

**REQUIRED DISTRIBUTIONS
FROM
YOUR CREDIT UNION
TRADITIONAL IRA
OVER AGE 70½**



- **QUESTIONS AND ANSWERS**
- **PAYMENT OPTION
EXPLANATIONS**
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QUESTIONS AND ANSWERS

Q1. Why do I have to receive money from my traditional IRA?

Federal tax laws require that each owner of a traditional IRA who has attained age 70½ receive taxable distributions each year. Our records indicate that you are subject to this requirement in 2008 and each subsequent year, until you have received all of the money in your IRA. The IRS refers to the annual minimum distribution as the IRA's required minimum distribution, often called the RMD.

Q2. May I take my required distributions for all of my traditional IRAs from just one traditional IRA?

Yes, but the required distribution for each of your traditional IRAs must be calculated separately. To use this approach, you will either have to compute the RMD for each IRA yourself, or ask each financial institution at which you have a traditional IRA to compute it for you. You will then need to total these RMDs and make sure that you receive this total from one or more of your traditional IRAs.

Q3. Do I have to receive a traditional IRA distribution in 2008?

You have until December 31, 2008, to receive the RMD for 2008. **An IRA owner who does not receive distributions at least equal to the RMD each year is subject to a 50% tax on the amount not received by the deadline.** Payment of this tax does not reduce the income taxes due on the later distribution of the money.

Q4. If I am already receiving regular periodic payments from my traditional IRA, do I still need to complete the *Post-70½ Payment Election* form?

Yes, we are asking you to complete the enclosed form to provide us with the information we need to assist you in meeting the RMD requirement for your IRA.

If you want to receive your post-70½ payments in the same months that you are currently receiving payments, select the earliest month in 2008 that you would receive payments under that schedule. For example, if you are receiving semiannual payments in June and December, then you should select June 2008 as your start date. Or, if you are receiving monthly payments, you should select January 2008 as your start date (even if it's already past that date).

Q5. What is the smallest amount I can withdraw from my traditional IRA?

The minimum distribution is based on the amount in the IRA and your age, and it is different for each IRA. You can receive the minimum amount by selecting payment option 5, required minimum distribution (RMD) payments, on the *Post-70½ Payment Election* form. Each January we will provide you with an estimate of the RMD for the upcoming year.

Q6. Why are there so many payment options?

So that you can receive the amount that is best suited for you, based on the tax law requirements and your personal financial needs.

Q7. Once I choose a payment option, may I change it later?

Yes.

Q8. How do I change my payment option?

Contact a representative at your credit union and ask to fill out the *Periodic Payment Change* form.

Q9. How do I change my withholding election?

Again, you can contact a credit union representative and ask to fill out the *Periodic Payment Change* form.

Q10. What if I want to withdraw money in addition to my periodic payments?

You may withdraw additional amounts from your IRA at any time. Contact a credit union representative and ask to fill out a *Withdrawal Instruction* form. Additional withdrawals will not affect the scheduled periodic payments, unless the withdrawal is so large that there is not enough remaining in the IRA to distribute the periodic payments.

Q11. Does my traditional IRA continue to earn dividends or interest after I start receiving payments?

That depends on the terms of the investments you've chosen for the money in your IRA. Refer to those terms or contact a credit union representative for further information.

Q12. May I change investments within my IRA once I start receiving payments?

You may change investments at any time, except as limited by the terms of your IRA investment contracts.

Q13. May I still roll over or directly transfer my IRA funds to another institution once I start taking payments?

Yes, except as limited by the terms of your IRA investment contracts. We recommend that you receive your entire RMD for the year, and then roll over or transfer the remaining funds.

Q14. Does my beneficiary designation affect the payment options available to me?

No. The options available for periodic payments are not affected by your beneficiary designation or by the fact that you have not designated beneficiaries. However, your beneficiary designation can affect the amount of your RMD if your spouse is more than ten years younger than you are. In this case, the RMD (and hence the payment under the RMD option) is smaller if your spouse is the only primary beneficiary of the IRA during the entire year.

Q15. How do I go about changing the beneficiary for my traditional IRA?

Contact your credit union representative for assistance in obtaining and completing a *Beneficiary Designation/Change* form.

If a trust for the sole benefit of your spouse is named as the primary beneficiary of your IRA, the trust must meet certain tests in order for the joint life expectancy of you and your spouse to be used for calculating payments. Ask your credit union representative for a *Qualified Trust Certification for Determining Post-70½ RMD*. Complete this form and give it to the credit union along with your *Beneficiary Designation/Change* form.

Q16. Who can I contact for more information about choosing a payment option?

Contact a credit union representative or your tax advisor for further information.

PAYMENT OPTION EXPLANATIONS

Option 1: Member Responsible for Payments

If you choose payment option 1 on the *Post-70½ Payment Election* form, you will be responsible for calculating and receiving the RMD for your IRA. If you have only one traditional IRA, then you should make sure that you withdraw at least the amount of the RMD for this IRA by the payment deadline. If you have two or more traditional IRAs, then you should add together the RMDs for each of your traditional IRAs and make sure that you receive at least this total from one or more of your traditional IRAs by the payment deadline. The payment deadline is December 31, 2008, for the 2008 RMD, and December 31 of each subsequent year.

Completing the Payment Election Form:

To select this payment option, provide the information requested at the top of the *Post-70½ Payment Election* form, check the box in front of payment option 1 in section B, and sign and date the form. Do not complete the rest of the form.

Option 2: Lump-sum Payment

If you want to receive your lump-sum payment immediately:

1. Do **not** complete the *Post-70½ Payment Election* form.
2. Contact a credit union representative to complete a *Withdrawal Instruction* form to receive your payment.

If you want to receive a lump-sum payment later, complete all of the *Post-70½ Payment Election* form, selecting payment option 2. You can receive this lump-sum payment any time until December 31, 2008.

Option 3: Payments Over a Specific Number of Years

If you choose payment option 3 in section B of the *Post-70½ Payment Election* form, we will compare the time period you select to the time period used by the tax laws to determine the RMD for the IRA. If the time period you select is shorter, we will base the payments on the time period you select. If the time period you select is longer than that used by the tax laws, we will make payments under payment option 5.

Please complete the entire form and sign it.

How Your Payments Will Be Calculated:

If you select this payment option, we will calculate your payment for 2008 by dividing the adjusted December 31, 2007, balance of your IRA by the applicable number of years.

Example: If you have \$10,000 in your traditional IRA on December 31, 2007, and want to receive payments over 5 years, you will receive \$2,000 for your 2008 payment (\$10,000 divided by 5 years = \$2,000).

For each year thereafter, we will calculate your payment by dividing the previous year's adjusted December 31 balance of your IRA by the remaining number of years. (If the number of years you indicate is 5, then it will be 4 years for 2009, 3 years for 2010, and so on.)

See page 11 to estimate your 2008 payment using this method.

Option 4: Specific Amount Payments

If you choose payment option 4 on the *Post-70½ Payment Election* form, you will receive payments equal to the amount you indicate. These payments will be made according to the frequency you indicate in section D (monthly, quarterly, semiannually, or annually). The annual amount of these payments must equal or exceed your RMD. If the amount you select does not at least equal the RMD, we will make payments under payment option 5.

Please complete the entire form and sign it.

Option 5: Required Minimum Distribution (RMD) Payments

If you choose payment option 5 on the *Post-70½ Payment Election* form, you will receive the RMD for the IRA each year.

Please complete the entire form and sign it.

How Your Payments Will Be Calculated:

Each traditional IRA RMD for a year is determined by dividing the adjusted account balance of the IRA as of the end of the prior year by a distribution period. For most IRAs, the distribution period is taken from the Uniform Lifetime Table published by the IRS. Here is a portion of this table:

<u>Attained Age</u> <u>in Year</u>	<u>Distribution</u> <u>Period</u>
70	27.4
71	26.5
72	25.6
73	24.7
74	23.8

If you attain age 71 on your birthday in 2008, then the 2008 RMD would be determined by dividing the adjusted fair market value (FMV) of the IRA on December 31, 2007, by 26.5. If you attain age 72 in 2008, the adjusted FMV would be divided by 25.6.

However, if your spouse will be the only primary beneficiary of the IRA for the entire year and your spouse is more than 10 years younger than you, based on your attained ages in the same year, then the distribution period for the IRA is the joint life expectancy of you and your spouse each year. This joint life expectancy is found on the Joint Life Expectancy Table published by the IRS. For example, if in 2008 an owner attains age 71 and the spouse attains age 56, then the 2008 RMD is determined by dividing the adjusted FMV of the IRA on December 31, 2007, by 30.1. This would result in a smaller required distribution than if the Uniform Lifetime Table was used.

The FMV is the balance of the IRA on December 31. The adjusted FMV is the FMV of the IRA on December 31 plus the amount received into the IRA in the following year: (1) as a rollover or direct transfer contribution that left the distributing retirement plan in the prior year, or (2) as a recharacterization into your traditional IRA of an IRA conversion contribution to a Roth IRA that you made in a prior year. You do not have to worry about these adjustments because we will make them for you.

ESTIMATING YOUR 2008 PAYMENT

You can estimate your 2008 payment under payment option 3 or payment option 5 by completing the simple calculation below.

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ 12/31/2007 \\ \text{traditional IRA} \\ \text{balance} \end{array} \div \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Distribution} \\ \text{period}^* \end{array} = \$ \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Estimated} \\ \text{2008} \\ \text{RMD} \end{array}$$

*For payment option 5, use the distribution period from the Uniform Lifetime Table on page 9. The distribution period under payment option 3 is the shorter of the period you select or the distribution period from the Uniform Lifetime Table.

Not intended as tax advice. Please consult a tax professional.