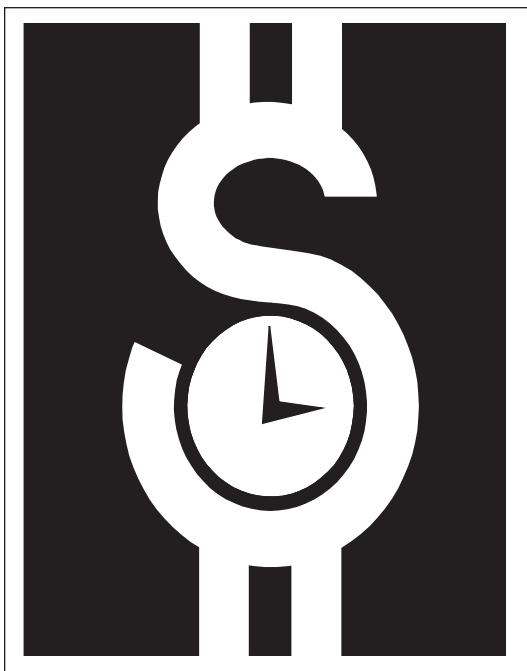


**REQUIRED DISTRIBUTIONS
FROM
YOUR CREDIT UNION
TRADITIONAL IRA**



- **QUESTIONS AND ANSWERS**
- **PAYMENT OPTION
EXPLANATIONS**
- **ESTIMATING YOUR 2007 PAYMENT**

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QUESTIONS AND ANSWERS

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

Federal tax laws require all traditional IRA owners to begin receiving taxable distributions once they reach age 70½. Since you will attain age 70½ in 2007, you will be subject to this requirement starting in 2007. The IRS refers to the minimum amount that you must receive from an IRA as the IRA's required minimum distribution, often referred to as 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 2007?

You have until April 1, 2008, to receive the required distribution for 2007. You must receive the required distribution for 2008 by December 31, 2008. This means that if you postpone receiving your 2007 payment until 2008, you will receive and pay income taxes on the payments for 2007 and 2008 in 2008. **An IRA owner who does not receive distributions at least equal to the RMD for the year is subject to a 50% tax on the amount not taken by the deadline.**

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. The payments you are currently receiving do not necessarily meet the tax law requirements for post-70½ distributions. You must elect how you want to receive your distributions after you reach age 70½ to ensure that you meet federal tax law requirements.

If you want to receive your post-70½ payments in the same months that you are currently receiving payments, select the earliest month in 2007 that you would receive payments under that schedule. For example, if you are receiving semi-annual payments in June and December, then you should select June 2007 as your start date. Or, if you are receiving monthly payments, you should select January 2007 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 of money that is best 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.

Q9. How do I change my withholding election?

Again, you can contact a credit union representative.

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 periodic payments for the current year as long as there is enough remaining in the IRA to distribute the periodic payments.

Q11. Does my traditional IRA continue to earn interest after I start taking payments?

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

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

You may change investments at any time, as long as the change is permitted under the terms of your investment contract.

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

Yes. However, we recommend that you receive your entire RMD for the year **before** rolling over or transferring 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 lack thereof). 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-70^{1/2} RMD*. Complete this certificate 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 April 1, 2008, for the 2007 RMD, December 31, 2008, for the 2008 RMD, and December 31 of each subsequent year.

Completing the Payment Election Form:

If you elect this payment option, please provide the information requested at the top of the *Post-70½ Payment Election* form; then 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 choose payment option 2 in section B of the *Post-70^{1/2} Payment Election* form, you will receive the entire balance of your traditional IRA in a single, lump-sum payment that will close the IRA. You can receive this lump-sum payment any time prior to April 1, 2008.

Completing the Payment Election Form:

If you **do not** want to receive your lump-sum payment right away, please complete the **entire** *Post-70^{1/2} Payment Election* form.

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

1. Do **not** complete the *Post-70^{1/2} Payment Election* form.
2. Contact a credit union representative. You will need to complete a *Withdrawal Instruction* form to receive your payment.

Option 3: Payments over 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 elect this payment option, we will calculate your payment for 2007 by dividing the adjusted December 31, 2006, balance of your IRA by the applicable number of years. (If you made any contributions in 2007 for 2006, those contributions will **not** be added to your December 31 balance.)

Example: If you have \$10,000 in your traditional IRA on December 31, 2006, and want to receive payments for 5 years, you will receive \$2,000 for your 2007 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 2008, 3 years for 2009, and so on.)

See page 11 to estimate your 2007 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 70 on your birthday in 2007, then the 2007 RMD would be determined by dividing the adjusted fair market value (FMV) of the IRA on December 31, 2006, by 27.4. If you attain age 71 in 2007, the adjusted FMV would be divided by 26.5.

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 2007 an owner attains age 70 and the spouse attains age 55, then the 2007 RMD is determined by dividing the adjusted FMV of the IRA on December 31, 2006, by 31.1. 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 2007 PAYMENT

You can estimate your 2007 payment under payment option 3 or payment option 5 by completing the simple calculation below.

Option 3:

$$\begin{array}{r} \$ \underline{\hspace{2cm}} \\ 12/31/2006 \\ \text{traditional IRA} \\ \text{balance} \end{array} \div \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Distribution} \\ \text{period}^* \end{array} = \$ \begin{array}{r} \underline{\hspace{2cm}} \\ \text{Estimated} \\ \text{2007} \\ \text{payment} \end{array}$$

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

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