

NOTE: THE REQUIRED MINIMUM DISTRIBUTION (RMD) DOES NOT APPLY FOR A ROTH IRA PLAN.

REQUIRED MINIMUM DISTRIBUTION (RMD) REGULATION – IRAs are designed to encourage tax-deferred savings for an individual's retirement; they are not intended to permanently shelter these dollars from income tax. Therefore, Internal Revenue Service (IRS) regulations (Internal Revenue Code 408 (a)), requires that IRA account holders begin taking annual distributions from their Traditional/SEP IRA in the year in which they turn age 70½. The objective is for the IRA to be disbursed during the account holder's lifetime. To accomplish this, the RMD for each year is calculated by using the Uniform Lifetime Distribution Table divisor applicable to the individual's age for that calendar year. The table applies to both married and single plan participants and is applied annually. The data required is the individual's age in the distribution year and the account value (fair market value) of the plan as of the end of the prior calendar year. Those individuals with a spousal beneficiary who is more than 10 years younger may use the Joint Life Table. However, this will result in a longer distribution period. The RMD must be satisfied by 31 December of each year.

Navy Federal® will calculate, arrange and disburse the IRA account holder's RMD free of charge upon receipt of NFCU 312 or a letter containing equivalent information. However, the IRA account holder bears the ultimate responsibility. Failure to withdraw the proper amount subjects the account holder to an IRS penalty. Because of the complexity of the IRA rules and possible tax implications for individual circumstances, members may wish to consult with a qualified tax advisor for additional assistance. In addition, Publication 590, Individual Retirement Arrangements, is available from the IRS. You may also call Navy Federal's IRA Section at 1-888-842-6328, between 7:30 am and 7:30 pm, Monday through Friday, Eastern time.

REQUIRED BEGINNING DATE – IRA account holders must receive the entire lump sum balance, or begin receiving annual disbursements, by 31 December of the year in which they turn 70½. The first annual payout may be delayed until 1 April of the following year. If this option is chosen, the account holder will receive two distributions the first year. Future RMD's **may not** be delayed and must be distributed by December 31 of each year.

BENEFICIARY INFORMATION – The IRA account holder may change the beneficiary (s) of the plan without consequence(s) to the RMD.

MULTIPLE IRAS – If the account holder has multiple IRAs (at different financial institutions), they may take distributions from each IRA or combine the total Fair Market Value and take the distribution from an IRA at one financial institution. The Internal Revenue Service calls this the "Alternative Method". In addition to convenience, the advantage of this method is that the account holder may draw from the IRA with the lowest interest rate first. If you choose this method, you should advise all financial institutions at which you have an IRA. Navy Federal specifically requests **written notification if you do not wish to take your RMD from Navy Federal by 1 September of each year.**

IRS PENALTIES – The IRS will impose a penalty for failure to withdraw the correct RMD on the amount not withdrawn.

METHOD AND FREQUENCY OF DISTRIBUTIONS FROM A NAVY FEDERAL IRA – The RMD from Navy Federal may be distributed monthly, quarterly or annually as determined by the account holder. The only exception is if the annual amount totals less than \$500, the funds will be withdrawn in one lump sum (at the end of the year unless otherwise requested). The account holder has the option of having the funds deposited into a non IRA Navy Federal account, sent by check via mail, or mailed to an account at another financial institution. The RMD from your Navy Federal IRA will be disbursed first from your IRA share account(s) followed by IRA certificates with the lowest dividend rates. Navy Federal will not access a dividend penalty on RMD funds withdrawn from an IRA Certificate. **If we do not receive written notification from you, the RMD will be withdrawn as of 1 April following the year in which you turn 70½. Navy Federal will withhold 10% of the distribution for federal tax withholding.**

SEE REVERSE FOR ADDITIONAL INFORMATION

IRA CONTRIBUTIONS — Contributions to a Traditional IRA are not allowed in the year the account holder turns 70 ½, or thereafter. However, an account holder can make "carry back" contributions for the preceding year, if the account holder was the recipient of earned income. Contributions for the preceding year can be made up to the IRS Deadline for each given year. Carry back (prior year) contributions will be added to the account holder's 31 December balance when determining the RMD.

IRA ROLLOVERS AND DIRECT TRANSFERS — It is possible for account holders to take IRA distributions that are intended to be "rolled back" into an IRA within 60 days, or transferred to another financial institution during their 70½ year and forward. Sometimes these funds may not be redeposited back into the IRA account until after 31 December and therefore will not appear as part of the Fair Market Value used to determine the RMD for that year. Nevertheless, these must be added back into the 31 December Fair Market Value balance when calculating the RMD. A 60 day rollover withdrawal does not satisfy the RMD Requirement.

Setting up your RMD is as easy as 1 - 2 - 3

- 1 - Read the information**
- 2 - Complete the enclosed application**
- 3 - Return it to Navy Federal**

We'll take care of the rest!