# Traditional and Roth IRA Custodial Account Agreement

**Introduction**

This Custodial Agreement establishes a Traditional Individual Retirement Account under Section 408(a) of the Internal Revenue Code and/or a Roth Individual Retirement Account under Section 408A of the Code (the "Code") with Adelphi Stock Brokers Inc. ("Adelphi") as the Custodian. The purpose of the IRA is to provide for the retirement and support of the Depositor and their beneficiaries. This Agreement outlines the terms and conditions governing both IRAs.

1. **Definitions**
    1.1. "Account" refers to the brokerage account established under this Agreement to hold the IRA.
    1.2. "Account Agreement" refers to the agreement formed when the Depositor opens a Traditional IRA with Adelphi, consisting of the IRA Application, this Custodial Agreement, and any other related documents.
    1.3. "Depositor" refers to the individual who establishes the IRA.
    1.4. "Custodian" refers to Adelphi who is responsible for holding and administering the assets in the IRA.
    1.5. "Code" refers to the Internal Revenue Code of 1986, as amended, and the regulations thereunder.
    1.6. "Beneficiary" is the individual(s) designated by the Depositor to receive the balance of the IRA upon the Depositor's death.

2. **Establishment and Contributions**
    2.1. Establishment of Account:
    The Depositor establishes a Traditional IRA or Roth IRA by completing and submitting the IRA Application to Adelphi, which, upon acceptance, opens the account.
    **a. Traditional IRA**
    i. Types of Contributions:
    The Custodian will accept the following types of contributions:
    - Regular contributions up to the maximum amount allowed by the Code.
    - Rollover contributions as described in Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16) of the Code.
    - Employer contributions under a Simplified Employee Pension (SEP) plan as described in Section 408(k).
    - Recharacterized contributions as described in Section 408A(d)(6).

    **b. Roth IRA**
    i. Types of Contributions:
    The Custodian will accept the following types of contributions:
    - Regular contributions up to the maximum amount allowed by the Code.
    - Rollover contributions from other IRAs or eligible retirement plans, excluding Roth IRAs.
    - Conversion contributions from Traditional IRAs or other eligible retirement plans.
        - **Note:** Conversions from a Traditional IRA to a Roth IRA are irrevocable and cannot be recharacterized under current tax law.
    - Recharacterized contributions as described in Section 408A(d)(6).

    2.2. **Contribution Limits:**
    **a. Traditional IRA**
    The total contributions to the Traditional IRA for a tax year shall not exceed the lesser of the statutory limit or 100% of the Depositor's compensation. Catch-up contributions are allowed for Depositors aged 50 or older.
    **b. Roth IRA**
    The total contributions to the Roth IRA for a tax year shall not exceed the lesser of the statutory limit or 100% of the Depositor's compensation. Contributions may be further limited based on the Depositor's modified adjusted gross income (MAGI).
    2.3. **Timing of Contributions:**

Contributions (for both IRAs) must be made by the due date for filing the Depositor's federal income tax return (not including extensions).

2.4. **Return of Excess Contributions:**
Contributions (for both IRAs) more than the annual limit are subject to a 6% excise tax unless corrected by withdrawal before the tax filing deadline, including extensions.

## 3. Nonforfeitability

The Depositor's interest in the balance of either IRA is always "nonforfeitable." This statement affirms that the funds and assets within an Individual Retirement Account (IRA) are fully secured and cannot be forfeited by the managing institution. In practical terms, the account holder retains an unequivocal right to the entire balance, regardless of circumstances. This provision is designed to protect retirement savings and ensure continued access to these funds, upholding the integrity of the account.

## 4. Investment of Contributions

4.1. **Investment Options:**
Contributions to either IRA will be invested in securities and other investments available through Adelphi, as directed by the Depositor.

4.2. **Prohibited Investments:**
No part of the custodial funds may be invested in life insurance contracts or collectibles as defined in Section 408(m) of the Code, except for certain gold, silver, platinum, and palladium bullion that meet the fineness requirements.

4.3. **Commingling of Assets:**
Custodial funds must not be commingled with other property except in a common trust fund or common investment fund.

4.4. **Responsibility for Investment Decisions:**
The Depositor is solely responsible for directing the investment of the IRA, and the Custodian has no duty to review or recommend investments.

## 5. Distributions

5.1. **Traditional IRA (Section 408(a))**

a. **Required Minimum Distributions (RMDs):**
   i. Starting at age 73, account holders must begin taking RMDs.
   ii. The annual RMD amount is calculated using the IRS Uniform Lifetime Table.

b. **Distribution Amounts:**
   i. There is no upper limit on the amount you can withdraw at any time. However:
      - Withdrawals are included in taxable income for the year.
      - Large distributions may push the account holder into a higher tax bracket.
   ii. Distributions may be taken as a single lump sum, over the life expectancy of the Depositor, or over the joint life expectancy of the Depositor and a designated beneficiary.

c. **Distribution Order**:
   i. Distributions from a Roth IRA shall be treated as made in the following order: (1) regular contributions, (2) conversion contributions, (3) earnings.

d. **Early Withdrawals:**
Distributions taken before age 59½ are subject to a 10% early withdrawal penalty in addition to ordinary income tax on the distributed amount. Exceptions to the penalty include:
   i. First-time home purchase (up to $10,000 lifetime limit).
   ii. Qualified higher education expenses.
   iii. Unreimbursed medical expenses exceeding 7.5% of AGI.
   iv. Disability or death.
   v. Health insurance premiums while unemployed

e. **Early Distribution Penalty Exceptions**:
Both types of IRAs have specific exceptions to the **10% penalty** for early distributions, such as qualified birth/adoption expenses (up to $5,000 per event).

f. **Death Distributions:**
If the Depositor dies before the entire interest is distributed, the remaining balance must be distributed to the beneficiaries according to the Internal Revenue Code requirements, either over the beneficiary's life expectancy or within five years of the Depositor's death.

g. **Tax Withholding:**
Traditional IRA distributions typically have 10% federal tax withholding unless the account holder opts out.

5.2. **Roth IRA (Section 408A)**

a. **Qualified Distributions:**
To withdraw earnings **tax-free**, the following conditions must be met:

i. **Five-Year Rule**: The account must have been open for at least five years.

ii. One of the following applies:
- The accountholder is age 59½ or older.
- The withdrawal is for a first-time home purchase (up to $10,000 lifetime limit).
- The account holder is disabled or deceased.

b. **Non-Qualified Distributions:**

i. Withdrawals of **earnings** that do not meet the qualified criteria are subject to:
- **Income Tax**: On the earnings portion of the distribution.
- **10% Penalty**: Unless an exception applies (same as Traditional IRA exceptions).

ii. Contributions vs. Earnings:
- Contributions to a Roth IRA can always be withdrawn **tax- and penalty-free**, regardless of age or reason.

c. **Distribution Limits:**

i. **No RMDs**: Roth IRAs are not subject to required minimum distributions during the lifetime of the Depositor. Beneficiaries are subject to distribution requirements under Section 401(a)(9) of the Code.

ii. **No Maximum Withdrawal Limit**: Account holders can withdraw up to the full account balance if the conditions for qualified distributions are met.

d. **Early Distribution Penalty Exceptions**:
Both types of IRAs have specific exceptions to the 10% penalty for early distributions, such as qualified birth/adoption expenses (up to $5,000 per event).

e. **Death Distributions:**
If the Depositor dies before the entire interest is distributed, the remaining balance must be distributed to beneficiaries according to the Internal Revenue Code requirements, either over the beneficiary's life expectancy or within five years of the Depositor's death.

f. **Ordering Rules:**
Distributions from a Roth IRA are made in the following order: contributions, conversions (on a first-in, first-out basis), and earnings.

g. **Tax Withholding:**
Roth IRA qualified distributions are tax-free and do not require withholding.

## 6. Reporting and Disclosure

6.1. **Custodian Reports:** The Custodian will provide annual reports concerning the status of the IRA, including contributions, distributions, and the fair market value of the account.

6.2. **Depositor Responsibilities:** The Depositor must provide the Custodian with any information necessary to prepare reports required by the IRS, including changes in address or beneficiary designations.

6.3. **Tax Reporting:** The Custodian will report distributions to the IRS and the Depositor using Form 1099-R, and contributions will be reported on Form 5498.

## 7. Amendments

7.1. **Compliance Amendments:** This Agreement may be amended by the Custodian at any time to comply with changes in the Internal Revenue Code or other applicable laws and regulations.

7.2. **Other Amendments:** Any other amendments must be agreed upon by both the Depositor and the Custodian. Notice of amendments will be provided to the Depositor.
7.3. **Notice of Amendments:** The Custodian will provide the Depositor with written notice of any amendments. If the Depositor does not object within 30 days, the amendments will be deemed accepted.

**8. Investment Direction and Authority**

8.1. **Depositor's Authority:** The Depositor has the exclusive authority to direct the Custodian regarding the investment of the IRA assets. The Custodian shall have no duty to question or investigate any investment directions given by the Depositor or to provide investment advice.
8.2. **Permissible Investments:** The IRA may be invested in any asset that is acceptable to the Custodian and is permissible under the Internal Revenue Code and applicable regulations. This includes, but is not limited to, stocks, bonds, mutual funds, and exchange-traded funds (ETFs).
8.3. **Prohibited Transactions:** The Depositor shall not engage in any prohibited transactions as defined in Section 4975 of the Internal Revenue Code, which include transactions between the IRA and a disqualified person that could result in penalties and the disqualification of the IRA.

**9. Custodian's Duties and Responsibilities**

9.1. **Recordkeeping:** The Custodian shall keep accurate records of all transactions related to the IRA, including contributions, distributions, investments, and fees.
9.2. **Tax Reporting:** The Custodian shall be responsible for filing all required tax forms and reports with the IRS and providing copies to the Depositor.
9.3. **Account Statements:** The Custodian shall provide periodic account statements to the Depositor, detailing the IRA's transactions and current holdings.
9.4. **Confidentiality:** The Custodian shall maintain the confidentiality of the Depositor's account information, disclosing such information only as required by law or as authorized by the Depositor.

**10. Contributions and Rollovers**

10.1. **Eligibility:** Contributions to the IRA can be made by any individual who has earned income and meets the eligibility requirements under the Internal Revenue Code.
10.2. **Rollover Rules:** If withdrawing funds that were recently rolled over or converted, a **five-year holding period** applies to avoid penalties, even if you meet the age requirement.
10.3. **Recharacterization:** Contributions to a Traditional IRA may be recharacterized as contributions to a Roth IRA and vice versa, subject to the rules and deadlines established by the IRS.

**11. Beneficiary Designations**

11.1. **Primary and Contingent Beneficiaries:** The Depositor may designate primary and contingent beneficiaries to receive the IRA assets upon the Depositor's death. These designations must be made in writing and submitted to the Custodian.
11.2. **Change of Beneficiaries:** The Depositor may change the designated beneficiaries at any time by submitting a new beneficiary designation form to the Custodian.
11.3. **Default Beneficiaries:** If no beneficiary is designated or if all designated beneficiaries predecease the Depositor, the IRA assets will be distributed to the Depositor's estate.

**12. Fees and Expenses**

12.1. **Custodian Fees:** The Custodian is entitled to charge fees for its services, including account maintenance fees, transaction fees, and termination fees. The fee schedule will be provided to the Depositor.
12.2. **Payment of Fees:** Fees may be paid directly by the Depositor or deducted from the IRA assets. If sufficient cash is not available in the IRA to cover the fees, the Custodian may liquidate assets to pay the fees.
12.3. **Changes to Fee Schedule:** The Custodian reserves the right to change the fee schedule upon 30 days' written notice to the Depositor.

**13. Termination**

13.1. **Termination by Depositor:** The Depositor may terminate this Agreement at any time by providing written notice to the Custodian. Upon termination, the Custodian will distribute the IRA assets as directed by the Depositor.
13.2. **Termination by Custodian:** The Custodian may terminate this Agreement upon 30 days' written notice to the Depositor. If the Depositor fails to provide distribution instructions, the Custodian may transfer the IRA assets to another custodian or distribute the assets to the Depositor.
13.3. **Effect of Termination:** Termination of this Agreement will not affect the rights and obligations of the parties with respect to transactions initiated before the termination date.

**14. Miscellaneous Provisions**

14.1. **Custodian's Responsibilities:** The Custodian is not responsible for any loss of principal or income, nor for the depreciation of the account's assets, except as a result of its own negligence or willful misconduct.
14.2. **Fees and Expenses:** The Custodian is entitled to receive fees for its services and may be reimbursed for any expenses incurred in the administration of the IRA, as disclosed in the fee schedule.
14.3. **Beneficiary Designation:** The Depositor may designate one or more beneficiaries to receive the balance of the IRA upon their death. The designation must be made in writing and filed with the Custodian.
14.4. **No Financial Advisory Services:** Adelphi does not provide financial advisory services. The Depositor is solely responsible for making investment decisions for the IRA. The Custodian will not offer advice on the merits or suitability of any investment.
14.5. **Severability:** If any provision of this Agreement is held to be invalid or unenforceable, the remaining provisions will continue in full force and effect.
14.6. **Entire Agreement:** This Agreement constitutes the entire understanding between the Depositor and the Custodian regarding the IRA and supersedes all prior agreements and understandings.
14.7. **Binding Effect:** This Agreement is binding upon the Depositor, the Custodian, and their respective heirs, successors, and assigns.
14.8. **Headings:** The headings used in this Agreement are for convenience only and do not affect the interpretation of the Agreement.

**15. Governing Law and Arbitration**

15.1. **Governing Law:** This Agreement is governed by the laws of the state in which the Custodian is located, except to the extent superseded by federal law.
15.2. **Arbitration:** Any disputes arising under this Agreement will be resolved through binding arbitration in accordance with the rules of FINRA Dispute Resolution. The arbitration will be conducted in the state determined by FINRA Dispute Resolution.

**For more details about your account relationship with Adelphi Stock Brokers Inc., please refer to our Customer Agreement.**

www.adelphis.co

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