Filing Status** is ...	and your **Modified AGI** is ...	then you can **contribute** ...
Single or **Head of Household** or **Married Filing Separately** and you did not live with your spouse at any time during the year	< $124,000	up to the limit
	≥ $124,000 but < $139,000	a reduced amount
	≥ $139,000	nothing *(you cannot contribute to a Roth IRA)*
Married Filing Jointly or **Qualifying Widow(er)**	< $196,000	up to the limit
	≥ $196,000 but < $206,000	a reduced amount
	≥ $206,000	nothing *(you cannot contribute to a Roth IRA)*
Married Filing Separately and you did live with your spouse at any time during the year	< $10,000	a reduced amount
	≥ $10,000	nothing *(you cannot contribute to a Roth IRA)*

INDIVIDUAL RETIREMENT ARRANGEMENT (IRA) APPLICATION

PENFED CREDIT UNION

Please check the box for the type of IRA you are eligible for:

☐ Traditional ☐ Simplified Employee Pension (SEP) ☐ Roth

If the incorrect box is checked, you may be subject to adverse tax consequences.

1. MEMBER INFORMATION *(Please complete all fields even if already on file)*

Member Name *(First, MI, Last)*: ______

Date of Birth *(MM/DD/YYYY)*: ______ Full SSN: ______

Mailing Address: ______

Physical Address *(If different than mailing)*: ______

Email: ______

Day Phone: ______ Evening Phone: ______ Cell Phone: ______

Employer: ______

Spouse's Name: ______

Date of Birth *(MM/DD/YYYY)*: ______ Full SSN: ______

2. TOTAL OPENING CONTRIBUTION

	Dollar Amount	Tax Year	Account Number
Contribution by Cash/Check *($25 Minimum)*	$		
Contribution by Transfer from PenFed Account *($25 Minimum)*	$		
Rollover Amount from Another IRA or Retirement Plan	$		
Transfer from Another Financial Institution*	$		

* Please complete the IRA Transfer Authorization form to transfer your IRA to PenFed. (Refer to Disclosure Statement for important information.)

3. INVESTMENT OPTIONS *(You may have more than one IRA certificate term and more than one maturity option)*

IRA Share Account *(Necessary for All IRAs)* $______

IRA Premium Account *($10,000 Minimum)* *(Rollover/Transfer Only)* $______

IRA Certificate *($1,000 Minimum)* For each certificate, select the **maturity** option:

1 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††
2 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††
3 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††
4 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††
5 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††
7 Year Certificate	$______	☐ Renew Certificate †	☐ Close Certificate ††

† *Combine dividends and principal, then renew the certificate upon maturity.*
†† *Close certificate & deposit in my IRA Share account upon maturity.*

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

4. BENEFICIARY DESIGNATION

Primary Beneficiary Name *(First, MI, Last)*: ______________________________

Date of Birth *(MM/DD/YYYY)*: ____________________ Full SSN: ____________________ Percent Allotted: _____%

Mailing Address: ______________________________

Contingent Beneficiary *(if any)* Name *(First, MI, Last)*: ______________________________

Date of Birth *(MM/DD/YYYY)*: ____________________ Full SSN: ____________________ Percent Allotted: _____%

Mailing Address: ______________________________

5. AGREEMENT

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. If a primary beneficiary predeceases the member/owner, the balance in the account is to be shared by the remaining primary beneficiaries, in equal shares. If all of the primary beneficiaries predecease the member/owner, the balance in the account shall be shared by the contingent beneficiaries in the percentages indicated. If the percentages are not indicated or if the contingent beneficiaries are deceased, the remaining contingent beneficiaries shall share the balance in the account equally. Beneficiary(ies) provided on this form will be applied toward the IRA Share Account and all associated current and future certificates. If you are not currently a Pentagon Federal Credit Union (PenFed) 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 PenFed 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 PenFed under the terms and conditions outlined herein and I reserve the right to change my beneficiary(ies) solely by filing another designation of beneficiary form with PenFed. I hereby acknowledge 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.

x ______________________________ ____________________

Member Signature **Date**

x ______________________________ ____________________

Spouse's Signature **Date**

INHERITED INDIVIDUAL RETIREMENT ARRANGEMENT (IRA) APPLICATION

PENFED CREDIT UNION

Please check the box for the type of IRA you are eligible for:

☐ Traditional ☐ Simplified Employee Pension (SEP) ☐ Roth

If the incorrect box is checked, you may be subject to adverse tax consequences.

1. MEMBER INFORMATION *(Please complete all fields even if already on file.)*

Member Name *(First, MI, Last)*: ______________________________

Date of Birth *(MM/DD/YYYY)*: ______________________ Full SSN: ______________________

Mailing Address: ______________________________

Physical Address *(If different than mailing)*: ______________________________

Email: ______________________________

Day Phone: ______________ Evening Phone: ______________ Cell Phone: ______________

Employer: ______________________________

Spouse's Name: ______________________________

Date of Birth *(MM/DD/YYYY)*: ______________________ Full SSN: ______________________

2. INHERITED IRA INFORMATION

Decedent's Name: ______________________________ Full SSN: ______________________

Decedent's Date of Birth *(MM/DD/YYYY)*: ______________ Decedent's Date of Death *(MM/DD/YYYY)*: ______________

Fair Market Value of the account as of December 31st of the year of death: $______________________

Where are the funds being transferred from? (select one):

☐ Transfer from the Decedent's PenFed IRA:

Account Number: ______________________

Amount: $______________________

Whose age would you like the new Inherited Distributions to be based on?

☐ the Decedent's Age ☐ Your Age

☐ Transfer from Decedent's IRA at Another Financial Institution:

Institution Name: ______________________

Account Number: ______________________

Amount: $______________________

Please complete the IRA Transfer Authorization form to transfer your IRA to PenFed. *(Refer to Disclosure Statement for important information)*

Have Inherited Distributions started? ☐ Yes ☐ No

If Yes: When did they start? *(MM/DD/YYYY)*: ______________________

Were they based on ☐ the Decedent's Age or ☐ Your Age?

If No: Would you like the new Inherited Distributions to be based on ☐ the Decedent's Age or ☐ Your Age?

Requested Distribution Frequency: ☐ Monthly ☐ Quarterly ☐ Yearly

Requested Starting Date *(MM/DD/YYYY)*: ______________________

Payment Disbursement: ☐ Send me a Check ☐ Deposit into my PenFed Account No: ______________

You have the option of having federal income tax withheld from the IRA withdrawal. **If you do not make a withholding election, as required by regulation, PenFed will withhold the standard 10% for tax withholding. PenFed recommends that you consult your tax or legal advisor prior to selecting this option.**

Do you want federal income tax withheld from this IRA withdrawal?

☐ Yes (choose one option on next page) ☐ No

If yes, ☐ I would you like the Standard Rate of 10% or
☐ I hereby direct PenFed to withhold _____% or specifically $ ________________ from my withdrawal(s)

3. INVESTMENT OPTIONS *(You may have more than one IRA certificate term and more than one maturity option)*

IRA Share Account *(Necessary for All IRAs)*	$______________	
IRA Premium Account *($10,000 Minimum)* *(Rollover/Transfer Only)*	$______________	
IRA Certificate *($1,000 Minimum)*		For each certificate, select the **maturity** option:
1 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††
2 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††
3 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††
4 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††
5 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††
7 Year Certificate	$______________	☐ Renew Certificate † ☐ Close Certificate ††

† *Combine dividends and principal, then renew the certificate upon maturity.*
†† *Close certificate & deposit in my IRA Share account upon maturity.*

4. BENEFICIARY DESIGNATION

Primary Beneficiary Name *(First, MI, Last)*: ______________________________

Date of Birth *(MM/DD/YYYY)*: ______________ Full SSN: ______________ Percent Allotted: _____%

Mailing Address: ______________________________

Contingent Beneficiary *(if any)* Name *(First, MI, Last)*: ______________________________

Date of Birth *(MM/DD/YYYY)*: ______________ Full SSN: ______________ Percent Allotted: _____%

Mailing Address: ______________________________

5. AGREEMENT

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. If a primary beneficiary predeceases the member/owner, the balance in the account is to be shared by the remaining primary beneficiaries, in equal shares. If all of the primary beneficiaries predecease the member/owner, the balance in the account shall be shared by the contingent beneficiaries in the percentages indicated. If the percentages are not indicated or if the contingent beneficiaries are deceased, the remaining contingent beneficiaries shall share the balance in the account equally. Beneficiary(ies) provided on this form will be applied toward the IRA Share Account and all associated current and future certificates. If you are not currently a Pentagon Federal Credit Union (PenFed) 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 PenFed 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 PenFed under the terms and conditions outlined herein and I reserve the right to change my beneficiary(ies) solely by filing another designation of beneficiary form with PenFed. I hereby acknowledge 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.

x ______________________________ ______________
Member Signature **Date**

x ______________________________ ______________
Spouse's Signature **Date**

PENFED CREDIT UNION

Individual Retirement Arrangement (IRA)
TRANSFER AUTHORIZATION

Sections 1, 2 & **3** to be completed/signed by the **PenFed Member**. Section 4 to be completed by PenFed.

1. MEMBER DETAILS

Date: ____________________

Member Name: ____________________

PenFed Member Number: ____________________ SSN: ____________________

Name of Transferring Institution: ____________________

Address of Transferring Institution: ____________________

Transferring Institution IRA Account No: ____________________

2. INSTRUCTIONS TO TRANSFERRING INSTITUTION

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 to Pentagon Federal Credit Union (PenFed).
  insert date transfer is to be made
- ☐ The sum of $ ____________________ from my IRA to Pentagon Federal Credit Union (PenFed).

Please make the check payable to: Pentagon Federal Credit Union as custodian for the IRA of:

____________________ whose account number is ____________________.

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

If you inherited the IRA, please include the following:

Decedent's Name: ____________________

Date of Death: ____________________ Decedent's SSN: ____________________

Mail the check (if applicable) and a copy of this letter to: PenFed Credit Union - Attention: IRA Department
PO Box 247009, Omaha, NE 68124-7009

____________________ ____________________
Depositor's Signature **Depositor's Printed Name**

3. DESIGNATION OF FUNDS

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

IRA Share Account *($25 minimum)*	**IRA Premier Account** *($10,000 minimum)* **Rollover/Transfer Only**	**IRA Certificate Term** *($1,000 minimum)*					
		1 - Year	2 - Year	3 - Year	4 - Year	5 - Year	7 - Year

SECTION 4. PenFed Use Only
This is to certify PenFed has accepted the appointment as Successor Custodian of the IRA named above.

PenFed Authorized Signature: ____________________ Date: ____________________

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

Article VII

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

Article VIII

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

Article IX

Article IX may be used for any additional provisions. If no other provisions will be added, draw a line through this space. If provisions are added, they must comply with applicable requirements of state law and the Internal Revenue Code and may not imply that they have been reviewed or pre-approved by the IRS.

Depositor's signature ______________________ Date ______________

Custodian's signature ______________________ Date ______________

Witness' signature ______________________ Date ______________

(Use only if signature of the depositor or the custodian 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. However, only Articles I through VIII have been reviewed by the IRS. A Roth individual retirement account (Roth IRA) is established after the form is fully executed by both the individual (depositor) and the custodian. This account must be created in the United States for the exclusive benefit of the depositor and his or her beneficiaries.

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

Unlike contributions to traditional individual retirement arrangements, contributions to a Roth IRA are not deductible from the depositor's gross income; and distributions after 5 years that are made when the depositor is 59$^1/_2$ 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-A,** Contributions to Individual Retirement Arrangements (IRAs), and **Pub. 590-B,** Distributions from Individual Retirement Arrangements (IRAs).

Definitions

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

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

Specific Instructions

Article I. The depositor may be subject to a 6% tax on excess contributions if **(1)** contributions to other individual retirement arrangements of the depositor have been made for the same tax year, **(2)** the depositor's adjusted gross income exceeds the applicable limits in Article II for the tax year, or **(3)** the depositor's and spouse's compensation is less than the amount contributed by or on behalf of them for the tax year.

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 AGREEMENT 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 Arrangement (IRA). Additionally, the Disclosure explains specific features of your Pentagon Federal Credit Union (PenFed) 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, Attention: IRA Department, PO Box 247009, Omaha, NE 68124-7009. Upon receipt of your letter, PenFed 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 questions concerning your right to revoke your account, please call us at 1-800-247-5626.

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. TRADITIONAL/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 590A, 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 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 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 PenFed 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.
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 PenFed 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 rollover 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 an 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 the 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 Section403(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 firefighting 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 on 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 non-deductible 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 your contribution is deductible 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 cannot 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 on 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 ($3,500 if 50 and older), the amount of the excess will be includable in income in the year withdrawn regardless of whether 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, the 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 their 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 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 from an IRA. At the end of the year the aggregate (or fair market value) of all their IRAs is $25,000, the aggregate amount of nondeductible contributions previously not withdrawn is $4,000. The amount of the individual distribution excludable from taxable income is $296 ($4,000/$27,000 times $2,000) and the remaining $1,704 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. 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 PenFed 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 PenFed from another institution, after attaining age 70½, you will need to notify PenFed 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 PenFed 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 than10 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 PenFed, 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 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 PenFed 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.

If you die before distribution has begun (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 their own distribution plan, provided individual accounts are established.
3. TRADITIONAL. Treat IRA as Own. Spouse option only. May elect to treat the account as their own IRA and may be required to transfer to their own IRA account. The spouse is required to transfer to their 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.

If you die after distribution has begun (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, and 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 their own and may be required to transfer to their 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 PenFed 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 the PenFed 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 PenFed 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 PenFed 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
      (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) Exceptions. 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 in the form of a distribution.
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. PenFed 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

The information in these 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.

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

VALUE OF $1,000 ROLLOVER DEPOSITED in an IRA SHARE ACCOUNT

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

(Assuming no further deposits are made to the account)

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

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

The information in these 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.

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

VALUE OF $1,000 ROLLOVER DEPOSITED in an IRA 5-YEAR CERTIFICATE

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

(Assuming no further deposits are made to the account)

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
19	$ 7,763.73	$ 9,909.03	$ 12,647.13
20	$ 7,393.98	$ 9,437.11	$ 12,044.81
21	$ 7,041.84	$ 8,987.67	$ 11,471.17
22	$ 6,706.47	$ 8,559.63	$ 10,924.85
23	$ 6,387.07	$ 8,151.97	$ 10,404.55
24	$ 6,082.89	$ 7,763.73	$ 9,909.03
25	$ 5,793.19	$ 7,393.98	$ 9,437.11
26	$ 5,517.28	$ 7,041.84	$ 8,987.67
27	$ 5,254.52	$ 6,706.47	$ 8,559.63
28	$ 5,004.27	$ 6,387.07	$ 8,151.97
29	$ 4,765.94	$ 6,082.89	$ 7,763.73
30	$ 4,538.96	$ 5,793.19	$ 7,393.98
31	$ 4,322.79	$ 5,517.28	$ 7,041.84
32	$ 4,116.92	$ 5,254.52	$ 6,706.47
33	$ 3,920.85	$ 5,004.27	$ 6,387.07
34	$ 3,734.12	$ 4,765.94	$ 6,082.89
35	$ 3,556.28	$ 4,538.96	$ 5,793.19
36	$ 3,386.91	$ 4,322.79	$ 5,517.28
37	$ 3,225.61	$ 4,116.92	$ 5,254.52
38	$ 3,071.99	$ 3,920.85	$ 5,004.27
39	$ 2,925.68	$ 3,734.12	$ 4,765.94
40	$ 2,786.35	$ 3,556.28	$ 4,538.96
41	$ 2,653.65	$ 3,386.91	$ 4,322.79
42	$ 2,527.27	$ 3,225.61	$ 4,116.92
43	$ 2,406.90	$ 3,071.99	$ 3,920.85
44	$ 2,292.27	$ 2,925.68	$ 3,734.12
45	$ 2,183.10	$ 2,786.35	$ 3,556.28
46	$ 2,079.13	$ 2,653.65	$ 3,386.91
47	$ 1,980.11	$ 2,527.27	$ 3,225.61
48	$ 1,885.81	$ 2,406.90	$ 3,071.99
49	$ 1,796.00	$ 2,292.27	$ 2,925.68
50	$ 1,710.46	$ 2,183.10	$ 2,786.35
51	$ 1,629.00	$ 2,079.13	$ 2,653.65
52	$ 1,551.42	$ 1,980.11	$ 2,527.27
53	$ 1,477.53	$ 1,885.81	$ 2,406.90
54	$ 1,407.17	$ 1,796.00	$ 2,292.27
55	$ 1,340.15	$ 1,710.46	$ 2,183.10
56	$ 1,276.32	$ 1,629.00	$ 2,079.13
57	$ 1,215.54	$ 1,551.42	$ 1,980.11
58	$ 1,157.65	$ 1,477.53	$ 1,885.81
59	$ 1,102.51	$ 1,407.17	$ 1,796.00
60	$ 1,050.01	$ 1,340.15	$ 1,710.46
61	n/a	$ 1,276.32	$ 1,629.00
62	n/a	$ 1,215.54	$ 1,551.42
63	n/a	$ 3,310.17	$ 1,477.53
64	n/a	$ 2,152.52	$ 1,407.17
65	n/a	$ 1,050.01	$ 1,340.15
66	n/a	n/a	$ 1,276.32
67	n/a	n/a	$ 1,215.54
68	n/a	n/a	$ 1,157.65
69	n/a	n/a	$ 1,102.51
70	n/a	n/a	$ 1,050.01