

SIMPLE IRA Notification to Eligible Employees and Summary Description



P.O. Box 8266 | Boston, MA 02266
wellsfargo.com/advantagefunds

1 EMPLOYER INFORMATION (PLEASE PRINT)

Name of employer _____

Address _____

City _____

State _____

ZIP code _____

2 PLAN SPONSOR INFORMATION

Wells Fargo Bank, N.A. (Custodian)
c/o Wells Fargo Advantage Funds®
P.O. Box 8266
Boston, MA 02266-8266

3 EMPLOYEE ELIGIBILITY REQUIREMENTS

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 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.

Eligible employees. All employees of the employer shall be eligible to participate under the plan except:

- a. Employees included in a unit of employees covered under a collective bargaining agreement.
- b. Non-resident alien employees who did not receive U.S. source income.
- c. Employees who are not reasonably expected to earn \$_____ (not to exceed \$5,000) during the plan year for which the contribution is being made.
- d. There are no eligibility requirements. All employees are eligible to participate upon the later of the plan's effective date or the employee's date of hire.

Compensation and service. Each eligible employee will be eligible to become a Participant after having worked for the employer during any _____ prior years (not to exceed two) and received at least \$_____ in compensation (not to exceed \$5,000), during each of such prior years.

4 EMPLOYER CONTRIBUTION ELECTION

Employer contributions. For the _____ calendar year, the employer elects to contribute to your SIMPLE IRA (employer must select one option below):

- a. A matching contribution equal to your salary reduction contributions—up to a limit of 3% of your compensation for the year.
- b. A matching contribution equal to your salary reduction contributions—up to a limit of _____% (employer: enter a number from 1 to 3, subject to certain restrictions) of your compensation for the year.
- c. A nonelective contribution equal to 2% of your compensation for the year (limited to \$245,000*) if you are an employee who makes at least \$_____ (employer: enter an amount that is \$5,000 or less) in compensation for the year.

Catch-up contributions. Catch-up elective deferral contributions shall not exceed \$2,500* and may only be made by eligible employees who have attained or who will attain the age of 50 on or before December 31.

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 by providing a completed Salary Reduction Agreement.

**These are the amounts for 2011 and are subject to annual cost-of-living adjustments. The IRS announces the increases, if any, in a news release, in the Internal Revenue Bulletin, and on its website at www.irs.gov.*

5 EMPLOYEE SALARY REDUCTION CONTRIBUTIONS

An eligible employee may make an election to have his or her compensation for each pay period reduced. The total amount of the reduction in the employee's compensation for a calendar year cannot exceed the applicable amount for that year. To start or change your participation in the plan, complete the Salary Reduction Agreement and return it to _____

(employer: designate a place or individual) by _____ (employer: insert a date that is not less than 60 days after notice is given).

If a Participant elects to stop deferring during a plan year, such Participant:

- a. May not resume elective deferrals until January 1 of the next plan year; or
- b. May resume elective deferrals at the next change date permitted below.**

**Eligible employees will be permitted to make or modify their deferral elections: _____ (insert date(s) that will apply to all eligible employees).

6 DISTRIBUTIONS

Following is a brief summary of the rules applicable to distributions from SIMPLE IRAs. Please refer to your SIMPLE Individual Retirement Account Disclosure Statement & Account Custodial Agreement and consult with a qualified tax advisor if you have additional questions.

Procedures. You may withdraw funds from your SIMPLE IRA at any time before or after you retire. If, however, you make withdrawals before age 59½, you may be subject to tax and penalties. The trustee, custodian, or issuer of your SIMPLE IRA and not your employer, is responsible for making distributions to you upon your request.

Federal income tax. Generally, any withdrawal from your SIMPLE IRA will be includable in your gross income as ordinary income for federal income tax purposes for the tax year in which you receive it. Federal tax laws require *Wells Fargo Advantage Funds* to generally withhold 10% of each withdrawal by you for payment of your federal income taxes, unless you instruct us not to withhold. Certain states may require additional withholding from your distribution. Please consult your state tax authority to determine if your state requires withholding.

Early withdrawal penalty. If you make a withdrawal from your SIMPLE IRA before age 59½ and do not roll over the amount withdrawn, you will have to pay a federal early withdrawal tax penalty on the taxable amount withdrawn, unless you qualify for one of the exceptions to the penalty tax. The early withdrawal penalty tax is 25% of any taxable amount withdrawn from your SIMPLE IRA during the first two years of your participation in your employer's SIMPLE IRA plan. The penalty tax is reduced to 10% for taxable amounts withdrawn after the two-year period.

Required minimum distributions. You may incur a federal tax penalty if you do not start making withdrawals on or before April 1 of the year following the year in which you become age 70½.

Procedures for withdrawals. You may withdraw assets from your SIMPLE IRA at any time. However, if the withdrawal is within the first two years of participation in your employer's SIMPLE IRA plan and you are under age 59½, you may be subject to a 25% premature distribution penalty under Section 72(t)(6) of the Internal Revenue Code. Withdrawals taken after the first two years and before age 59½ will generally be subject to a 10% penalty. In addition, an amount withdrawn from your SIMPLE IRA is generally includable in your gross income. If you would like to make a withdrawal, contact *Wells Fargo Advantage Funds* at 1-800-222-8222 to request an IRA Distribution form.

Procedures for rollovers. Distributions from your SIMPLE IRA may be rolled over to another SIMPLE IRA if those assets have not been rolled over in the previous 12 months. Rollovers from a Traditional IRA or other eligible retirement plans to a SIMPLE IRA are not allowed. Proper rollovers are not subject to federal income tax or the early withdrawal penalty. Rollovers from your SIMPLE IRA to a Traditional IRA or other eligible retirement plans are allowed if you have participated in the SIMPLE IRA for at least two years and have not rolled over those amounts in the previous 12 months.

Procedures for transfers. A transfer to another SIMPLE IRA is tax-free. Transfers to a regular IRA may be subject to additional taxes if conducted within the first two years of participation in your employer's SIMPLE IRA plan. To transfer to another SIMPLE IRA, complete your new financial institution's transfer form and forward it to *Wells Fargo Advantage Funds* at the address located in section 2 of this form.

Note: There is a \$25 fee for closing a SIMPLE IRA or for each rollover or transfer of assets to another custodian.