

## JOHNSON TRUST COMPANY IRA DISCLOSURE STATEMENT

Introduction. This Disclosure Statement describes the general requirements of both a Traditional Individual Retirement Account (“Traditional IRA”), a Roth Individual Retirement Account (“Roth IRA”) and an Inherited IRA as required by the Treasury Regulations with Johnson Trust Company and its affiliates (collectively referred to as “Johnson Trust Company”). Where the requirements for a Traditional IRA and Roth IRA are the same, the Disclosure Statement will refer to both types of accounts as an IRA. This Disclosure Statement describes the Federal tax rules, except where specifically noted.

### You Can Revoke Your IRA

You may revoke your Johnson Trust Company IRA within 7 days of after it is established by mailing or delivering written notice to Johnson Trust Company at 3777 West Fork Road, Cincinnati, Ohio 45247.

If written notice is mailed, the notice date will be on the date of the postmark (or if sent by certified or registered mail, the date of certification or registration) if it is deposited in the mail of the United States in an envelope, or other appropriate wrapper, first class, postage prepaid, properly addressed. If you revoke your IRA, you will be entitled to the refund of your entire IRA contributions without adjustment for administrative expenses, sales commissions (if any) or fluctuations in the market value.

### Basic IRA Requirements

An IRA is a trust or custodial account established for the exclusive benefit of you and, after your death, your beneficiaries. The Internal Revenue Code of 1986 (“Code”) provides for Traditional IRAs and Roth IRAs. You must clearly designate on the form establishing your IRA that your account is either a Traditional IRA or a Roth IRA. All IRAs must be created by a written instrument meeting the following requirements:

- All contributions to the IRA must be made in cash unless the contribution is a rollover or conversion contribution.
- The total contributions to your IRA (except for rollover or conversion contributions) for a taxable year must not exceed the contribution limit for the applicable taxable year. The contribution limit is described below in the Limitations on Contributions Section.
- The IRA must be established with a bank, person or entity approved by the Secretary of Treasury such as Johnson Trust Company. Johnson Trust Company is an Ohio corporation, subject to supervision and examination by Ohio Department of Commerce, Division of Financial Institutions.
- No part of the Account will be invested in life insurance contracts.
- Your interest in the Account is nonforfeitable.
- The assets in the Account may not be commingled with any other property except in a common trust fund or common investment fund.
- You must start receiving distributions from a Traditional IRA by April 1 of the year following the year in which you reach age 70½. This is referred to as Required Minimum Distribution Rules and is explained in the Traditional IRA Required Minimum Distribution Section.
- If you begin distributions before you reach age 59½ you may be subject to possible excise tax. This is explained in the Early Distribution Section.

Timing of Contributions. IRA contributions for a taxable year must be made either during the taxable year or by the due date of your tax return without subject to extensions.

Age 70½ Limit on Traditional IRA Contributions. No contributions can be made to your IRA after you have reached age 70½.

Excise Tax on Excess Contributions. Any IRA contributions that you make in excess of the applicable limits are subject to a 6% excise tax for each year until you correct these contributions. You may avoid the excise tax by withholding the excess no later than the due date for filing your federal income tax return including extensions. Johnson Trust Company and its affiliates shall have no responsibility for determining whether a contribution is an “excess contribution.”

### When You Are Eligible to Make an IRA Contribution

Traditional IRA. You are eligible to contribute to a Traditional IRA if you received compensation for that year and you did not reach 70½ by the end of the year. You are responsible for determining your eligibility.

Roth IRA. You are eligible to contribute to a Roth IRA, regardless of your age, if you received compensation for that year and your Modified Adjusted Gross Income (“MAGI”) is below the threshold amount established by the Internal Revenue Service. If you are single with MAGI that does not exceed \$117,000 for 2016 and \$118,000 for 2017, or married filing jointly with MAGI that does not exceed \$184,000 for 2016 and \$186,000 for 2017, you are eligible to make a full contribution to a Roth IRA. If you have compensation above these thresholds, the amount you may contribute to a Roth IRA is reduced and phased out to zero for higher compensation amounts. No contribution is allowed when your compensation reaches the maximum amount, as provided on Appendix A.

Inherited IRA. If you are a beneficiary who inherits from a deceased IRA owner, you may maintain the tax deferred status of the IRA in an inherited IRA. You may not make contributions to an inherited IRA. In addition, you may be required to take annual minimum distributions from the inherited IRA.

Additional Limits on Roth IRA Contributions. Roth IRA contributions are allowed to the full contribution limit above if your MAGI does not exceed threshold amounts.

If these rules limit your Roth IRA contributions, you can still make a Traditional IRA contribution, although it may not be deductible depending on your income

Your Roth IRA contribution is not limited by your participation in a retirement plan or Traditional IRA.

Minimum contribution limit of \$200. There is a special rule providing that if your MAGI for Roth IRA contribution phase-out purposes is within the “phase-out range,” your Roth IRA contribution limit is never less than \$200.

### Limits on Contributions

Regular Contributions. You may make annual regular IRA contributions (to a Traditional IRA or a Roth IRA) in a total amount up to the lesser of 100 percent of your compensation or the maximum amount listed in the Contributions Limits Chart provided on Appendix A.

The maximum amount that you can contribute is reduced by the amount of any contribution you make to any other IRAs, including Roth IRAs, but excluding any employer contributions made to a SARSEP IRA or SIMPLE IRA for the tax year. These dollar limits are

subject to cost of living adjustments.

Catch-Up Contributions. You may make catch-up contributions if you are age 50 or older before the end of the taxable year in the amount provided in the Contributions Limits Chart above.

Simplified Employee Pension Plan (“SEP”). If you participate in your employer’s SEP Plan, your employer may make SEP contributions to your IRA. You may still contribute to your IRA. However, when your employer makes SEP contributions on your behalf, you are considered covered by an employer retirement plan. Therefore, your ability to deduct your IRA contributions may be limited depending on your modified adjusted gross income (MAGI).

Rollover Contributions. Generally, a rollover is a movement of cash or assets from one retirement plan to another. You must irrevocably elect to treat such contributions as rollovers. If you are required to take minimum distributions because you are age 70½ or older, you may not roll over any required minimum distributions. If you are a non spouse beneficiary of an inherited IRA, you may not rollover assets from an inherited IRA. However, a spousal beneficiary may rollover the assets.

IRA-to-IRA Rollover. You may withdraw, tax free, all or part of the amounts in your IRA if you reinvest those amounts within 60 days into the same or another IRA. You may only roll over one distribution from each IRA every 12 months. The 12-month waiting period begins on the date you receive the IRA distribution, not on the date you roll it over into an IRA. In addition, the amounts rolled to a subsequent IRA may not be rolled over again until 12 months has elapsed.

If you rollover an entire IRA distribution into your newly established IRA, you do not have to report the distribution as taxable income. Any amount not properly rolled over within the 60-day period or any amount you keep will generally be taxable in the year distributed (except for any part that is a return of nondeductible contributions) and may be subject to the 10% premature distribution penalty tax if you are under age 59½ (and do not qualify for an exception).

Simple IRA to Traditional IRA Rollover. To complete a rollover of your SIMPLE IRA to your Traditional IRA, at least two years must have elapsed from your initial SIMPLE IRA contribution. The two-year waiting period begins on the first day you participated in your employer’s SIMPLE IRA plan. If the two-year period has elapsed, you may withdraw, tax free, all or part of the amounts in your SIMPLE IRA if you reinvest those amounts within 60 days into your IRA. You may only roll over one distribution from each SIMPLE IRA every 12 months. The 12-month waiting period begins on the date you receive the SIMPLE IRA distribution, not on the date you roll it over into an IRA. In addition, the amounts rolled to a Traditional IRA may not be rolled over again until 12 months has elapsed.

If you complete a rollover of the entire distribution into your IRA, you do not have to report the distribution as taxable income. Any amount not properly rolled over within the 60-day period or any amount you keep will generally be taxable in the year distributed. Further, if you are under age 59½ and do not qualify for an exception, such amounts are subject to the 10% premature distribution penalty tax (or a 25% penalty tax if the distribution is within two years of your initial SIMPLE IRA contribution).

Johnson Trust Company and its affiliates shall

have no responsibility for determining whether any amounts may be rolled over or whether the rollover requirements are satisfied.

### **Traditional IRA Deduction Limits**

**General.** Your annual cash contributions to your Traditional IRA are generally deductible for purposes of calculating your federal income taxes. However, if you or your spouse is an “active participant” in an employer sponsored retirement plan, your deduction for your Traditional IRA contribution will be limited to a partial deduction or no deduction at all. Your deduction decreases when your MAGI increases. Your contribution must be claimed on IRS Form 1040 or Form 1040A. The maximum deductible amount is described in the Traditional IRA Deduction Phase-Out Chart provided on Appendix A.

**Single Active Participant Taxpayer.** If you are single and you are an “active participant” in an employer-sponsored retirement plan, you may make a contribution to your Traditional IRA but then the deductibility of your annual contributions are related to your MAGI as given in the Traditional IRA Phase-Out Chart on Appendix A. If your income is below the amount of the phase-out range shown below, you may make a deductible contribution to a Traditional IRA in the full amount shown in the Contribution Limit Chart on Appendix A.

### **Married Taxpayers**

**Married Taxpayers No Active Participant.** If you and your spouse file a joint tax return and neither you nor your spouse is an “active participant” in an employer-sponsored retirement plan, you and your spouse may make a deductible contribution to your Traditional IRA in the full amount shown in the Contribution Limit Chart provided on Appendix A.

**Married Active Participants Filing Joint Return.** If you and your spouse file a joint tax return and both you and your spouse are “active participants” in employer-sponsored retirement plans, you and your spouse may make contributions to a Traditional IRA (up to the amount provided in the Contributions Limits Chart), but then your deduction is limited as provided in the chart on Appendix A. If your income is below the amount of the phase-out range shown on Appendix A, you may make a deductible contribution to a Traditional IRA in the full amount shown in the Contribution Limit Chart provided on Appendix A.

**Married Taxpayer Filing Joint Return and Spouse Active Participant.** If you and your spouse file a joint tax return and only one of you is an “active participant” in an employer-sponsored retirement plan, special rules apply. If you spouse is the “active participant,” a contribution can be made to your Traditional IRA up to the amount provided in the Contributions Limits Chart, but your deduction is limited based on your MAGI as provided in the chart on Appendix A. If your income is below the amount of the phase-out range shown below, you may make a deductible contribution to a Traditional IRA in the full amount shown in the Contribution Limit Chart provided on Appendix A.

**Married Active Participant Filing Separately.** If you or your spouse lived together at any time during the year and either you or your spouse was an active participant for the taxable year, your deduction is limited as provided in the chart provided on Appendix A. If your income is below the amount of the phase-out range shown below, you may make a deductible contribution to a Traditional IRA in the full amount shown in the Contribution Limit Chart provided on Appendix A.

**Minimum Deduction Limit of \$200.** If your MAGI equals or exceeds the minimum threshold amount and is in between the amounts provided in the chart on Appendix A, your deduction for your IRA Traditional Contribution is ratably reduced, but not below \$200. Refer to IRS Form 590 to determine how to calculate your deduction. There is a special rule providing that if your MAGI for any taxable year is within the “phase-out range,” your traditional IRA deduction limit is never less than \$200.

**Active Participant.** Generally, you are considered an active participant in an employer sponsored retirement plan if an employee contribution or an employer contribution or forfeiture was credited to your account under the plan during the year. You are considered an active participant in a SEP or SIMPLE plan if an employer contribution, including a contribution you elect to make from your pay, was made to your account for the taxable year. You are considered an active participant in a defined benefit plan if you are eligible to participate in the plan, even though you may elect not to participate. You are also treated as an active participant for a year during which you make a voluntary or mandatory contribution to the plan. An “employer-sponsored retirement plan” includes a qualified pension, profit-sharing, or stock bonus plan established in accordance with Code Sections 401(a) or 401(k); a Simplified Employee Pension Plan (SEP) (Code Section 408(k)); a Savings Incentive Match Plan for Employees (SIMPLE) established in accordance with Code Section 408(p) or Code Section 401(k); a deferred compensation plan maintained by a governmental unit or agency; tax-sheltered annuities and custodial accounts (Code Section 403(b) and 403(b)(7)); or a qualified annuity plan under Code Section 403(a). You should check with your employer for your status as an active participant.

### **Traditional IRA Nondeductible Contributions**

You may make a nondeductible Traditional IRA contribution in one of two ways. First, you may contribute more than can be deducted for a taxable year (because you or your spouse is an active participant) and you are not eligible to make a Roth IRA contribution, the additional amount is treated as a non-deductible contribution. Second, you may also elect to treat all or a portion of your contribution as non-deductible even if it would otherwise be deductible. However, if you want to make non-deductible contributions, generally it will be more advantageous for you to contribute to a Roth IRA. Remember, the total amount of all contributions to your Traditional IRA (both deductible and nondeductible) cannot exceed the lesser of the contribution limit provided in the Contributions Limits Chart or 100% of your compensation for the year.

**Tax Advantage of Non-Deductible Traditional IRA Contributions.** In general, the tax advantage of nondeductible contributions is you are not taxed on the earnings and gains on the contributions until the amounts are distributed to you.

**Designation of Traditional IRA Nondeductible Contributions.** Your designation of Traditional IRA contributions as nondeductible contributions for a taxable year is to be made by filing Form 8606, “Nondeductible IRAs,” with your federal income tax return for the taxable year. Nondeductible Traditional IRA contributions for a taxable year may be made at any time during the taxable year, or in the next year, up to the due date for filing your

federal income tax return for the taxable year, not including extensions. If you file an amended return, you may change your designation of your Traditional IRA contributions from deductible contributions to nondeductible contributions or vice versa (although such a change may result in an increased or different tax liability).

### **Traditional IRA Distributions and Tax Consequences**

Generally, distributions from your Traditional IRA will be taxable as ordinary income in the year of receipt. Earnings and gains on Traditional IRA contributions will not be subject to federal income tax until they are actually distributed. You may be eligible to make tax-free rollover contributions from other retirement plans or employer-maintained retirement plans to your Traditional IRA. You may also be eligible to make a tax-free rollover from distributions from a Traditional IRA to another retirement plan or an employer-maintained retirement plan.

Additionally, distributions from your Traditional IRA may not be taxable if certain rollover requirements are met.

The income tax consequences explained above relate to federal income taxes. State income tax consequences of a Traditional IRA vary. You should consult with an appropriate tax professional to assess any state tax consequences.

### **Roth IRA Distributions and Tax Consequences**

Contributions to a Roth IRA are not deductible for federal income tax purposes. Taxation of a distribution from your Roth IRA depends on whether the distribution is a “qualified” distribution.

**Qualified Roth IRA Distributions.** Earnings in a Roth IRA grow tax-deferred (earnings of the Roth IRA Account are not taxed each year, they are realized) and can be withdrawn tax-free (and penalty-free) if the distribution is a “qualified” distribution. A distribution will be “qualified” if it is made:

- After you have had a Roth IRA for a five-calendar-year period (discussed below); AND
- On or after the date on which you attain age 59½, die, or become disabled, or for a qualified first-time home purchase (up to a lifetime limit of \$10,000).

The five-calendar-year period begins with the first day of the first year for which you made a contribution or conversion to any Roth IRA. Starting a new Roth IRA in a later year (either by annual contribution or by conversion) does not start a new five-year period. However, if you have converted a deductible contribution to a Roth contribution, a different rule applies for purposes of determining the penalty tax treatment of Roth IRA distributions attributable to converted amounts. (See Section titled “Application of Early Distribution Penalty to Roth IRA Converted Amounts.”)

If you die, the five-calendar-year period continues to be measured from the time you first held a Roth IRA. A new period does not start in the year of your death. If you hold a Roth IRA as a beneficiary and your own Roth IRA, the five-calendar-year period for these Roth IRAs is measured separately.

If you die and your surviving spouse is the beneficiary of your Roth IRA and elects to treat your Roth IRA as his or her own, the five-calendar-year period for your surviving spouse begins on the earlier of the beginning of the five-calendar-year measuring period for your Roth IRA

or the beginning of the five-calendar-year measuring period for your spouse's own Roth IRA

If a distribution is qualified, it generally is not subject to the early distribution penalty. However, a special rule exists for amounts withdrawn that are attributable to amounts converted within the five-year period after the conversion. (See Section titled "Application of Early Distribution Penalty to Roth IRA Converted Amounts.")

Distributions of excess contributions plus earnings are never treated as qualified distributions. Earnings on excess contributions are taxable when distributed.

**Nonqualified Roth IRA Distributions.** If a distribution from a Roth IRA is not qualified and the distribution includes earnings, the earnings withdrawn must be included in income and may be subject to the 10% federal early distribution penalty. Generally, the amount of a distribution from a Roth IRA that is classified as a distribution of contributions or of an amount converted from a Traditional IRA to a Roth IRA is not taxed even if the distribution is not qualified.

**Ordering Rules for Roth IRA Distributions.** Like Traditional IRAs, all Roth IRAs must be treated as one for purposes of determining the taxation of withdrawals. Unlike Traditional IRAs, however, withdrawals from Roth IRAs do not represent a pro-rata return of taxable and nontaxable amounts. Instead, distributions from Roth IRAs are classified according to the following "ordering rules":

- First, from regular contributions to Roth IRAs;
- Second, from conversion amounts, starting with amounts first converted; and
- Last, from earnings.

**Rollover.** Rollover contributions from other Roth IRAs or distributions from a designated Roth account in a 401(k) or 403(b) plan may be made to your Roth IRA account and distributions from your Roth IRA may be made to another Roth IRA.

**Conversions.** You may rollover or "convert" a Traditional IRA to a Roth IRA. Distributions from an eligible retirement plan can be converted directly to a Roth IRA. The amount converted is includible in gross income but is not subject to an early withdrawal penalty. However, you may not convert distributions from an inherited IRA.

The above income tax rules relate to federal income taxes. State income tax consequences of a Roth IRA may vary. You should consult with an appropriate tax professional to assess any state tax consequences.

### **Early Distributions**

If you are under age 59½ and you take a distribution from your Traditional IRA or Roth IRA the amount may be subject to a 10% early distribution penalty. Generally, Code Section 72(t) exempts the following from the early distribution penalty. These are summarized below:

- You have unreimbursed medical expenses that are more than 7.5% of your adjusted gross income and provided certain conditions apply.
- The distribution is to pay your medical insurance premiums if you are unemployed and receive federal or state unemployment benefits for 12 consecutive weeks, or would have if not self-employed, and you receive the distribution during that or the succeeding tax year.
- A physician certifies that you are disabled as defined by the Code.

• You are receiving substantially equal periodic payments (not less frequently than annually) made for your life (or life expectancy) or for the joint lives (or joint life expectancy) of you and your beneficiary consistent with the Code and Regulations.

• The distributions are not more than your or your spouse's expenses, or those of you or your spouse's child, or grandchild for attendance at a post-secondary education institution.

• The distribution and any prior distributions for this purpose, does not total more than up to \$10,000 and is used within 120 days of withdrawal to buy or build a home that will be a principal residence for a qualified first-time homebuyer.

• The distribution is due to an IRS levy on the IRA.

• The distribution is a "qualified reservist distribution" as defined by the Code.

• The distribution is a properly rolled over or directly transferred to an eligible employer plan or another IRA within 60 days of distribution.

• The distribution is a result of a valid divorce decree and is transferred to your ex-spouse's IRA within 60 days of distribution.

• The distribution is a proper return of a certain excess contribution.

### **Traditional IRA Required Minimum Distributions (RMDs)**

**Age 70½ Minimum Distributions from your Traditional IRA.** You must begin receiving distributions from your Traditional IRA no later than April 1 following the calendar year in which you reach age 70½ (your "required beginning date"). (Age 70½ distributions are not required for a Roth IRA.) The amount required to be distributed each year is based on the account balance of your Traditional IRA on December 31 from the prior year divided by the "applicable distribution period." Generally, the "applicable distribution period" is determined by using the IRS Uniform Life Expectancy Table.

If your spouse is your sole beneficiary for the entire taxable year and your spouse is at least 10 years younger than you, the applicable distribution period is determined by using the IRS Joint Life and Last Survivor Expectancy Table. Special rules may require you to use the Joint Life and Last Survivor Expectancy Table if you get divorced or your spouse dies during a year. Your marital status is determined by January 1.

If you are married on January 1, your spouse is your sole primary beneficiary of the IRA on that January 1, and your spouse dies before you during that year, your spouse is treated as your sole primary beneficiary for the entire year in which your spouse died only if you do not name a new beneficiary until after your spouse's death.

If you are married on January 1, your spouse is your sole primary beneficiary of the IRA on that January 1, and you and your spouse divorce during that year, your spouse is treated as your sole primary beneficiary for that entire year only if you do not name a new beneficiary during that year.

A 50 percent excise tax is imposed if the amount distributed from your Traditional IRA each year beginning after you attain 70½ is less than the RMD. The excise tax is imposed on the difference between the RMD and the amount actually distributed. There are certain circumstances when the IRS will waive the excise tax if the failure to take

on RMD was due to reasonable error and steps were taken to remedy the failure to take the RMD. In all events, the excise tax is imposed on the Traditional IRA owner, not on Johnson Trust Company.

**Death Before Your RMDs Begin.** If you die before you are required to begin minimum distributions, your account balance must be paid to your beneficiary over a period not extending beyond his or her life expectancy. These withdrawals must begin in the year following your death. If your spouse is your sole beneficiary, he or she may defer making withdrawals until the date you would have become age 70½.

A spouse beneficiary may roll funds over into his or her own Traditional IRA. If your spouse is your sole beneficiary, he or she may instead elect to treat the Traditional IRA as his or her own. If you name a beneficiary that is not an individual (such as an estate or non-qualifying trust), the balance of your Traditional IRA must be distributed by December 31 of the fifth full year after your death. Your beneficiary for purposes of calculating required minimum distributions after your death is determined on September 30 of the year after the year in which you die.

Generally, if you have more than one beneficiary, the oldest beneficiary's life expectancy is used to calculate the required minimum distributions described above. However, it may be possible for each of your beneficiaries to use his or her own life expectancy to calculate the required minimum distributions if the separate account rules are satisfied. For the separate account rules to apply, your beneficiary designation must create separate interests for the beneficiaries as of your death, and separate inherited Traditional IRAs must be established by December 31 of the year after your death to use each beneficiary's life expectancy to calculate the required minimum distributions for the following year. The separate account rule does not apply if your beneficiary is a trust.

**Death After RMDs Begin.** If your required minimum distributions from your Traditional IRA begin prior to your death, the balance of your Traditional IRA must be distributed to your designated beneficiary over his or her life expectancy, or if longer, over your remaining life expectancy, starting by December 31 of the calendar year following the year of your death. If you do not have a beneficiary, or your beneficiary is not an individual, distributions must be made over your remaining life expectancy.

If your beneficiary is a trust and the trust meets certain requirements, the beneficiaries of the trust may be treated as designated beneficiaries for the purpose of determining the applicable distribution period. For these purposes, minimum distributions are considered to have begun prior to your death only if distributions were made on or after April 1 of the calendar year following the calendar year in which you attained age 70½. See IRS Publication 590 or consult a tax advisor for more information about the special trust rules.

**Special Rule Exception Where Surviving Spouse is Sole Beneficiary.** If the sole beneficiary of your Traditional IRA is your surviving spouse, your spouse may elect to treat your Traditional IRA as his or her own IRA. Your surviving spouse may elect to treat your Traditional IRA as his or her own IRA either by making contributions to the IRA (including a rollover contribution) or by not taking required minimum distributions from the IRA as the IRA beneficiary in accordance with the rules

summarized in this Section. In the case of a Traditional IRA, if your surviving spouse makes the election to treat your Traditional IRA as his or her own IRA, your spouse would be required to satisfy any minimum distribution requirements as the Traditional IRA owner in accordance with the rules summarized in this Section.

### **Inherited IRA Distributions**

In general, you are required to take distributions from your inherited IRA on or before December 31st following the year of death. However, different rules may apply if the original IRA owner died before reaching his or her required beginning date. If an RMD was required for the year in which death occurs, and deceased IRA owner did not take the required RMD prior to death, the beneficiary or beneficiaries must satisfy the RMD based on the deceased IRA owner's life expectancy. Different rules apply if you are a spouse beneficiary.

**Inherited IRA.** In general, distributions from inherited IRAs are taxable as regular income for the year in which the distribution occurs but are not subject to the early withdrawal penalty tax. The description under "Roth IRA Distributions and Tax Consequences" earlier in this section also applies to distributions from your inherited Roth IRA. However, there are some additional rules to be aware of, such as how to determine the five-year holding period. You should consult your tax adviser when making this determination.

### **Designation of Beneficiary**

You may designate one or more individuals or entities (such as a trust) as your beneficiary. You may also select other beneficiary designations deemed acceptable by Johnson Trust Company. You will initially designate your beneficiary by completing the application for the IRA. You may subsequently change or revoke your beneficiary designation at any time by notifying Johnson Trust Company in a form and manner acceptable to Johnson Trust Company. If you fail to designate a beneficiary or if your designated beneficiary (or each of your designated beneficiaries) predeceases you, your beneficiary will be your surviving spouse or, if you have no surviving spouse, your descendants by Right of Representation.

If you have more than one beneficiary who is entitled to benefits from your account after your die, each primary beneficiary's interest in your IRA will be considered to be a subaccount for purposes of determining required minimum distributions. The distribution rules will then be applied to each primary beneficiary's benefit.

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

Withdrawals of less than required minimums result in federal tax penalties.

If your beneficiary does not begin withdrawals within the required period and after Johnson Trust Company receives notice of your death, Johnson Trust Company may, but is not required to, distribute the assets of your Traditional IRA to your beneficiary in a single sum. The 50% federal tax penalty applies if RMDs are not made. Johnson Trust Company and its affiliates will be held harmless in its exercise or non-exercise of such distribution.

Your beneficiaries may further designate beneficiaries of their portion of your IRA after your death (subject to any restriction under state law), by contacting Johnson Trust Company's affiliate, Johnson Investment Counsel, and we will provide the necessary forms.

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

All distributions are includable in the beneficiary's gross income except the portion attributable to any nondeductible contributions.

Beneficiaries may defer inclusion in your gross income if the distribution is rolled over to another IRA or employer sponsored plan of the beneficiary. Rollovers must be completed within 60 days of receipt of the distribution to you.

### **Additional Requirements and Restrictions**

**Prohibited Transaction.** If you engage in any prohibited transaction as defined by Code Section 4975, the IRA will lose its tax exempt status which will result in the entire IRA value being included in your gross income. If disqualification occurs before you reach 59½, an additional 10% penalty tax will apply. Johnson Trust Company and its affiliates shall have no responsibility for determining whether a transaction is a prohibited transaction. Johnson Trust Company shall be entitled to rely on your direction with respect to those investments directed by you.

**Using Account as Security for a Loan.** Any portion of your Account used for security to obtain a loan will be deemed a distribution to you which will be included in your gross income. If the transaction occurs before you reach 59½ an additional 10% penalty tax will apply.

**Tax Filings.** IRS Form 5329 must be filed by you for each taxable year the Account is maintained.

**Approval.** The IRS has approved the Account agreement which implements Form 5305-A with permitted additions made by Johnson Trust Company. The IRS determination and issuance of Form 5305-A applies only to the form of the Account and does not represent a determination of the merits of the Account.

**Permitted Rollovers.** The proceeds of the IRA may be used as a rollover contribution to another account, annuity, or retirement bond as permitted by the Code.

**Additional Information.** Additional information regarding IRAs, this Account, including tax consequences, can be obtained from any district office of the IRS.

**Financial Disclosure** - Your IRA will be invested in stocks, bonds, mutual funds, and other investments which fluctuate in value. As such, the growth of your Account is not guaranteed and cannot be projected. Inflation relating to the calculation of earnings and applicable expenses with respect to investments in regulated investment companies can be found in the prospectus provided by the investment company.

Your IRA investments may be subject to various expenses including investment management fees, brokerage fees, and custodial fees. These fees have been disclosed in the Management Agreement between you and Johnson Investment Counsel, Inc. that you or your agent signed.

**Governing Law** - This Agreement, including the Beneficiary Designation, shall be governed according to Ohio law except to the extent preempted by Federal Law.

## **APPENDIX A**

### **Roth IRA Contribution Limits**

#### **Filing Status**

#### ***Single, Head of Household***

##### **2016 MAGI Thresholds**

\$117,000 Full Contribution

\$117,000 - \$131,999

Ratable Reduction

##### **2017 MAGI Thresholds**

\$118,000 Full Contribution

\$118,000 - \$132,999

#### ***Married Filing Separately***

##### **2016 MAGI Thresholds**

\$9,999 Full Contribution

\$10,000 No Contribution

Permitted

##### **2017 MAGI Thresholds**

\$9,999 Full Contribution

\$10,000 No Contribution

Permitted

#### ***Married Filing Jointly***

##### **2016 MAGI Thresholds**

\$184,000 Full Contribution

\$184,000 - \$193,999

##### **2017 MAGI Thresholds**

\$186,000 Full Contribution

\$186,000 - \$195,999

### **Contributions Limits Chart**

#### ***Tax Year 2016***

Traditional: \$5,500

Roth: \$5,500

Catch-Up: \$1,000

#### ***Tax Year 2017***

Traditional: \$5,500

Roth: \$5,500

Catch-Up: \$1,000

### **Traditional IRA Deduction Phase-Out Chart For Active Participants**

#### ***Tax Year 2016***

Single Filer MAGI: \$61,001 - \$70,999

Married Filing Jointly MAGI: \$98,001-\$117,999

Married Filing Separately MAGI\*: \$0-\$9,999

Spouse of Active Participant MAGI:

\$184,001 - \$193,999

#### ***Tax Year 2017 and After***

Single Filer MAGI: \$62,001 - \$71,999

Married Filing Jointly MAGI: \$99,001 - \$118,999

Married Filing Separately MAGI\*: \$0-\$9,999

Spouse of Active Participant MAGI:

\$186,001 - \$195,999

\*Married individuals who live apart for the entire year and file separate tax returns are treated as if they are "single" for purposes of determining their maximum deductible contributions to Traditional IRAs. If you are married filing separately and qualify to be treated as "single," only your active participant status matters for purposes of determining whether all or any portion of your contribution to a Traditional IRA is deductible.