

# SIMPLE IRA Participant Notice and Summary Description

## Employer Instructions

Complete all sections of this document, as applicable, in accordance with the elections you made on the Adoption Agreement. Retain the original for your records—this document should **not** be returned to Schwab. Using the completed original as a master copy, provide a photocopy of the Participant Notice and Summary Description to each employee.

## Employee Instructions

This notice describes your Employer's SIMPLE IRA Plan and provides you with information about the type of contribution your Employer will make to your SIMPLE IRA in the coming year. Carefully read and consider the information in this notice before you decide whether to start, continue or change your Elective Deferral Agreement.

## 1. Employer Information

Business Name of Employer

Employer's Federal Tax ID Number (EIN)

Contact Name or Plan Administrator

Business Telephone Number

Business Street Address (no P.O. boxes)

City

State or Province

Zip or Postal Code

Country

## 2. Eligibility and Participation Requirements

**Part A. Opportunity to Participate.** This form is intended, in part, to notify you of your right to choose, during the Election Period, to make Elective Deferrals under the Savings Incentive Match Plan for Employees (SIMPLE) IRA Plan established by your Employer. The Election Period is generally the 60-day period before the beginning of each calendar year and the 60-day period before the first day you become eligible to participate. This notice includes a Summary Description of your Employer's SIMPLE IRA Plan.

**Part B. Eligible Employees.** You may become eligible to participate in the Plan **unless** you are:

- Covered by the terms of a collective bargaining agreement (a union agreement)
- A nonresident alien with no earned income from the Employer
- An employee on account of an acquisition or similar transaction involving your Employer

**Part C. Compensation and Service.** To become eligible to participate in the Plan, you must have earned \$5,000 from the Employer during any two preceding years and you must be reasonably expected to earn such amount from the Employer during the current year, unless otherwise specified below.

You are required to earn at least \$ \_\_\_\_\_ (may not exceed \$5,000) during any \_\_\_\_\_ (may not exceed two) preceding year(s) to be eligible to participate in the Plan. You must also be reasonably expected to earn at least \$ \_\_\_\_\_ (may not exceed \$5,000) during the current year.

## 3. Plan Contributions

**Part A. Elective Deferrals.** By completing an Elective Deferral Agreement, you agree to make Elective Deferral contributions to this Plan. Your compensation will be reduced each pay period by the amount equal to the percentage of your compensation you specify on the Elective Deferral Agreement. Generally, your Elective Deferral (excluding Catch-Up Contributions) may not exceed the Elective Salary Deferral contribution limits as prescribed by the Internal Revenue Service (IRS). The IRS announces cost-of-living adjustments applicable to dollar limitations for retirement and pension plans annually.

You may make or change an election to make Elective Deferrals at any time during the Election Period beginning November 2 and ending December 31. Your election will be effective January 1 of the following year. Additional times when you may make or change an election to make Elective Deferrals are indicated below. You may discontinue making Elective Deferrals at any time, but unless specified below, you cannot begin making Elective Deferrals again until January 1 of the following year.

**Elective Deferral Elections.** For this calendar year, in addition to the required Election Period from November 2 to December 31: You may begin making Elective Deferrals by completing and signing an Elective Deferral Agreement during the Election Period from:

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_\_.

You may change the amount of your Elective Deferrals by completing and signing a revised Elective Deferral Agreement during the Election Period from:

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_\_.

You are allowed to re-commence making Elective Deferrals as of the first day of the year following the year you cease deferring or during the Election Period from:

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_\_.

**Part B. Catch-Up Contributions.**

Will be permitted under the Plan

Will **not** be permitted under the Plan

If Catch-Up Contributions are permitted under the Plan and you will attain age 50 on or before the end of the calendar year, you are eligible to make Catch-Up Contributions. Your Catch-Up Contributions may not generally exceed the salary reduction contribution limits for Catch-Up Contributions as prescribed by the IRS. The IRS announces cost-of-living adjustments applicable to dollar limitations on retirement and pension plans annually.

**Part C. Employer Contributions.** For this calendar year, your Employer will make Matching Contributions equal to 100% of your Elective Deferrals that do not exceed 3% of your compensation, unless your Employer elects to make either the alternative Matching Contributions or the Nonelective Contributions described in Options 1 and 2 below.

**Option 1:**  Matching Contributions in an amount equal to your Elective Deferrals that do not exceed \_\_\_\_\_ % (**must not be less than 1%**).

**Option 2:**  Nonelective Contributions in an amount equal to 2% of compensation on behalf of each Participant who earns at least \$5,000 during the year, unless a different dollar amount is specified below.

You are required to earn at least \$ \_\_\_\_\_ (**may not exceed the amount stated under "Compensation and Service" in Section 2**) during the year to be eligible to receive Nonelective Contributions.

**Part D. Financial Institution.** You must select the institution that will serve as the trustee, custodian or issuer of your SIMPLE IRA and notify your Employer of your selection.

#### 4. Distributions

The following is a brief summary of the rules applicable to distributions from SIMPLE IRAs. The rules are complex and subject to change, and this summary does not include all rules which may apply. You are advised to refer to your SIMPLE IRA Custodial Account Agreement and Disclosure Statement and seek the assistance of a qualified tax advisor before making decisions.

**Part A. Procedures.** SIMPLE IRA assets are fully vested and may be withdrawn at any time, subject to taxes and penalties as explained below. The trustee, custodian or issuer of your SIMPLE IRA, and not your Employer, is responsible for making distributions to you upon your request.

**Part B. Federal Income Tax.** Distributions from SIMPLE IRAs are taxed as ordinary income in the year in which you receive them. Federal income tax withholding will be applied to your distribution at a rate of 10%, unless you specify a higher rate or request no withholding.

**Part C. Early Distribution Penalty.** A 25% early withdrawal penalty applies to SIMPLE IRA distributions taken within two years of your initial participation in the Plan, unless you are age 59<sup>1/2</sup> or older or qualify for an exemption from the penalty. If you are under age 59<sup>1/2</sup>, have satisfied the two-year requirement and receive a distribution that does not qualify for an exemption, you will be subject to a 10% early distribution penalty.

**Part D. Rollovers.** SIMPLE IRA distributions may be rolled over to other SIMPLE IRAs. If a SIMPLE IRA distribution is properly rolled over, your rollover amount will be excluded when determining the amount of your federal income tax or early distribution penalty. You may roll over SIMPLE IRA distributions to Traditional IRAs, qualified retirement plans, tax-sheltered annuities and 457(b) deferred compensation plans. However, you must wait two years from the date you become a participant before doing so.

**Part E. Required Minimum Distributions.** You are required to begin taking minimum distributions from your SIMPLE IRA upon attainment of RMD age in accordance with IRS regulations.

**Part F. Procedures for Withdrawal.** If you wish to take a distribution from your SIMPLE IRA, you must complete and sign a distribution form provided by the custodian of your SIMPLE IRA.

**Part G. Special Procedures Regarding Transfers.** If you wish to make a transfer of your balance in your SIMPLE IRA, you must complete and sign a transfer statement or form provided by the **successor** trustee, custodian or issuer of your SIMPLE IRA.

#### 5. Prototype Sponsor and Custodian

\_\_\_\_\_  
Name of Prototype Sponsor and Custodian

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Address

\_\_\_\_\_  
City

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip Code