

## Introduction

Understanding the options available to you before your IRA distributions begin is one key to a successful retirement. The decisions you make now could possibly affect the number or amount of payments you receive, and ultimately play a part in whether you enjoy a comfortable and financially secure retirement.

## When Can I Withdraw My Money?

You may withdraw IRA assets whenever you wish. However, whether you own a Vantagepoint Roth or Traditional IRA, when you take money from your account makes a significant difference. With a Roth IRA your age and the five-year holding period are the most important factors while age makes a difference with a Traditional IRA. These differences are explained below.

### Roth IRA Withdrawals

The Roth IRA's biggest tax advantages can be realized when you withdraw funds from your account. Since Roth IRA contributions are after-tax and are distributed first (followed by conversion assets and then earnings) you may withdraw these contributions any time – tax and penalty-free, provided your aggregate distributions from all of your Roth IRAs do not exceed your aggregate Roth IRA contributions.

To qualify for tax-free withdrawals of your earnings from your Roth IRA, you must meet the following conditions:

- You have held the account at least five years and
- You are at least 59½

**OR**

- You are using the money for a first-time home purchase (limited to \$10,000 over your lifetime)

**OR**

- You are disabled

**OR**

- Your beneficiary is withdrawing assets in the event of your death.

If you do not meet the above conditions, the earnings you withdraw are taxed and may be subject to a 10 percent early withdrawal penalty. Further explanations describing withdrawals before and after age 59½ are detailed below.

### BEFORE AGE 59½

One of the important features of the Roth IRA is that it allows owners the flexibility to use assets for today's expenses. Roth IRA owners can withdraw both contributions and earnings at any time prior to age 59½ – without paying the 10 percent early withdrawal penalty on distributions taken for the following reasons:

- You have reached age 59½.
- You are totally and permanently disabled.

- You are the beneficiary of a deceased IRA owner.
- You use the distribution to buy, build, or rebuild a first home.
- The distributions are part of a series of substantially equal payments.
- You have unreimbursed medical expenses that are more than 10% (or 7.5% if you or your spouse was born before January 2, 1950) of your adjusted gross income (defined earlier) for the year.
- You are paying medical insurance premiums during a period of unemployment.
- The distributions are not more than your qualified higher education expenses.
- The distribution is due to an IRS levy of the qualified plan.
- The distribution is a qualified reservist distribution

### OVER AGE 59½, BUT UNDER AGE 72

If you are over age 59½, there are two significant advantages for you when you make your Roth IRA withdrawals: You will not be subject to any 10 percent early withdrawal penalties, and you will automatically meet one of the two requirements for being able to take a tax-free withdrawal of the earnings from your Roth IRA. In order for your withdrawal of earnings to be fully tax-free, the other requirement you must meet is that you have held the account for at least five years. If you don't meet this other requirement, the earnings withdrawn are taxable.

### AFTER AGE 72 – NO REQUIRED MINIMUM DISTRIBUTION

The Roth IRA does not require minimum distributions beginning at age 72, giving you the potential for tax-free growth and compounding beyond the point at which you would have been required to take minimum distributions from a Traditional IRA. Deferring withdrawals for as long as possible after age 72 can result in additional growth that may substantially stretch your retirement savings. Also keep in mind that your Roth IRA assets will be transferred to your beneficiary upon your death and may be subject to minimum distribution requirements, but not penalties or federal income taxes.

For more information on required minimum distributions contact Participant Services at 800-669-7400. You can also obtain information from IRS Publication 590, Individual Retirement Arrangements (IRAs).

### Traditional IRA Withdrawals

Assets in your Traditional IRA account can be withdrawn without penalty after age 59½, and you must begin to withdraw money from your account no later than April 1 of the year following the calendar year in which you turn age 72.

### BEFORE AGE 59½

If you are under age 59½, amounts withdrawn from a Traditional IRA may be subject to a 10 percent early withdrawal penalty. This penalty, payable to the IRS, is in addition to the usual income tax payable on the taxable amount of the withdrawal. You may be required by the IRS to file form 5329, Additional Taxes Attributable to Qualified Retirement Plans (Including IRAs) Annuities and Modified Endowment Contracts to pay this penalty.

Traditional IRA assets can be withdrawn before age 59½ without paying an early withdrawal penalty if the funds are used for one of the following reasons:

- You have unreimbursed medical expenses that are more than 10% (or 7.5% if you or your spouse was born before January 2, 1950) of your adjusted gross income.
- The distributions are not more than the cost of your medical insurance due to a period of unemployment.
- You are totally and permanently disabled.
- You are the beneficiary of a deceased IRA owner.
- You are receiving distributions in the form of an annuity.
- The distributions are not more than your qualified higher education expenses.
- You use the distributions to buy, build, or rebuild a first home.
- The distribution is due to an IRS levy of the qualified plan. [sic]
- The distribution is a qualified reservist distribution.

Keep in mind that the withdrawal of any earnings and deductible contributions from a Traditional IRA will still be subject to regular income tax.

### OVER AGE 59½, BUT BEFORE AGE 72

If you haven't already begun to take distributions from your IRA, you can choose the amount of your distribution. You are not required by the IRS to receive a minimum distribution amount each year. You must pay income tax at your current rate on any tax deductible contributions you made earlier and on all accumulated earnings that are included in your distribution. Your contributions and earnings are withdrawn on a prorated basis. Your non-deductible contributions are not taxed again when withdrawn from your IRA. You will owe tax on any accumulated earnings included in your distribution.

### AFTER AGE 72 AND MINIMUM REQUIRED DISTRIBUTIONS

Traditional IRA withdrawals after age 72 must be taken at least annually and are subject to minimum distribution requirements. You may wish to consult a tax advisor or financial planner to discuss your particular circumstances. General income tax considerations are discussed on pages 8 and 9 of this brochure. In addition to these general tax considerations, you will be subject to a tax penalty of 50% of the amount by which you fall short of the minimum distribution required. Your required distribution is calculated separately for each Traditional IRA you own but may be taken from one or more of these IRAs.

The deadline for the first required minimum distribution (RMD) is April 1 of the year following the calendar year in which you reach age 72. For each subsequent year, the deadline for withdrawal is December 31. Since you are required to take a distribution by year-end of the year of your first RMD, you may wish to take the first RMD in the year in which you reach age 72 to avoid taking and being taxed on two RMDs in a single year.

MissionSquare Retirement makes this process simple for you. Beginning with the year you reach age 72, MissionSquare annually calculates the RMD for your Vantagepoint Traditional IRA and notifies you of this amount, based on information on file. If you have not received the RMD at the time of the notification, you will then be given the opportunity to receive this amount by the December 31 deadline or indicate that the RMD will be met from another IRA. The RMD for the year you reach age 72 is paid in December of that year rather than delaying payment until the following year.

A good source of information on RMDs is IRS Publication 590 Individual Retirement Arrangements, available at IRS local offices, through 1-800-IRS-1040, or on the Internet at [www.irs.gov](http://www.irs.gov).

## How Can I Withdraw My Vantagepoint IRA Assets?

If you are taking a distribution from your IRA, there are several types of payments available: one-time lump sums, installment payments, and direct roll-ins. You may also combine these types, such as taking a partial lump sum and the balance in installment payments.

1. **Lump Sum** – Your account balance may be paid to you at one time. Although this option means that the entire balance will be taxed all at once, it can make sense in some circumstances. For example, if you will be paying off high-interest loans or if you have a relatively small balance and do not need the tax benefits of spreading out the payments, a lump sum may make sense. You may also elect to take a partial lump sum and give instructions for the balance remaining or defer providing instructions until a later date.
2. **Installment Payments** – MissionSquare offers a wide range of flexibility when it comes to installment payments. There are fixed payment options and payments that will exhaust your account over a pre-determined time period.
  - **Payments of a fixed amount until the account is exhausted** – You choose the dollar amount and this amount will be paid to you until your account is exhausted.
  - **Fractional payments over a number of years** – You choose the number of years or life expectancy and an amount will be calculated with each payment to exhaust your account within this time period. Please be aware that your payments will fluctuate with this option due to investment performance. For example, you might choose monthly payments over ten years. Since this would be exactly 120 payments, your first payment would be 1/120th of your account value; the second month's payment would be 1/119th, and so on until the last month, when your remaining balance would be paid out.
  - **Payments of fixed amount until the account is exhausted based on number of years or life expectancy** – You choose the number of years or life expectancy and MissionSquare calculates an estimated amount to exhaust your account within this time period. MissionSquare will calculate the payment once and the payment will not change unless you make another request. If your account grows slower than expected then your payments will not last the entire time period. If your account grows faster than expected then your payments will last longer than the time period.
3. **Direct transfer or roll-in** – Effective January 1, 2002, investors in a Traditional IRA gained the ability to directly transfer or roll their Traditional IRA account assets into certain retirement savings plans. This means that when you are ready to receive a distribution from your Traditional IRA, you may now move assets to (1) another Traditional IRA, or (2) an employer-sponsored retirement savings plan (e.g., 457, 401(a), 401(k) or 403(b) plan) that accepts roll-ins.

If you wish to move your Vantagepoint IRA assets to another Vantagepoint IRA, or an MissionSquare eligible retirement plan, please call Participant Services at 800-669-7400 to request the proper form.

## Can I take an IRA distribution and then roll it in to another IRA or retirement plan?

The Internal Revenue Code allows you to roll assets to an IRA or retirement plan (as long as that plan accepts roll-ins from IRAs) so long as it is within a period of 60 days from the date of the distribution. This type of indirect rollover may only be done once every twelve months, as opposed to direct trustee-to-trustee transfers which may be done as frequently as the investor wishes. Keep in mind that you will be subject to tax withholding when you withdraw your funds, unless you elect out of withholding. In addition, you will be subject to tax reporting.

## What happens if I have a VantageBroker Account?

If you are requesting a partial lump-sum withdrawal or installment payments, the distribution will be on a prorated basis from all funds with the exception of assets in your VantageBroker account. These funds will not be liquidated and/or transferred to your Vantagepoint IRA account for payment until you make that request.

Please keep in mind if your withdrawal request is for your entire account or if the amount requires withdrawal of assets in your VantageBroker account, you must initiate the liquidation of your VantageBroker account and transfer the assets back to your Vantagepoint IRA account. You may execute these transactions by calling a VantageBroker associate at 800-669-7400. Settlement of the sale of assets held in VantageBroker accounts may take up to three days.

## Your IRA Withdrawals and Taxation

### IRS Withholding Tax

Distributions from your IRA, whether Traditional or Roth, are subject to an IRS-imposed 10 percent withholding tax with the exception of amounts transferred directly to a retirement savings plan or IRA. The 10 percent withheld is credited in your name as federal income tax paid for that year. You may choose to waive withholding or to have more withheld. If you waive withholding, you must still pay any taxes you owe for the year of the distribution. These taxes generally are due by April 15 of the year following the distribution. Consult your tax or financial advisor. If you do not elect out of withholding, 10 percent will be withheld from the entire distribution, whether taxable or not. You may elect to have more than 10 percent withheld.

### Roth IRA Taxes

Although Roth IRAs receive different tax treatment than Traditional IRAs, the 10 percent withholding provision (described earlier) still applies to your Roth IRA unless waived. Because contributions to a Roth IRA are nondeductible, you never pay additional tax on your own contributions when making withdrawals. However, you may owe taxes on any earnings. Use IRS Form 8606, Nondeductible IRAs to calculate these taxes. Remember, you are responsible for reporting any applicable tax on earnings. To do so, file IRS Form 8606 for each year in which you convert to a Roth IRA or take a distribution.

## Traditional IRA Taxes

The distribution you receive from your Traditional IRA may be completely or partly taxable, depending on whether you made any nondeductible contributions in the past. If all the contributions you made to your IRA were deductible, the entire amount of every distribution is taxable. Nondeductible contributions are those for which you did not take a tax deduction in the year of your contribution. If you made any nondeductible contributions to a Traditional IRA, you should have previously filed IRS Form 8606, Nondeductible IRAs, for each tax year in which you made a nondeductible contribution.

If you ever made nondeductible contributions, part of your total balance in a Traditional IRA will constitute what is known as the IRA's cost basis – that is, the amount that is tax-free. You must combine the cost basis in all of your Traditional IRAs, including SEP-IRAs and Simple IRAs.

After-tax contributions have previously been taxed and will be included with the total non-deductible contributions to determine the non-taxable portion of your distribution.

## How to calculate the nontaxable portion of each distribution

$$\text{Nontaxable portion of distributions} = \frac{\text{Aggregate nondeductible contributions}}{\text{Traditional IRA balance at year-end} + \text{distribution during year}} \times \text{Total distributions during year}$$

You must complete IRS Form 8606, Nondeductible IRAs, if you made nondeductible contributions to your Traditional IRA in previous years. If you fail to report information on Form 8606 it could result in a \$50 IRS penalty. To order this form, call the IRS Forms Distribution Center at 1-800-TAX-FORM. For more information on this topic, refer to IRS Publication 590, Individual Retirement Arrangements.

## Reporting Taxes to the IRS

MissionSquare is required to issue IRS Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc., to all investors who receive a distribution from an IRA. This information is mailed to you by January 31 of the year following the distribution, and MissionSquare will also report it to the IRS. You are responsible for reporting the taxable portion of any distribution on your federal tax return as well as any state and local returns.

## Reporting IRA Distributions to the IRS

Listed below are the forms you may need for tax reporting:

### IRS FORM 1099-R

Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

This form is provided to you to:

- Report any distribution from an IRA
- Report conversions from Traditional IRAs, SEP-IRAs and SIMPLE IRAs into Roth IRAs
- Report recharacterizations from Roth IRAs back to Traditional IRAs, SEP-IRAs, and SIMPLE IRAs
- Report recharacterizations of Traditional IRA contributions to Roth IRA contributions
- Report excess contributions from an IRA

### IRS FORM 5329

Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs.

This form is completed by you to:

- Report excise (penalty) taxes due to premature distributions or excess contributions
- Report the penalty due for not taking required minimum distributions

### IRS FORM 8606

Nondeductible IRAs

This form is completed by you to:

- Track the nondeductible balance in your Traditional IRA
- Determine the taxable amount of any Traditional IRA or Roth IRA distribution
- Report the taxable amount of a conversion of a Traditional IRA, SEP-IRA, or SIMPLE IRA into a Roth IRA
- Report the amount of recharacterized contributions and reversed conversions

## Arranging for a Distribution

To arrange for a distribution of your IRA assets - whether the entire account balance or just a portion—simply follow these steps:

**STEP 1.** Complete the attached Vantagepoint IRA Withdrawal Form. This form enables you to select a payment schedule—either lump-sum payment or installments—and provide instructions for the payment of funds—either through a check written to you or through electronic deposit. This form is not used for transferring to another Vantagepoint IRA. Please contact Investor Services if you wish to transfer to another Vantagepoint IRA by calling 800-669-7400.

**STEP 2.** Sign and date the form to authorize the withdrawal of your Vantagepoint IRA assets. Be sure to obtain the necessary signature guarantees. For your protection, a signature guarantee is required if you are requesting that your check be mailed to an address other than the one shown on MissionSquare's records or the account registration has changed within the past 7 days (e.g., address change or name change due to marriage). The lack of a required signature guarantee will delay your withdrawal. Signature guarantees can be obtained at most banks where you have an account.

**STEP 3.** Mail your forms to:

Workflow Management Team  
P.O. Box 96220  
Washington, DC 20090-6260

or fax your forms to:

(202) 682-6439, Attn: Workflow Management Team.

**STEP 4.** Your withdrawal will be processed in the form of a check and mailed to your address shown on MissionSquare's records, unless you indicate otherwise by selecting one of the special payment methods:

- a. check made payable to a different name and/or mailed to a different address, or
- b. electronic deposit of installment payments to a bank account. If you request electronic deposit, your first installment may be in the form of a check. Non-installment payments (e.g., lump sums) will be paid by check only.

**Please note:** If the account owner is deceased and you are the beneficiary, you should call Investor Services at 800-669-7400 and request the Vantagepoint IRA Beneficiary Withdrawal Packet.



### 3 ONE-TIME PAYMENT OPTION

The payment schedule you select may be revised at any time subject to IRS minimum distribution requirements for Traditional and Conduit IRAs. Check the appropriate box to select a total lump sum payment of your account or a single partial payment. If electing a single partial payment, please indicate the dollar amount you wish to withdraw. One-time payments will be processed the day after the receipt of the request (assuming the request is received by 4:00 p.m. Eastern Time and is received "in good order").

### 4 INSTALLMENT PAYMENT OPTION

Complete the appropriate boxes to provide the instructions for processing your installment payment schedule. Please contact MissionSquare's Participant Services Division at 800-669-7400 before selecting the "Other" box to make sure your schedule can be accommodated. You may select the order to redeem your funds by checking the "investment funds depletion order" box and providing a list of up to three of your investment funds. After the account balance of your last fund has been depleted, your withdrawals will be prorated among all remaining funds. **Note:** Roth IRA withdrawals will be prorated across all asset sources (e.g., contributions, roll-ins, conversions).

### 5 INVESTMENT FUND DEPLETION ORDER

Complete this section only if you are opting for an installment payment and wish to select the order of fund depletion.

### 6 INCOME TAX WITHHOLDING ELECTION

MissionSquare is required to withhold federal income taxes at a rate of 10 percent from each withdrawal you receive from your Vantagepoint IRA unless you elect not to have withholding apply or if you transfer funds directly to another IRA or retirement savings plan. Please consider consulting with your tax advisor before completing this section.

- If you wish, you may elect to have taxes withheld at a rate of more than 10 percent.
- State taxes will be withheld in states where withholding is mandatory.
- The 10 percent withheld is credited in your name as federal income tax paid for that year.
- If you waive withholding, you must still pay any taxes you owe for the year of the distribution.
- Contributions to a Roth IRA are not subject to tax when withdrawn, but once all contributions have been distributed, you may owe taxes on any earnings. Use IRS Form 8606, Nondeductible IRAs to calculate.
- The distribution you receive from a Traditional IRA may be completely or partly taxable, depending on whether you made any nondeductible contributions. If you made nondeductible contributions for which you did not take a tax deduction, you should have filed IRS Form 8606 for each applicable tax year, and a partial amount of each distribution will be non-taxable. Use IRS Form 8606, Nondeductible IRAs to calculate.
- MissionSquare is required to issue IRS Form 1099-R to all investors who receive a distribution from an IRA. This information is mailed to you by January 31 of the year following the distribution, and MissionSquare will also report it to the IRS. You are responsible for reporting the taxable portion of any distribution on your federal tax return as well as any applicable state and local returns.

**7A PAYMENT INSTRUCTIONS**

Your withdrawal will be processed in the form of a check made payable to you and mailed to your address shown on MissionSquare records, unless you request that a check to be mailed to a different address. Note: A signature guarantee will be required if either of the conditions shown in Section 7B below apply.

**7B SIGNATURE GUARANTEE**

Complete this section if and only if one or more of the following apply:

- (1) The account registration has changed within the past 7 calendar days (e.g., address change or name change due to marriage).
- (2) Your check mailed to a different address.

The lack of a required signature guarantee will delay your withdrawal. Signature guarantees can be obtained at most local banks where you have an account.

**8 YOUR SIGNATURE**

Please sign and date the form to authorize the withdrawal of your Vantagepoint IRA assets and mail to:

Workflow Management Team  
P.O. Box 96220  
Washington, DC 20090-6260

You can also fax the completed form to:

(202) 682-6439  
Attn: Workflow Management Team.



SOCIAL SECURITY NUMBER:

**4B DIRECT DEPOSIT INFORMATION**

**FOR INSTALLMENT PAYMENTS ONLY** – Attach a voided check with your completed form. Please contact your bank to confirm the below information. Incorrect information may result in your payments being delayed.

Name of Financial Institution: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Type of Account:     Checking     Savings

Routing Number: *(9 DIGITS)* \_\_\_\_\_

Account Number: \_\_\_\_\_

Name on Account: \_\_\_\_\_

**5 INVESTMENT FUND DEPLETION ORDER (OPTIONAL)**

If you are selecting an installment payment and wish to select the order in which to redeem your funds, please list those fund codes below. Please Note: You can only select a maximum of three (3) funds. After the account balance of the third fund listed has been depleted, your withdrawals will be prorated amongst all of your remaining funds.

FIRST FUND: \_\_\_\_\_ SECOND FUND: \_\_\_\_\_ THIRD FUND: \_\_\_\_\_

**6 INCOME TAX WITHHOLDING ELECTION**

Federal income taxes will be withheld from each withdrawal you receive from your Vantagepoint Traditional or Roth IRA unless you are making a direct roll-in or you elect not to have withholding apply to a distribution made to you. If you elect not to have taxes withheld, you still remain liable for payment of federal income tax on any taxable portion of the distribution. You may also be subject to federal income tax penalties (1) under the estimated tax payment rules if your payments of estimated tax and tax withheld are insufficient, (2) for early distributions (prior to age 59½), and (3) for failure to take the minimum required distribution (after age 72). You may instruct MissionSquare to withhold state taxes.

Please use whole percentages only.

- Withhold federal income tax rate of 10%
- Withhold additional federal taxes (10% + \_\_\_\_\_% for a total of \_\_\_\_\_%)
- Withhold no federal income taxes

**Federal income tax at the rate of 10 percent will be made on distributions made to you if you do not select any of the federal withholding boxes above.**

- Withhold state income tax of \_\_\_\_\_%

SOCIAL SECURITY NUMBER:

**7A PAYMENT INSTRUCTIONS**

Your withdrawal will be processed in the form of a check made payable to you and mailed to your address shown on MissionSquare records unless you indicate otherwise below. Note: A signature guarantee will be required if you request that a check be sent to an address other than the address shown on MissionSquare records. (Please see Section 7B.)

Different mailing address *(if different from the one provided in Section 1)*:

Mail my check to: Street Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

**7B SIGNATURE GUARANTEE**

Complete this section only if you are requesting your check be mailed to an address other than the one shown on MissionSquare records or the account registration has changed within the past 7 calendar days (e.g., address change or name change due to marriage). The lack of a required signature guarantee will delay your withdrawal. Signature guarantees can be obtained at most banks where you have an account.

**SIGNATURE GUARANTEE**

Authorized Officer to Place Stamp Here

SEAL OR STAMP

Guarantor: \_\_\_\_\_

Title: \_\_\_\_\_

Date: MM/DD/YYYY \_\_\_\_\_

**8 YOUR SIGNATURE**

As requested by law, and under penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided is correct.

I understand that I am responsible for payment of applicable taxes and penalties on my withdrawal and will not hold MG Trust Company d/b/a Matrix Trust Company, MissionSquare Retirement, or its affiliates responsible for the tax implications of my withdrawal.

Your Signature: \_\_\_\_\_

Date: MM/DD/YYYY \_\_\_\_\_