

# Updated Custodial Agreement and Disclosure Statement for UBS IRAs

We have updated the custodial agreement and disclosure statement for UBS Individual Retirement Accounts (IRAs). The changes made to these IRA documents were approved by the Internal Revenue Service (IRS) earlier this year and a summary is provided beginning on page 3.

The custodial agreement, disclosure statement and IRS letter, including the letter approving UBS Financial Services Inc. (UBS) as a non-bank custodian, can be viewed at this website: [ubs.com/irainformation](https://ubs.com/irainformation).

You may also contact your Financial Advisor if you wish to receive copies of these documents, or with any questions you may have.

Please share this notice with other members of your household who hold an IRA with UBS, and retain this information for future reference.

## **What has changed**

The changes fall into three basic categories:

- Significant changes that may affect your UBS IRA
- Updates reflecting regulatory changes
- Clarifications of existing provisions or legal issues

Although you are not required to take any action as a result of these changes, **we encourage you to review the beneficiary designation of your IRA(s)** because of changes made to the sections pertaining to IRA beneficiaries.

## Summary of significant changes that may affect your UBS IRA

- If you designated your spouse as your IRA beneficiary and subsequently divorce, that designation will be revoked automatically. Unless you submit an updated beneficiary designation, the default beneficiary designation will apply (meaning, the IRA beneficiary will be deemed to be your current spouse, if any, and if none, your estate). See *Additional information about beneficiary designations* on page 6.
- Effective January 1, 2015, the IRS only allows **one rollover** from an IRA to another IRA (or the same IRA) per IRA owner in any 12-month period, regardless of the number of IRAs an individual owns. Previously, the one rollover per year limit applied to each IRA an individual owned.
  - This includes all IRAs, including SEP and SIMPLE IRAs, as well as traditional and Roth IRAs, effectively treating them as one IRA for purposes of the one rollover per year rule.
  - The following types of transfers are not limited by the one rollover per year rule:
    - Trustee-to-trustee transfers between IRAs
    - Rollovers from traditional to Roth IRAs (also known as “conversions”)
    - Rollovers of a distribution from a qualified retirement plan to an IRA
- Electronic delivery of required documents, notices or other communications will be considered provided to you if they are delivered to the e-mail address UBS has on file for you. The electronic delivery will be deemed effective unless you request a paper copy of the documents, notices or other communications within 30 days after UBS mails a written paper notice to you regarding the availability of such document(s), notice(s) or communication(s).

- In addition to the right that UBS has to resign as your IRA custodian at any time with 30 days notice to you, we specifically reserve the right to terminate your IRA and distribute assets directly to you personally in cases where you transfer your IRA to another custodian and that successor custodian does not or refuses to accept any asset in your IRA (e.g., non-publicly traded stocks or partnership interests). You may be liable for income and penalty taxes on that distribution.

### **Updates reflecting regulatory changes**

- The documents have been updated to reflect new rules regarding IRA contributions, contribution limits and the phase-out of those limits for various IRA contribution types effective for the 2015 tax year.
- The documents have been updated to include rules for permissible IRA rollovers of amounts received in airline bankruptcy payments (generally, a current or former employee or surviving spouse of an airline where the employee participated in a defined benefit plan that was terminated in connection with the bankruptcy—see IRS Publication 590-A).

### **Clarifications of existing provisions or legal issues:**

The IRA documents now state that, if applicable, you must file:

- IRS Form 5329 for early distributions, excess contributions or missed RMDs.
- IRS Form 8606 for non-deductible contributions, conversions and Roth IRA distributions.
- IRS Form 990-T for unrelated business taxable income for income on certain investments.

Further, the IRA documents:

- Make clear that tax-exempt investments, such as municipal bonds, are taxable upon distribution or withdrawal from an IRA unless the distribution or withdrawal is a tax-free distribution from a Roth IRA or a return of your basis in an IRA. Therefore, interest on these investments, which would be tax exempt if held outside an IRA, generally is taxable on distribution when purchased in an IRA. You should consult your tax advisor before investing your IRA in a tax-advantaged investment.
- Describe the estate and gift tax treatment of IRAs and the tax-free distribution from your IRA to charities that may be permitted if you are age 70½ or older. (Note: at this time, charitable distributions are not available.)
- Provide expanded information on the rules applicable to an inherited IRA and the differences in tax treatment between a spouse and non-spouse beneficiary.
- Incorporate the conditions under which UBS, as custodian, will allow non-publicly traded investments to be held in an IRA.
- Contain an acknowledgment that the Internal Revenue Code prohibits you, as IRA owner, from engaging in prohibited transactions which may include transactions related to the investments in the IRA. In addition, there is an acknowledgment that you understand that, if you enter into a prohibited transaction with your IRA, the IRA will lose its tax-exempt status, and UBS must treat the IRA as if all of its assets were distributed. In such case, you will receive an IRS Form 1099-R for the value of the assets.

## **Additional information about beneficiary designations**

We encourage you to review your current IRA beneficiary designation. Your current IRA beneficiary is reflected on your monthly UBS account statement unless you have asked us not to include it.

If your beneficiary designation is no longer up to date, please contact your Financial Advisor to update our records. As indicated in the *Summary of Significant changes* section on page 3, if you get divorced after you designate your spouse as your IRA beneficiary, the dissolution of the marriage automatically revokes the designation. If you do not update the beneficiary designation, the default beneficiary designation will apply, so that your IRA beneficiary will be your current spouse, if any, and if none, your estate. To designate your former spouse as your IRA beneficiary, you must complete an IRA Beneficiary Designation Form after the divorce or in connection with the divorce proceedings.

UBS Financial Services Inc., its affiliates, and its employees are not in the business of providing tax or legal advice. Individuals should seek advice based on their particular circumstances from an independent tax or legal advisor.